WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR16003289

To the Board of Directors and Shareholders of WT Microelectronics Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of WT Microelectronics Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion..

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recognition of supplier rebates

Description

Please refer to Note 4(11) for accounting policies on supplier rebate.

The Group is primarily engaged in sale of electronic and communication components. In line with industry practice, the Group has entered into rebate arrangements with its suppliers for various kinds and quantities of inventories. The Group calculates the amount of supplier rebates in accordance with the arrangement, and recognizes it as deduction of account payable to suppliers, and also deduction of cost of sales or inventory depending on whether the inventories have been sold. The Group pays net purchase price, after confirmation that the rebate is granted and the credit memo from its suppliers has been received.

As the types of supplier rebates terms are many and changes frequently, and the calculation is complex, the Group relies on the information system to gather related transaction information, and manually matched each inventory category with its corresponding rebate term to calculate the supplier rebate that should be recognised. Since the supplier rebate is material to the financial statements, and more audit effort are required to address this audit matter, the recognition of supplier rebate has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. We obtained an understanding and assessed the internal controls related to supplier rebates, and tested the effectiveness of relevant internal controls, such as major supplier rebates had been reviewed by responsible management, and the inventory cost had been correctly deducted and paid in net amount based on the credit memo approved by suppliers;

B. We performed trend analysis on the ratio of supplier rebates to corresponding transaction amount;

C. We sampled supplier rebates and tested whether the transaction quantities which was used in calculation were consistent with its original transaction data, and obtained arrangements and calculation worksheets to ensure that the rebate recognition was consistent with the arrangements;

D. We sampled the supplier rebates which were recognised before balance sheet date but have not yet been confirmed by suppliers, and verified its consistency and reasonableness with subsequent credit memos approved by suppliers after balance sheet date, and confirmed that there was no material differences; and

E. We performed confirmation of selected material accounts payable, examined whether there is a significant difference between the amount of supplier rebates recognized based on the arrangements and the amount replied in the suppliers' confirmation, and investigated the differences, if any.

Impairment assessment of goodwill

Description

Please refer to Note 4(17) for accounting policies on goodwill impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to goodwill impairment, and Note 6(10) for details of goodwill impairment.

The Group acquired 100% shares of stock of target companies or electronic components distribution business by cash or through exchange of shares of stock. The purchase price was allocated to the net identifiable assets acquired at fair value in accordance with the accounting policies on business combinations. The goodwill which was generated from purchase price allocation was presented in "Intangible assets - goodwill". As at December 31, 2016, the Group's goodwill amounted to NT$ 1,536,991 thousand.

Aforementioned acquired company and distribution business, some distribution business were managed by other operating segments in the same district after the acquisition due to management purpose. After identifying the smallest cash generating unit which can generate independent cash flow, the Group used the expected future cash flows of each cash generating unit and proper discount rate to determine recoverable amount of goodwill, and assesses whether goodwill may be impaired. The above expected future cash flow of each cash generating unit involves its own financial forecast for the next 5 years, as the assumption of forecast requires management judgement and involves a high degree of uncertainty that has a material effect on measured result of recoverable amount and affected the goodwill impairment assessment. Thus, we consider the goodwill impairment valuation of each cash generating unit a key audit matter.

<u>How our audit addressed the matter</u>

We performed the following audit procedures on the above key audit matter:

A. We assessed the consistency of smallest cash generating unit which was identified by management and used in goodwill allocation, and the lowest level at which management monitored the goodwill;
B. We assessed management's assessment process of each cash generating unit and compared the consistency between future cash flow of valuation model for the next 5 years and operating plan which was approved by the Board of Directors;
C. As the recoverable amount was determined by value-in–use, the evaluation process of the reasonableness of each estimated growth rate, discount rate and other significant assumption included the following:
   (a) Compared the reasonableness of estimated growth rate with historical data and economic and external industry forecast information;
   (b) Compared discount rate assumptions with respect to cash generating units' capital cost and similar return on assets; and
   (c) Checked the parameters of valuation model and the setting of calculation formula.
D. We compared the higher of recoverable amount and book value of each cash generating unit to verify the appropriateness of impairment assessment.

Assessment of allowance for inventory valuation losses

<u>Description</u>

Please refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(4) for details of inventory valuation. As at December 31, 2016, the Group's inventories and allowances for inventory valuation losses were NT$ 22,133,152 thousand and NT$ 936,776 thousand, respectively.

The Group is primarily engaged in sales of various kinds of electronic components. Due to rapid technological innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. For non-obsolete inventories, the net realisable value is estimated based on the estimated selling price in a certain period around balance sheet date. For aged inventories and individually determined as obsolete inventories, the net realisable value is determined based on historical experience of inventory usage and sale discount. Since the amount of inventory was material, inventory types are various and source information of net realisable value of each type of inventories are also many, the identification of obsolete and damaged inventory and its net realisable value are subjected to management's judgement. Thus, we consider the assessment of allowance for inventory valuation losses a key audit matter.

<u>How our audit addressed the matter</u>

We performed the following audit procedures on the above key audit matter:

A. We obtained an understanding and evaluated the process of inventory and warehouse management, examined the annual plan and participated in stock take to assess the effectiveness of management's identification and controls on obsolete inventory;

B. We obtained an understanding of the Group's nature of business and industry and assessed whether the provision policies and procedures were applied reasonably and consistently in all the periods; and

C. We obtained the net realisable value statement of each inventory, assessed whether the estimation policy was consistently applied, and tested relevant parameters, including the original data of sales and purchase and obtained supporting documents.

Accounts receivable impairment valuation

<u>Description</u>

Please refer to Note 4(8) for accounting policy on accounts receivable impairment valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to accounts receivable impairment valuation, and Note 6(3) for details of accounts receivable. As at December 31, 2016, the balances of accounts receivable and its allowance for uncollectible accounts were NT$ 30,441,738 thousand and NT$ 908,998 thousand, respectively.

The Group assesses periodically whether there is objective evidence of impairment for each accounts receivable. The assessment included the overdue aging of those accounts receivable, the financial situation of customers, internal credit ranking of the Group, historical trading record, subsequent collection and obtainable credit insurance to assess the allowance for uncollectible accounts. As the assessment involves management's judgment on impairment, the factors that affected the allowance for uncollectible accounts involves a high degree of uncertainty, that has a material effect on the recoverable amount of account receivable, thus we consider the assessment on allowance for significant uncollectible accounts a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. We compared whether the provision policies and procedures were consistently applied on allowance for uncollectible accounts in the reporting period, and assessed the reasonableness of the provision policies;
B. We obtained the overdue aging report used when management assessed the impairment of accounts receivable, assessed that the logic of data source was consistently applied, and tested its accuracy with proper documents; and
C. We assessed the reasonableness of estimates that management applied on allowance for uncollectible accounts and obtained supporting documents, including disputed accounts, overdue accounts, subsequent collection, economic conditions that would affect sale customers, and other indications that showed the customer would be unable to repay on schedule.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of WT Microelectronics Co., Ltd. as at and for the years ended December 31, 2016 and 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan
March 24, 2017

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Assets	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 2,080,772	4	$ 1,579,320	4
1125	Available-for-sale financial assets - current	6(2)	726,270	1	871,809	2
1170	Accounts receivable, net	6(3)	29,301,935	48	22,805,921	48
1200	Other receivables	6(3)	2,693,317	4	1,154,578	3
130X	Inventory	6(4)	22,133,152	36	16,551,947	35
1410	Prepayments	6(5)	184,376	-	164,999	-
1470	Other current assets	6(1) and 8	41,828	-	60,156	-
11XX	**Total current assets**		57,161,650	93	43,188,730	92
	Non-current assets					
1523	Available-for-sale financial assets, net - non-current	6(2)	518,909	1	533,896	1
1543	Financial assets carried at cost – non-current	6(6)	22,478	-	32,893	-
1550	Investments accounted for using equity method	6(7)	181,532	-	223,150	-
1600	Property, plant and equipment	6(8)	473,907	1	524,676	1
1760	Investment property - net	6(9)	106,570	-	107,384	-
1780	Intangible assets	6(10)	1,550,858	2	1,576,655	3
1840	Deferred income tax assets	6(31)	407,825	1	280,951	1
1900	Other non-current assets	6(3)(11)	980,652	2	708,497	2
15XX	**Total non-current assets**		4,242,731	7	3,988,102	8
1XXX	**Total assets**		$ 61,404,381	100	$ 47,176,832	100

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(12)	$ 22,013,337	36	$ 15,261,376	32
2110	Short-term notes and bills payable	6(13)	299,901	-	-	-
2170	Accounts payable		18,656,748	30	11,249,387	24
2200	Other payables	6(15)	1,293,757	2	1,171,192	2
2230	Current income tax liabilities		305,790	1	232,963	1
2399	Other current liabilities		218,372	-	147,948	-
21XX	**Total current liabilities**		42,787,905	69	28,062,866	59
	Non-current liabilities					
2530	Bonds payable	6(16)	1,396,535	2	-	-
2540	Long-term loans	6(17)	-	-	1,905,880	4
2570	Deferred income tax liabilities	6(31)	284,605	1	259,997	1
2600	Other non-current liabilities	6(18)	32,226	-	23,414	-
25XX	**Total non-current liabilities**		1,713,366	3	2,189,291	5
2XXX	**Total liabilities**		44,501,271	72	30,252,157	64
	Equity attributable to owners of parent					
	Share capital	6(20)				
3110	Share capital - common stock		4,715,196	8	4,476,377	10
	Capital surplus	6(21)				
3200	Capital surplus		6,372,059	10	6,278,786	13
	Retained earnings	6(22)				
3310	Legal reserve		1,320,029	2	1,121,704	2
3350	Unappropriated retained earnings		3,315,686	6	3,344,755	7
	Other equity interest	6(23)				
3400	Other equity interest		1,179,500	2	1,702,470	4
31XX	**Equity attributable to owners of the parent**		16,902,470	28	16,924,092	36
36XX	**Non-controlling interest**	6(24)	640	-	583	-
3XXX	**Total equity**		16,903,110	28	16,924,675	36
	Commitments and contingent liabilities	9				
3X2X	**Total liabilities and equity**		$ 61,404,381	100	$ 47,176,832	100

The accompanying notes are an integral part of these consolidated financial statements.

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2016		2015	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(25)	$ 144,147,461	100	$ 113,598,195	100
5000	**Operating costs**	6(4)	(137,222,456)	(95)	(107,207,896)	(94)
5900	**Net operating margin**		6,925,005	5	6,390,299	6
	Operating expenses	6(29)				
6100	Selling expenses		(2,782,329)	(2)	(2,787,050)	(3)
6200	General and administrative expenses		(1,377,310)	(1)	(802,322)	(1)
6300	Research and development expenses		(304,838)	-	(325,245)	-
6000	**Total operating expenses**		(4,464,477)	(3)	(3,914,617)	(4)
6900	**Operating profit**		2,460,528	2	2,475,682	2
	Non-operating income and expenses					
7010	Other income	6(26)	98,654	-	65,912	-
7020	Other gains and losses	6(27)	60,692	-	297,236	-
7050	Finance costs	6(28)	(478,728)	(1)	(370,322)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(7)	(103,432)	-	(118,941)	-
7000	**Total non-operating income and expenses**		(422,814)	(1)	(126,115)	-
7900	**Profit before income tax**		2,037,714	1	2,349,567	2
7950	Income tax expense	6(31)	(338,044)	-	(366,149)	-
8200	**Profit for the year**		$ 1,699,670	1	$ 1,983,418	2

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Items	Notes	2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
	Other comprehensive income (loss)					
	Components of other comprehensive (loss) income that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans	6(18)	($ 9,919)	-	($ 6,644)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(31)	1,686	-	1,129	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		(8,233)	-	(5,515)	-
	Components of other comprehensive income that will be reclassified to profit or loss	6(23)(24)				
8361	Financial statements translation differences of foreign operations		(379,441)	-	282,581	-
8362	Unrealised gains (losses) on valuation of available-for-sale financial assets		(144,963)	-	10,243	-
8370	Share of other comprehensive loss of associates and joint ventures accounted for using equity method		1,416	-	(17,267)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		(522,988)	-	275,557	-
8300	**Total other comprehensive (loss) income for the year**		($ 531,221)	-	$ 270,042	-
8500	**Total comprehensive income for the year**		$ 1,168,449	1	$ 2,253,460	2
	Profit attributable to:					
8610	Owners of the parent		$ 1,699,457	1	$ 1,983,249	2
8620	Non-controlling interest		213	-	169	-
			$ 1,699,670	1	$ 1,983,418	2
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 1,168,254	1	$ 2,253,253	2
8720	Non-controlling interest		195	-	207	-
			$ 1,168,449	1	$ 2,253,460	2
	Earnings per share	6(32)				
9750	**Basic earnings per share**		$ 3.61		$ 4.27	
9850	**Diluted earnings per share**		$ 3.48		$ 4.27	

The accompanying notes are an integral part of these consolidated financial statements.

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
			Capital Reserves				Retained Earnings		Other equity interest				
	Notes	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Change in net equity of associates and joint ventures accounted for under equity method	Stock warrants	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
Year 2015													
Balance at January 1, 2015		$ 3,544,434	$ 4,738,336	$40,742	$ 8,680	$ -	$ 937,984	$ 3,178,514	$ 274,815	$ 1,152,136	$ 13,875,641	$ 532	$ 13,876,173
Issuance of common stock for cash	6(20)	525,000	1,470,000	-	-	-	-	-	-	-	1,995,000	-	1,995,000
Share-based payments	6(19)	-	21,028	-	-	-	-	-	-	-	21,028	-	21,028
Appropriations of 2014 earnings:	6(22)												
Legal reserve	6(20)	-	-	-	-	-	183,720	(183,720)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(1,220,830)	-	-	(1,220,830)	-	(1,220,830)
Stock dividends		406,943	-	-	-	-	-	(406,943)	-	-	-	-	-
Consolidated net income for 2015		-	-	-	-	-	-	1,983,249	-	-	1,983,249	169	1,983,418
Other comprehensive income (loss) for 2015	6(23)	-	-	-	-	-	-	(5,515)	265,276	10,243	270,004	38	270,042
Changes in non-controlling interest	6(24)	-	-	-	-	-	-	-	-	-	-	(156)	(156)
Balance at December 31, 2015		$ 4,476,377	$ 6,229,364	$40,742	$ 8,680	$ -	$ 1,121,704	$ 3,344,755	$ 540,091	$ 1,162,379	$ 16,924,092	$ 583	$ 16,924,675
Year 2016													
Balance at January 1, 2016		$ 4,476,377	$ 6,229,364	$40,742	$ 8,680	$ -	$ 1,121,704	$ 3,344,755	$ 540,091	$ 1,162,379	$ 16,924,092	$ 583	$ 16,924,675
Appropriations of 2015 earnings:	6(22)												
Legal reserve		-	-	-	-	-	198,325	(198,325)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(1,298,149)	-	-	(1,298,149)	-	(1,298,149)
Stock dividends		223,819	-	-	-	-	-	(223,819)	-	-	-	-	-
Due to recognition of equity component of convertible bonds issued	6(16)	-	-	-	-	56,362	-	-	-	-	56,362	-	56,362
Conversion of convertible bonds	6(20)	15,000	38,941	-	-	(2,030)	-	-	-	-	51,911	-	51,911
Consolidated net income for 2016		-	-	-	-	-	-	1,699,457	-	-	1,699,457	213	1,699,670
Other comprehensive loss for 2016	6(23)	-	-	-	-	-	-	(8,233)	(378,007)	(144,963)	(531,203)	(18)	(531,221)
Changes in non-controlling interest	6(24)	-	-	-	-	-	-	-	-	-	-	(138)	(138)
Balance at December 31, 2016		$ 4,715,196	$ 6,268,305	$40,742	$ 8,680	$ 54,332	$ 1,320,029	$ 3,315,686	$ 162,084	$ 1,017,416	$ 16,902,470	$ 640	$ 16,903,110

The accompanying notes are an integral part of these consolidated financial statements.

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 2,037,714	$ 2,349,567
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(29)	61,272	65,773
Amortization	6(29)	12,824	20,082
Provision for doubtful accounts	12(2)	616,826	25,154
Other revenue, other current liabilities	6(26)	(70,714)	-
Share-based payments	6(19)	-	21,028
Gain on reversal of contingent consideration in business combination	6(27)	(108,170)	(176,488)
Share of loss of associates and joint ventures accounted for using equity method	6(7)	103,432	118,941
Gain on disposal of property, plant and equipment, net	6(27)	(8,139)	(124,627)
Interest expense	6(28)	291,244	199,929
Interest income	6(26)	(4,872)	(4,467)
Dividend income	6(26)	(4,995)	(12,173)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(7,834,401)	(8,898,958)
Other receivables		(1,549,190)	5,933,980
Inventories		(5,841,855)	(777,613)
Prepayments		(90,125)	294,760
Changes in operating liabilities			
Accounts payable		7,861,145	(1,656,049)
Other payables		197,117	19,115
Other current liabilities		145,292	19,503
Accrued pension liabilities		(9,206)	(9,055)
Cash outflow generated from operations		(4,194,801)	(2,591,598)
Dividends received		4,995	12,173
Interest received		4,872	4,467
Interest paid		(264,598)	(196,793)
Income taxes paid		(361,628)	(339,741)
Net cash flows used in operating activities		(4,811,160)	(3,111,492)

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets – current		$ 112,952	$ 181,975
Decrease (increase) in other financial assets		17,451	(42,050)
Acquisition of financial assets at cost		(3,766)	-
Acquisition of investments accounted for using equity method		(64,500)	(222,740)
Acquisition of property, plant and equipment	6(8)	(39,668)	(63,142)
Proceeds from disposal of property, plant and equipment		35,269	239,388
Acquisition of intangible assets	6(10)	(4,751)	(17,359)
Increase in other non-current assets	6(11)	(95,020)	(517,291)
Net cash flows used in investing activities		(42,033)	(441,219)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		6,781,754	4,510,383
Increase in short-term notes and bills payable		299,901	-
Decrease in long-term loans		(1,905,880)	(1,709,060)
Proceeds from issuing convertible bonds	6(16)	1,495,000	-
Increase in other non-current liabilities		10,260	698
Issuance of common stock for cash	6(20)	-	1,995,000
Cash dividends paid	6(22)	(1,298,149)	(1,220,830)
Changes in non-controlling interest	6(24)	(138)	(156)
Net cash flows from financing activities		5,382,748	3,576,035
Net effect of changes in foreign currency exchange rates		(28,103)	4,159
Net increase in cash and cash equivalents		501,452	27,483
Cash and cash equivalents at beginning of year		1,579,320	1,551,837
Cash and cash equivalents at end of year		$ 2,080,772	$ 1,579,320

The accompanying notes are an integral part of these consolidated financial statements.

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

WT Microelectronics Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the development and sales of electronic and communication components.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 23, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, 'Financial instruments'with IFRS 4'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of international financial reporting	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the followings, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, ‘Financial instruments’

(a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses (‘ECL’) or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity’s risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of ‘rebalancing’; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

B. IFRS 15 "Revenue from contracts with customers"

IFRS 15 "revenue from contracts with customers" replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

E. Amendments to IAS 7, ‘Disclosure initiative’

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Available-for-sale financial assets measured at fair value.

(b) Defined benefit assets (liabilities) recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss from equity.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%) December 31, 2016	December 31, 2015	Note
WT Microelectronics Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	99.65	99.57	
WT Microelectronics Co., Ltd.	Morrihan International Corp.	Trading Company	100.00	100.00	
WT Microelectronics Co., Ltd.	BSI Semiconductor Pte. Ltd.	Trading Company	100.00	100.00	
WT Microelectronics Co., Ltd.	Nuvision Technology Inc.	Trading Company	99.91	99.91	
WT Microelectronics Co., Ltd.	Milestone Investment Co., Ltd.	Investment Company	100.00	100.00	
WT Microelectronics Co., Ltd.	SinYie Investment Co., Ltd.	Investment Company	100.00	100.00	
WT Microelectronics Co., Ltd.	DE Technology Inc.	Software Services	100.00	100.00	
WT Microelectronics Co., Ltd.	AboveE Technology Inc.	Software Services	100.00	100.00	
WT Microelectronics Co., Ltd.	Techmosa International	Trading Company	100.00	100.00	
WT Microelectronics Co., Ltd.	MSD Holdings Pte. Ltd.	Trading Company	100.00	100.00	
Wintech Microelectronics Holding Limited	WT Microelectronics (Shanghai) Co., Ltd.	Trading Company	100.00	100.00	
Wintech Microelectronics Holding Limited	Promising Investment Limited	Investment Company	100.00	100.00	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Ltd.	Trading Company	100.00	100.00	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Limited	Investment Company	100.00	100.00	
Wintech Microelectronics Holding Limited	WT Technology Pte. Ltd.	Trading Company	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%) December 31, 2016	Ownership(%) December 31, 2015	Note
Wintech Microelectronics Holding Limited	Wintech Investment Co., Ltd.	Investment Company	100.00	100.00	
Wintech Microelectronics Holding Limited	Anius Enterprise Co., Ltd.	Trading Company	100.00	100.00	
Wintech Microelectronics Holding Limited	Mega Source Co., Ltd.	Trading Company	100.00	100.00	
BSI Semiconductor Pte. Ltd.	BSI Semiconductor (Singapore) Pte. Ltd.	Trading Company	100.00	100.00	
BSI Semiconductor Pte. Ltd.	BSI Semiconductor (Korea) Co., Ltd.	Trading Company	-	100.00	(1)
BSI Semiconductor Pte. Ltd.	Wonchang Semiconductor Co., Ltd.	Trading Company	100.00	100.00	
BSI Semiconductor Pte. Ltd.	WT Technology Korea Co., Ltd.	Trading Company	4.53	-	(1)
Morrihan International Corp.	Hotech Electronics Corp.	Trading Company	100.00	100.00	
Morrihan International Corp.	Asia Latest Technology Ltd.	Investment Company	100.00	100.00	
Promising Investment Limited	WT Technology (H.K.) Limited	Trading Company	100.00	100.00	
Promising Investment Limited	Solomon QCE Ltd.	Trading Company	100.00	100.00	
Promising Investment Limited	WT Microelectronics (Hong Kong) Ltd.	Trading Company	100.00	100.00	
Promising Investment Limited	Nino Capital Co., Ltd.	Investment Company	100.00	100.00	
Promising Investment Limited	Rich Web Ltd.	Investment Company	100.00	100.00	
Wintech Investment Co., Ltd.	WT Microelectronics Korea Co., Ltd.	Trading Company	-	100.00	(2)
Wintech Investment Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	100.00	100.00	
Wintech Investment Co., Ltd.	WT Microelectronics (Malaysia) Sdn. Bhd.	Trading Company	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%) December 31, 2016	Ownership(%) December 31, 2015	Note
Wintech Investment Co., Ltd.	WT Technology Korea Co., Ltd.	Trading Company	95.47	100.00	(1)
Nino Capital Co., Ltd.	Shanghai WT Microelectronics Co., Ltd.	Trading Company	100.00	100.00	
Rich Web Ltd.	WT Microelectronics (Shenzhen) Co., Ltd.	Trading Company	100.00	100.00	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics (Thailand) Co., Ltd.	Trading Company	100.00	100.00	
Sin Yie Investment Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	0.35	0.43	
Asia Latest Technology Ltd.	Morrihan International Trading (Shanghai) Co., Ltd.	Trading Company	100.00	100.00	
Techmosa International Inc.	Paramount Technology Corp.	Trading Company	100.00	100.00	
Techmosa International Inc.	Techmosa International Holding Ltd.	Investment Company	100.00	100.00	
Techmosa International Holding Ltd.	Techmosa Electronics Ltd.	Trading Company	100.00	100.00	

Note 1: In the first quarter of 2016, WT Technology Korea Co., Ltd. issued new shares for acquiring all share capital of the Company’s indirectly wholly-owned subsidiary - BSI Semiconductor (Korea) Co., Ltd., which then merged with WT Technology Korea Co., Ltd. After the merger, BSI Semiconductor (Korea) Co., Ltd. was the dissolved company while WT Technology Korea Co., Ltd. was the surviving company.

Note 2: WT Microelectronics Korea Co., Ltd. has completed liquidation in the second quarter of 2016.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

A. The consolidated financial statements are presented in NT dollars, which is the Company’s functional and the Group’s presentation currency.

B. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

C. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even the Group still retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets carried at cost'.

(8) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) The disappearance of an active market for that financial asset because of financial difficulties;

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets carried at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset directly.

(9) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred, and the Group has not retained control of the financial asset.

(10) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) Inventories

A. The cost of inventories includes the purchased price, import duties and other cost directly attributable to the acquisition of goods. The discount, allowance and others alike should be deducted from the cost.

B. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(12) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate’s equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Group’s ownership percentage of the associate, the Group recognises change in ownership interests in the associate in ‘capital surplus’ in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group’s ownership percentage of the associate but maintains significant influence on the associate, then ‘capital surplus’ and ‘investments accounted for using equity method’ shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group’s ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss. If it retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost.

B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	26 ~ 55 years
Office equipment	2 ~ 5 years
Other assets	2 ~ 10 years

(14) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 55 years.

(16) Intangible assets

A. Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3~5 years.

C. Customer relationships acquired in a business combination are recognised at fair value at the acquisition date and recorded as other intangible asset. The customer relationships have a finite useful life estimated at 5 years and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

(17) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(19) Financial assets (liabilities) at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets (liabilities) held for trading. Financial assets (liabilities) are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets (liabilities) held for trading unless they are designated as hedges.

B. Financial assets (liabilities) at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets (liabilities) are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(20) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

A. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the ‘finance costs’ over the period of bond circulation using the effective interest method.

B. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognised in ‘capital surplus—share options’ at the residual amount of total issue price less amounts of ‘bonds payable—net’. Conversion options are not subsequently remeasured.

C. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

D. When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus – share options.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees’, directors’ and supervisors’ remuneration

Employees’ remuneration and directors’ and supervisors’ remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(22) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. The grant date of cash capital increase reserved for employee preemption is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

(23) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(24) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

A. The Group sells electronic and communication components. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group’s activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The Group offers customers volume discounts and estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised. The volume discounts are estimated based on the anticipated annual sales quantities.

(26) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquire recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

The determination of whether the Group is acting as principal or agent in a transaction is based on an evaluation of the Group's exposure to the significant risks and rewards associated with the sale of goods in accordance with the business model and substance of the transaction. Where the Group acts as a principal, the amount received or receivable from customer is recognised as revenue on a gross basis. Where the Group acts as an agent, net revenue is recognised representing commissions earned.

The following characteristics of a principal are used as indicators to determine whether the Group shall recognise revenue on a gross basis:

a. The Group has primary responsibilities for the goods or services it provides;

b. The Group bears inventory risk;

c. The Group has the latitude in establishing prices for the goods or services, either directly or indirectly.

d. The Group bears credit risk of customers.

(2) <u>Critical accounting estimates and assumptions</u>

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(10) for the information of goodwill impairment.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

C. Impairment assessment of accounts receivable

The impairment assessment relies on the Group's judgement and assumption about the future recoverable amount of the accounts receivable, taking into accounts various factors such as client's financial status, the Group's internal credit rating, historical trade records, subsequent collection, current economic condition and other factors which might affect the client's repayment ability. Where there is suspicion with the recoverability, the Group needs to individually assess the possible recoverable amount and recognise the reasonable allowance. The estimates were based on reasonable future expectation made on the balance sheet date. The estimation may differ from the actual results and may cause significant changes.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand and revolving funds	$ 1,512	$ 6,481
Checking accounts and demand deposits	2,071,760	1,541,239
Cash equivalents		
Time deposits	7,500	31,600
	$ 2,080,772	$ 1,579,320

A. The Group associates with a variety of financial institutions all with good credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group's deposits with banks that have been pledged as collateral were classified as 'other current assets'. Please refer to Note 8 for details. As of December 31, 2016 and 2015, the time deposits with maturity date over 3 months of $38,700 and $42,718, respectively, are recorded as "other current assets".

(2) Available-for-sale financial assets

	December 31, 2016	December 31, 2015
Current items:		
Listed stocks	$ 42,633	$ 48,111
Valuation adjustment	683,637	823,698
	$ 726,270	$ 871,809
Non-current items:		
Listed stocks	$ 69,159	$ 21,103
Emerging stocks	13,766	48,448
Valuation adjustment	435,984	464,345
	$ 518,909	$ 533,896

A. The Group recognised $144,963 and $10,243 in other comprehensive income for fair value change, including the transfers from 'unrealised gain or loss on available-for-sale financial assets' to profit or loss caused by the disposal of certain financial assets, for the years ended December 31, 2016 and 2015, respectively. The transferred amounts were recorded as 'other gains and losses – gain on disposal of investments'. Details are provided in Note 6(27).

B. A part of unlisted stocks which the Group originally held has listed as emerging stocks in the fourth quarter in 2016, and its fair value can be reliably measured. The stocks were then reclassified from financial assets carried at cost - non-current to available-for-sale financial assets - non-current.

C. The Group has no debt instruments available-for-sale financial assets.

D. The Group has no available-for-sale financial assets pledged to others as of December 31, 2016 and 2015.

(3) Notes and accounts receivable

	December 31, 2016	December 31, 2015
Notes receivable	$ 2,011,049	$ 1,150,909
Accounts receivable	28,258,084	22,186,409
Less: Allowance for sales returns and discounts	(821,849)	(495,790)
Allowance for doubtful accounts	(145,349)	(35,607)
Notes and accounts receivable, net	29,301,935	22,805,921
Overdue receivables	994,454	267,050
Less: Allowance for doubtful accounts	(763,649)	(267,050)
Overdue receivables, net (shown as 'other non-current assets')	230,805	-
	$ 29,532,740	$ 22,805,921

A. As of December 31, 2016 and 2015, the Group had outstanding discounted notes receivable amounting to $10,687 and $162,281, respectviely. However, as the notes receivable are bank's acceptance bills and are discounted without right of recourse, those discounted notes receivable were deducted directly from notes receivable.

B. The Group entered into a factoring agreement with certain banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

December 31, 2016			
Purchaser of accounts receivable	Accounts receivable transferred (Amount derecognised)	Amount advanced	Amount retained
DBS Bank	$ 12,514,728	$ 12,514,728	$ -
Taishin Bank	4,973,971	3,164,648	1,809,323
Bank SinoPac	2,490,575	2,241,517	249,058
Standard Chartered Bank	1,042,120	1,041,806	314
Others	3,325,481	3,022,802	302,679
	$ 24,346,875	$ 21,985,501	$ 2,361,374

December 31, 2015			
Purchaser of accounts receivable	Accounts receivable transferred (Amount derecognised)	Amount advanced	Amount retained
Taishin Bank	$ 3,920,959	$ 3,538,037	$ 382,922
Mega Bank	1,064,263	886,718	177,545
Others	2,407,546	2,102,350	305,196
	$ 7,392,768	$ 6,527,105	$ 865,663

(a) The above amounts retained are shown as 'other receivables'. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(b) As of December 31, 2016 and 2015, the interest rates for amounts advanced ranged between 1.173%~ 2.4524% and 0.898%~1.48%, respectively.

(c) As of December 31, 2016 and 2015, the total limits of the accounts receivable factoring were $48,719,500 and $33,738,369, respectively.

(d) As of December 31, 2016 and 2015, the Group has issued a promissory note of $49,898,913 and $34,283,235, respectively, as performance guarantee against any business dispute.

C. The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 80%~90% of the receivable amount can be covered when the receivables are uncollectible. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of notes and accounts receivable less 80%~90% covered amount of the insured accounts receivable.

D. The Group does not hold any collateral as security.

(4) Inventories

	December 31, 2016	December 31, 2015
Merchandise inventory	$ 23,069,928	$ 17,602,447
Less: Allowance for inventory obsolescence and market value decline	(936,776)	(1,050,500)
	$ 22,133,152	$ 16,551,947

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2016	2015
Cost of inventories sold	$ 137,159,179	$ 107,155,313
Loss on disposal of inventory and others	162,843	-
(Gain on reversal of) loss on market price decline	(99,566)	52,583
	$ 137,222,456	$ 107,207,896

The Group reversed a previous inventory write-down as certain inventory which were previously provided with allowance were subsequently disposed during the year ended December 31, 2016.

(5) Prepayments

	December 31, 2016	December 31, 2015
Excess VAT paid	$ 129,288	$ 99,227
Prepaid rents	8,086	11,264
Prepayment to suppliers	7,142	6,459
Prepaid customs duty	5,625	9,118
Prepaid system maintenance expense	1,212	2,318
Others	33,023	36,613
	$ 184,376	$ 164,999

(6) Financial assets carried at cost

	December 31, 2016	December 31, 2015
Non-current items:		
Unlisted stocks	$ 22,478	$ 32,893

A. According to the Group's intention, its investment in above equity instruments should be classified as 'available-for-sale financial assets'. However, as those stocks are not traded in active market, and sufficient industry information of companies similar to those companies or those companies' financial information cannot be obtained, the fair value of the investment in those stocks cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets carried at cost'.

B. In the fourth quarter of 2016, a part of unlisted stocks originally held by the Group was reclassified from financial assets carried at cost - non-current to available-for-sale financial assets - non-current. Please refer to Note 6(2).

C. As of December 31, 2016 and 2015, none of the Group's financial assets carried at cost was pledged to others.

(7) Investments accounted for using equity method

	December 31, 2016	December 31, 2015
JCD Optical (Cayman) Co., Ltd.	$ 75,847	$ 64,474
Supreme Mega Ltd.	53,053	103,631
Joy Capital Ltd.	36,965	38,615
Rainbow Star Group Limited	15,667	16,430
	$ 181,532	$ 223,150

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

	Years ended December 31, 2016	Years ended December 31, 2015
Loss for the year from continuing operations	($ 103,432)	($ 118,941)
Other comprehensive income (loss) , net of tax	1,416	(17,267)
Total comprehensive loss	($ 102,016)	($ 136,208)

(8) Property, plant and equipment

	Land	Buildings	Office equipment	Others	Total
At January 1, 2016					
Cost	$ 241,496	$ 226,847	$ 303,503	$ 192,179	$ 964,025
Accumulated depreciation and impairment	-	(70,660)	(207,485)	(161,204)	(439,349)
	$ 241,496	$ 156,187	$ 96,018	$ 30,975	$ 524,676
2016					
Opening net book amount	$ 241,496	$ 156,187	$ 96,018	$ 30,975	$ 524,676
Additions	-	-	30,119	9,549	39,668
Disposals	(15,850)	(7,210)	(4,031)	(39)	(27,130)
Depreciation charge	-	(6,701)	(33,986)	(19,771)	(60,458)
Net exchange differences	(187)	(87)	(2,189)	(386)	(2,849)
Closing net book amount	$ 225,459	$ 142,189	$ 85,931	$ 20,328	$ 473,907
At December 31, 2016					
Cost	$ 225,459	$ 217,449	$ 320,854	$ 186,885	$ 950,647
Accumulated depreciation and impairment	-	(75,260)	(234,923)	(166,557)	(476,740)
	$ 225,459	$ 142,189	$ 85,931	$ 20,328	$ 473,907

	Land	Buildings	Office equipment	Others	Total
At January 1, 2015					
Cost	$ 285,295	$ 312,953	$ 290,587	$ 191,659	$1,080,494
Accumulated depreciation and impairment	-	(77,974)	(229,277)	(138,086)	(445,337)
	$ 285,295	$ 234,979	$ 61,310	$ 53,573	$ 635,157
2015					
Opening net book amount	$ 285,295	$ 234,979	$ 61,310	$ 53,573	$ 635,157
Additions	-	-	57,404	5,738	63,142
Transfers	-	-	6,747	-	6,747
Disposals	(43,383)	(70,058)	(1,289)	(31)	(114,761)
Depreciation charge	-	(8,537)	(28,051)	(28,371)	(64,959)
Net exchange differences	(416)	(197)	(103)	66	(650)
Closing net book amount	$ 241,496	$ 156,187	$ 96,018	$ 30,975	$ 524,676
At December 31, 2015					
Cost	$ 241,496	$ 226,847	$ 303,503	$ 192,179	$ 964,025
Accumulated depreciation and impairment	-	(70,660)	(207,485)	(161,204)	(439,349)
	$ 241,496	$ 156,187	$ 96,018	$ 30,975	$ 524,676

The Company’s subsidiary, Morrihan International Corp., has sold its land and buildings for office use located in Nankang Software Park to third parties in the fourth quarter of 2015. The total transaction, net of related expenses, amounted to $239,327. Gain on disposal of property is $125,886 (shown as ‘other gains and losses’).

(9) Investment property

	Land	Buildings	Total
At January 1, 2016			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(12,554)	(14,451)
	$ 82,839	$ 24,545	$ 107,384
2016			
Opening net book amount	$ 82,839	$ 24,545	$ 107,384
Depreciation charge	-	(814)	(814)
Closing net book amount	$ 82,839	$ 23,731	$ 106,570
At December 31, 2016			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(13,368)	(15,265)
	$ 82,839	$ 23,731	$ 106,570

	Land	Buildings	Total
At January 1, 2015			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(11,740)	(13,637)
	$ 82,839	$ 25,359	$ 108,198
2015			
Opening net book amount	$ 82,839	$ 25,359	$ 108,198
Depreciation charge	-	(814)	(814)
Closing net book amount	$ 82,839	$ 24,545	$ 107,384
At December 31, 2015			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(12,554)	(14,451)
	$ 82,839	$ 24,545	$ 107,384

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31,	
	2016	2015
Rental income from the lease of the investment property	$ 2,468	$ 2,598
Direct operating expenses arising from the investment property that generated rental income in the period	$ 814	$ 814

B. The fair values of the investment property held by the Group as at December 31, 2016 and 2015 were $129,100 and $117,097, respectively, which were based on the valuation of market prices estimated using comparison approach and is categorised within Level 2 in the fair value hierarchy.

(10) Intangible assets

	Goodwill	Software	Others	Total
At January 1, 2016				
Cost	$ 1,725,017	$ 55,415	$ 238,137	$ 2,018,569
Accumulated amortisation and impairment	(170,309)	(34,095)	(237,510)	(441,914)
	$ 1,554,708	$ 21,320	$ 627	$ 1,576,655
2016				
Opening net book amount	$ 1,554,708	$ 21,320	$ 627	$ 1,576,655
Additions	-	4,751	-	4,751
Amortisation charge (Shown as 'general and administrative expenses')	-	(12,204)	(620)	(12,824)
Net exchange differences	(17,717)	-	(7)	(17,724)
Closing net book amount	$ 1,536,991	$ 13,867	$ -	$ 1,550,858
At December 31, 2016				
Cost	$ 1,707,299	$ 60,166	$ 234,203	$ 2,001,668
Accumulated amortisation and impairment	(170,308)	(46,299)	(234,203)	(450,810)
	$ 1,536,991	$ 13,867	$ -	$ 1,550,858

	Goodwill	Software	Others	Total
At January 1, 2015				
Cost	$ 1,692,790	$ 38,056	$ 233,065	$ 1,963,911
Accumulated amortisation and impairment	(170,309)	(19,886)	(230,183)	(420,378)
	$ 1,522,481	$ 18,170	$ 2,882	$ 1,543,533
2015				
Opening net book amount	$ 1,522,481	$ 18,170	$ 2,882	$ 1,543,533
Additions	-	17,359	-	17,359
Amortisation charge (Shown as 'general and administrative expenses')	-	(14,209)	(2,177)	(16,386)
Net exchange differences	32,227	-	(78)	32,149
Closing net book amount	$ 1,554,708	$ 21,320	$ 627	$ 1,576,655
At December 31, 2015				
Cost	$ 1,725,017	$ 55,415	$ 238,137	$ 2,018,569
Accumulated amortisation and impairment	(170,309)	(34,095)	(237,510)	(441,914)
	$ 1,554,708	$ 21,320	$ 627	$ 1,576,655

A. Other intangible assets are mainly customer relationship.

B. The Group evaluated the impairment of recoverable amount of the goodwill at each reporting date and used the value-in-use calculation as basis for recoverable amount. These calculations use future cash flow projections based on financial budgets approved by the management covering a five-year period.

C. The future cash flows were estimated based on the annual revenue, gross profit and other operating expenses in the future. The Group's estimated average annual revenue growth rate is 5%~7%, and adopted discount rate is the pre-tax ratio of weighted average capital cost to reflect risk of related cash-generating units. Based on the aforementioned assessment, no recognition of impairment loss of goodwill was recognised for the years ended December 31, 2016 and 2015.

(11) Other non-current assets

	December 31, 2016	December 31, 2015
Refundable deposit	$ 98,566	$ 115,348
Prepayment for property	568,005	505,387
Prepayment for business combination	30,128	30,128
Overdue receivables	230,805	-
Prepaid pension cost	4,383	6,544
Others	48,765	51,090
	$ 980,652	$ 708,497

A. The Company's indirect investees, WT Microelectronics (Shanghai) Co., Ltd. entered into agreements for presale of commodity houses with third parties in the second quarter of 2015. The agreements are purchases of property located in Shanghai Municipality for business use. The agreement amounted to RMB$99,800 thousand. As of December 31, 2016, the Group has paid the full amount of $462,653 (approximately RMB$99,800, shown as 'prepayment for property').

B. The Company's indirect investees, WT Microelectronics (Shanghai) Co., Ltd. entered into agreements for property development with third parties in March 2016. The agreements are purchases of property located in Beijing Municipality for business use. The agreement amounted to RMB$45,446 thousand. As of December 31, 2016, the Group has already paid $105,352 (approximately RMB$22,726, shown as 'prepayment for property').

C. The Company has signed a business transfer agreement with Arkian Co., Ltd. in May 2014, and expected to acquire certain semiconductor parts distribution business by cash. The effective date of transfer will be determined based on the contract term. As of March 23, 2017, the effective date and acquisition price have not yet been determined by both parties. As of the balance sheet date, the partial payment was recorded as 'prepayment for business combination' above.

(12) Short-term borrowings

	December 31, 2016	December 31, 2015
Credit loans	$ 22,013,337	$ 15,261,376
Interest rates per annum	1.05%~11.35%	1.00%~4.13%

(13) Short-term notes and bills payable

	December 31, 2016	December 31, 2015
Commercial paper	$ 300,000	$ -
Amortisation of discount	(99)	-
	$ 299,901	$ -
Coupon rate	0.65%~0.85%	-

The notes and bills were issued under securities and acceptance offered by the financial institutions to fund short-term capital. The issuance period is within 90 days.

(14) Financial assets at fair value through profit or loss

A. As of December 31, 2016 and 2015, the Group didn't have any forward exchange contract that is not matured. For the year ended December 31, 2016, the Group recognised $534 as net profit.

B. The Group entered into forward foreign exchange contracts to buy USD to hedge exchange rate risk of import proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting

(15) Other payables

	December 31, 2016	December 31, 2015
Salaries and bonuses payable	$ 740,332	$ 713,922
Investment payable	72,563	73,935
Freight payable	60,370	45,150
Finance cost payable	55,868	19,040
Others	364,624	319,145
	$ 1,293,757	$ 1,171,192

The Company signed the business transfer agreement with Kei Kong Electronics Ltd. on October 18, 2011 and acquired the semiconductor parts distribution business in the amount of US$7,514 thousand which was net of deductible expenses prescribed by the contract. The business acquisition date was November 1, 2011. The goodwill arising from the excess of acquisition cost over the fair value of the identifiable net assets of the acquired business is $227,411. As of December 31, 2016 and 2015, the related payable amounted to $72,563 and $73,935 (equivalent to US$2,250 thousand, shown as "other payables - investment payable"), respectively.

(16) Bonds payable

	December 31, 2016	December 31, 2015
Bonds payable	$ 1,446,000	$ -
Less: discount on bonds payable	(49,465)	-
	$ 1,396,535	$ -

A. The issuance of domestic convertible bonds by the Company:

(a) The terms of the fifth domestic unsecured convertible bonds issued by the Company are as follows:

i. The Company issued $1,500,000, 0% the fifth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 7, 2016 ~July 7, 2019) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 7, 2016.

ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue to the maturity date, except the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds (with the conversion price at NT$40.5 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On December 31, 2016, the conversion price is NT$36 per share.

iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to $54,332 were separated from the liability component and were recognised in 'capital surplus-share options' as of December 31, 2016 in accordance with IAS 32.

C. As of December 31, 2016, the convertible bonds has converted into 1.5 million common shares, with $54,000 par value in total.

D. For the year ended December 31, 2016, the amortised discount of bonds payable was $9,808.

(17) Long-term loans

		December 31, 2016	
Type of loans	Period	Credit line	Amount
Syndicated loans (Mega bank and 7 other banks)	2013/12/18~2018/12/18	$ 2,666,667	$ -
Range of interest rates			-

		December 31, 2015	
Type of loans	Period	Credit line	Amount
Syndicated loans (Mega bank and 7 other banks)	2013/12/18~2018/12/18	$ 3,000,000	$ 1,905,880
Range of interest rates			1.67%~1.75%

A. The Group has signed a syndicated loan agreement whereby the Group is obligated to avail of borrowings equivalent to a certain percentage of the credit line during the period from six months after the date of first drawdown. If the total borrowings do not reach the minimum availment amount as specified in the loan agreement, the Group is required to pay a commitment fee of 0.1% per annum based on the unavailed portion of the credit line. As of December 31, 2016, the Company has not used any of the aforementioned syndicated loans.

B. The loan is a revolving facility.

C. The loan is classified as long-term liabilities since the term of the loan is more than one year and the Group plans to re-finance. Under the syndicated loan agreement, the credit line decreases equally during the remaining contract period from 3 years after the date of first drawdown.

D. Under the syndicated borrowing contract, the Group should maintain the required current ratio, gearing ratio and interest coverage ratio based on the annual and semi-annual consolidated financial statements during the terms of the syndicated loans. The Group has complied with the required ratios as specified in the syndicated loan agreement for the year ended December 31, 2016.

E. The Group's liquidity risk is provided in Note 12.

(18) Pensions

A. Defined benefit pension plan

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 112,479	$ 100,722
Fair value of plan assets	(100,251)	(89,207)
Net defined benefit liability	$ 12,228	$ 11,515
Shown as 'other non-current assets'	$ 4,383	$ 6,544
Shown as 'other non-current liabilities'	$ 16,611	$ 18,059

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	$ 100,722	$ 89,207	$ 11,515
Current service cost	822	-	822
Interest (Expense) revenue	1,703	1,510	193
	103,247	90,717	12,530
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(687)	687
Change in financial assumptions	2,689	-	2,689
Experience adjustments	6,543	-	6,543
	9,232	(687)	9,919
Pension fund contribution	-	10,221	(10,221)
Paid Pension	-	-	-
Balance at December 31	$ 112,479	$ 100,251	$ 12,228

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	$ 95,225	$ 81,299	$ 13,926
Current service cost	746	-	746
Interest (Expense) revenue	1,912	1,636	276
	97,883	82,935	14,948
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	535	(535)
Change in financial assumptions	4,274	-	4,274
Experience adjustments	2,905	-	2,905
	7,179	535	6,644
Pension fund contribution	-	10,077	(10,077)
Paid Pension	(4,340)	(4,340)	-
Balance at December 31	$ 100,722	$ 89,207	$ 11,515

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earning is less than aforementioned rates, government shall make payment for the deficit after authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS19 paragraph 142. The constitution of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2016	2015
Discount rate	1.4%~1.7%	1.5%~1.7%
Future salary increases	3%	3%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Morality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 3,491)	$ 3,660	$ 3,312	($ 3,187)

	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
December 31, 2015				
Effect on present value of defined benefit obligation	($ 12,530)	$ 14,774	$ 13,310	($ 11,631)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2017 are $2,552.

(g) As of December 31, 2016, the weighted average duration of that retirement plan is 12~17 year.

B. Defined contribution pension plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's subsidiaries in Mainland China have a funded defined contribution plan in accordance with the pension regulations in the People's Republic of China. These companies contribute monthly an amount based on 1%~21% of the employees' monthly salaries based on the employees' domiciles to their independent funds administered by the government. For the subsidiaries in Hong Kong, these companies and its employees each contribute monthly an amount equal to 5% of the employees' monthly salaries pursuant to the legislation in Hong Kong. Each fund is managed by the government. Except for the monthly contribution, these companies have no other obligation.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2016 and 2015 were $125,809 and $128,244, respectively.

(19) Share-based payment

A. For the year ended December 31, 2015, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2015.1.6	2,731	-	Vested immediately

B. The fair value of stock options granted on January 6, 2015 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (years)	Expected dividends yield rate	Risk-free interest rate	Fair value per unit (in dollars)
Cash capital increase reserved for employee preemption	2015.1.6	$ 45.70	$ 38.00	-	-	-	-	$ 7.7

Compensation cost of share-based payment of $21,028 was recognised for cash capital increase reserved for employee preemption for the year ended December 31, 2015.

(20) Share capital

A. As of December 31, 2016, the Company's authorised capital was $10,000,000, consisting of 10 billion shares of ordinary stock (including 19 million shares reserved for employee stock options), and the paid-in capital was $4,715,196 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding are as follows:

	2016	2015
	Shares (in thousands)	Shares (in thousands)
At January 1	447,637	354,443
Cash capital increase	-	52,500
Stock dividend distribution	22,382	40,694
Shares converted from bonds	1,500	-
At December 31	471,519	447,637

C. On June 3, 2016 and June 10, 2015, the shareholders have resolved to appropriate $223,819 and $406,943 from the retained earnings and to issue new shares of 22,382 thousand and 40,694 thousand for stock dividends, respectively.

D. The Board of Directors has resolved to issue new shares of 52,500 thousand shares for cash to increase its capital in December 2014, which was approved by the Financial Supervisory Commission on December 19, 2014. The issuance price was $38 per share and the capital increase was set to be effective on February 6, 2015.

(21) Capital surplus

A. Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. For the information relating to capital surplus-share options, please refer to Note 6(16).

(22) Retained earnings

A. Under the Company's Articles of Incorporation as approved by the shareholders on June 3, 2016, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. And set aside or reverse special reserve as required by regulations or the Competent Authority when necessary. The remainder, if any, along with beginning unappropriated earnings is accumulated distributable earnings. The amounts of abovementioned accumulated distributable earnings to be reserved or to be allocated and the way of distribution shall be determined based on the Company's dividend policy, taking into account the indispensability of taking the earnings to back up the capital needs. The appropriation shall be proposed by the Board of Directors and resolved by the shareholders.

B. The Company's dividend policy is regulated by the Board of Directors taking into consideration the Company's operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to support business development and investment requirements and consequently, the minimum cash dividend and extra dividend policy is adopted by the Company. The Company's dividend policy is summarised below:

At least 40% of the Company's earnings shall be appropriated as stock dividends and cash dividends, taking into account profits in the future and capital needs, and cash dividends shall account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company's paid-in capital before appropriation, cash dividends shall account for at least 20% of the total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. According to the resolutions adopted by the stockholders during their meetings in June 2016 and 2015, the distribution information of the Company's 2015 and 2014 earnings is as follows:

	Years ended December 31,			
	2015		2014	
	Amount	Dividends per share	Amount	Dividends per share
Legal reserve	$ 198,325	$ -	$ 183,720	$ -
Cash dividends	1,298,149	2.9	1,220,830	3.0
Stock dividends	223,819	0.5	406,943	1.0
	$ 1,720,293		$ 1,811,493	

Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. As of March 23, 2017, the appropriation of 2016 earnings has not yet been resolved by the Board of Directors.

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(30).

(23) Other equity items

	Available-for-sale investment	Currency translation	Total
At January 1, 2016	$ 1,162,379	$ 540,091	$ 1,702,470
Unrealized gain on valuation of equity instruments	(144,963)	-	(144,963)
Currency translation differences:			
– Group	-	(379,423)	(379,423)
– Associates	-	1,416	1,416
At December 31, 2016	$ 1,017,416	$ 162,084	$ 1,179,500

	Available-for-sale investment	Currency translation	Total
At January 1, 2015	$ 1,152,136	$ 274,815	$ 1,426,951
Unrealized gain on valuation of equity instruments	10,243	-	10,243
Currency translation differences:			
– Group	-	282,543	282,543
– Associates	-	(17,267)	(17,267)
At December 31, 2015	$ 1,162,379	$ 540,091	$ 1,702,470

(24) Non-controlling interests

	2016	2015
At January 1	$ 583	$ 532
Share attributable to non-controlling interest:		
Profit for the period	213	169
Exchange differences on translation of foreign financial statements	(18)	38
Decrease in non-controlling interests	(138)	(156)
At December 31	$ 640	$ 583

(25) Operating revenue

	Years ended December 31,	
	2016	2015
Sale of electronic components	$ 143,923,571	$ 113,343,003
Other operating revenue	223,890	255,192
	$ 144,147,461	$ 113,598,195

(26) Other income

	Years ended December 31,	
	2016	2015
Other revenue,other current liabilities	$ 70,714	$ -
Dividend income	4,995	12,173
Rent revenue	3,288	4,102
Interest income	4,872	4,467
Other income	14,785	45,170
	$ 98,654	$ 65,912

(27) Other gains and losses

	Years ended December 31,	
	2016	2015
Gain on financial liabilities at fair value through profit or loss	$ 534	$ -
Foreign exchange (loss) gain, net	(53,478)	33,844
Gain on disposal of property, plant and equipment	8,139	124,627
Gain on disposal of investment	108,170	176,488
Other losses	(2,673)	(37,723)
	$ 60,692	$ 297,236

(28) Finance costs

		Years ended December 31,		
		2016		2015
Interest expense:				
Bank borrowings	$	281,436	$	199,929
Convertible bonds		9,808		-
Financing charges on accounts receivable factoring		165,244		149,183
Other finance costs		22,240		21,210
	$	478,728	$	370,322

(29) Expenses by nature

		Years ended December 31,		
		2016		2015
Employee benefit expense	$	2,315,288	$	2,401,394
Depreciation		61,272		65,773
Amortization		12,824		20,082
	$	2,389,384	$	2,487,249

(30) Employee benefit expense

		Years ended December 31,		
		2016		2015
Employee benefit expense				
Wages and salaries	$	1,929,607	$	2,032,697
Labor and health insurance fees		74,861		75,932
Pension costs		126,824		129,266
Other personnel expenses		183,996		163,499
	$	2,315,288	$	2,401,394

A. According to the Articles of Incorporation of the Company as approved by the shareholders on June 3, 2016, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees’ compensation and directors’ and supervisors’ remuneration. The ratio shall not be lower than 1% for employees’ compensation and shall not be higher than 3% for directors’ and supervisors’ remuneration.

B. For the years ended December 31, 2016 and 2015, employees’ compensation was accrued at $19,380 and $22,030, respectively; while directors’ and supervisors’ remuneration was accrued at $13,500 and $10,000, respectively.

   Employees’ bonus and directors’ and supervisors’ remuneration for 2015 as resolved by the shareholders during their meeting were in agreement with those amounts recognised in profit or loss for 2015.

   Information about employees’ compensation and directors’ and supervisors’ remuneration of the Company as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(31) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2016	Years ended December 31, 2015
Current tax:		
Current tax on profit for the period	$ 418,257	$ 333,971
Tax on undistributed surplus earnings	25,744	2,765
Prior year income tax overestimate	(6,117)	(1,620)
Total current tax	437,884	335,116
Deferred tax:		
Origination and reversal of temporary differences	(101,172)	31,804
Effect of exchange rate	1,332	(771)
Total deferred tax	(99,840)	31,033
Income tax expense	$ 338,044	$ 366,149

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31, 2016	Years ended December 31, 2015
Remeasurements of defined benefit obligations	$ 1,686	$ 1,129

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2016	Years ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	$ 539,047	$ 576,513
Effects from items disallowed by tax regulation	(216,037)	(205,167)
Change in assessment of realization of deferred tax assets	(4,593)	(6,342)
Additional 10% tax on undistributed earnings	25,744	2,765
Prior year income tax overestimate	(6,117)	(1,620)
Tax expense	$ 338,044	$ 366,149

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2016				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
Deferred tax assets:					
Allowance for sales returns and discounts	$ 89,834	$ 59,222	$ -	$ -	$ 149,056
Allowance for doubtful accounts	5,806	82,476	-	(158)	88,124
Reserve for inventory obsolescence and market price decline	173,946	(17,413)	-	(22)	156,511
Others	11,365	3,013	170	(414)	14,134
	$ 280,951	$ 127,298	$ 170	($ 594)	$ 407,825
Deferred tax liabilities:					
Foreign investment income using equity method	($ 237,086)	($ 9,787)	$ -	$ -	($ 246,873)
Others	(22,911)	(16,339)	1,516	2	(37,732)
	($ 259,997)	($ 26,126)	$ 1,516	$ 2	($ 284,605)

	Year ended December 31, 2015				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
Deferred tax assets:					
Allowance for sales returns and discounts	$ 119,471	$ (29,637)	$ -	$ -	$ 89,834
Allowance for doubtful accounts	5,606	227	-	(27)	5,806
Reserve for inventory obsolescence and market price decline	164,928	9,028	-	(10)	173,946
Others	10,907	418	172	(132)	11,365
	$ 300,912	($ 19,964)	$ 172	($ 169)	$ 280,951
Deferred tax liabilities:					
Foreign investment income using equity method	($ 192,774)	($ 44,312)	$ -	$ -	($ 237,086)
Others	(56,337)	32,472	957	(3)	(22,911)
	($ 249,111)	($ 11,840)	$ 957	($ 3)	($ 259,997)

D. The expiration dates of unused loss carryforward and amounts of unrecognised deferred tax assets of the Company's subsidiary, AboveE Technology Inc., are as follows:

December 31, 2016				
Year incurred	Amount filed /assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2008	Assessed	$ 237	$ 237	2018

December 31, 2015				
Year incurred	Amount filed /assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2007	Assessed	$ 12,443	$ 12,443	2017
2008	Assessed	3,750	3,750	2018
		$ 16,193	$ 16,193	

E. The amounts of deductible temporary differences that are not recognised as deferred tax assets are as follows:

	December 31, 2016	December 31, 2015
Deductible temporary differences	$ 13,978	$ 29,934

F. The Company has assessed that the taxable temporary differences arising on investments in subsidiaries will not reverse in the foreseeable future. Accordingly, the Company did not recognise the full amount as deferred tax liabilities. As of December 31, 2016 and 2015, the temporary differences of unrecognised deferred tax liabilities were $4,312,969 and $4,742,823, respectively.

G. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

H. There was no unappropriated earnings generated before January 1, 1998.

I. As of December 31, 2016 and 2015, the balance of the imputation tax credit account was $323,368 and $277,506, respectively. The creditable tax rate is estimated to be 14.13% for the ended December 31, 2016 and was 15.22% for 2015.

(32) Earnings per share

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to shareholders of the parent	$1,699,457	470,561	$ 3.61
Diluted earnings per share			
Profit attributable to shareholders of the parent	1,699,457	470,561	
Assumed conversion of all dilutive potential ordinary shares:			
Conversion of convertible bonds	9,808	19,613	
Employees' compensation	-	781	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$1,709,265	490,955	$ 3.48

	Year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to shareholders of the parent	$1,983,249	464,039	$ 4.27
Diluted earnings per share			
Profit attributable to shareholders of the parent	1,983,249	464,039	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	916	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$1,983,249	464,955	$ 4.27

The weighted outstanding shares are the shares retrospectively adjusted as of December 31, 2016 from capitalisation of retained earnings.

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

The Company's significant related parties transactions are included in the consolidated financial statements. The related transactions were eliminated when preparing the consolidated financial statements. Details of other transactions without significant related parties are provided in Note 13.

(2) Key management compensation

	Years ended December 31, 2016	Years ended December 31, 2015
Salaries and other short-term employee benefits	$ 106,194	$ 83,619
Post-employment benefits	1,002	751
Share-based payments	-	770
Total	$ 107,196	$ 85,140

8. PLEDGED ASSETS

The summary of the carrying amount of the Group's assets pledged as collateral is as follows:

Pledged asset	Purpose	Book value December 31, 2016	Book value December 31, 2015
Other current assets:			
Bank deposits	Guarantee for tax administrative lawsuit	$ -	$ 12,000
"	Bid bond	3,128	3,187
"	Security for business credit card	-	2,251
		$ 3,128	$ 17,438

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Operating lease commitments

Most of the Group’s operating leases for renting offices and warehouses can be renewed at market price at the end of the lease period. The total minimum future lease payments are as follows:

	December 31, 2016	December 31, 2015
Not later than one year	$ 119,657	$ 128,808
Later than one year but not later than five years	103,655	84,565
Over 5 years	21,564	30,034
	$ 244,876	$ 243,407

B. Outstanding letters of credit

The amounts of outstanding letters of credit for purchase of inventories by the Group are as follows:

	December 31, 2016	December 31, 2015
Outstanding letters of credit	$ 3,077,671	$ 2,583,492

C. Guarantee for custom duties

The total guarantee for customs duties is as follows:

	December 31, 2016	December 31, 2015
Customs duties guarantee	$ 18,000	$ 15,000

D. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

Please refer to Note 6(11).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as ‘total liabilities’ in the consolidated balance sheet less cash and cash equivalents. Total equity is calculated as the ‘equity’ in the consolidated balance sheet.

In 2016, the Group's strategy was to maintain the debt to equity ratio below 275%. The debt to equity ratios at December 31, 2016 and 2015 were 251% and 169%, respectively.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, net accounts receivable, other receivables, other current assets, short-term borrowings, accounts payable, other payables, current portion of long-term liabilities and long-term loans) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group uses equivalent asset and liability positions denominated in foreign currencies and equivalent receipt and payment period to reach natural hedge. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2016				
				Sensitivity analysis	
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$ 741,331	32.25	$23,907,925	1%	$239,079
USD:RMB	298	32.25	9,611	1%	96
Non-monetary items					
USD:NTD	35,924	32.25	1,158,553		
Foreign operations					
USD:NTD	318,222	32.25	10,210,171		
Financial liabilities					
Monetary items					
USD:NTD	761,139	32.25	24,546,733	1%	245,467
USD:RMB	13,333	32.25	429,989	1%	4,300

	December 31, 2015				
				Sensitivity analysis	
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$ 629,447	32.86	$20,683,628	1%	$206,836
Non-monetary items					
USD:NTD	40,337	32.86	1,325,474		
Foreign operations					
USD:NTD	303,943	32.86	9,937,904		
Financial liabilities					
Monetary items					
USD:NTD	599,615	32.86	19,703,349	1%	197,033

D. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015 amounted to ($53,478) and $33,844, respectively.

Price risk

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated balance sheet as available-for-sale. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise listed stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2016 and 2015 would have increased/decreased by $12,452 and $14,057, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

i. The Group's interest rate risk arises from bank borrowings and advance payments for accounts receivable factored. Borrowings and advanced payment for factoring issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2016 and 2015, the Group's borrowings at variable rate were denominated in the USD.

ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

iii. Based on the simulations performed, the impact on profit before tax of a quarter (25 basis point) shift would be a maximum increase or decrease of $58,003 and $43,298 for the years ended December 31, 2016 and 2015, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Because the counterparties of the Group and performing parties are banks with good credit and financial institutions and government organisations with investment grade or above have no significant compliance concern, there is no significant credit risk.

ii. For the years ended December 31, 2016 and 2015, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. The credit quality of notes and accounts receivable that were neither past due nor impaired was in the following categories based on the Group's credit quality control policy:

	December 31, 2016	December 31, 2015
Group A	$ 8,984,021	$ 8,121,971
Group B	5,296,928	3,533,143
Group C	9,129,814	6,652,454
Group D	224,027	1,067,127
	$ 23,634,790	$ 19,374,695

Group A: Customers with excellent credit rating

Group B: Customers with fine credit rating

Group C: Customers with normal credit rating

Group D: Rated as other than A, B or C.

iv. The ageing analysis of notes and accounts receivable that were past due but not impaired are as follows:

	December 31, 2016	December 31, 2015
Up to 30 days	$ 4,511,674	$ 2,284,668
31 to 180 days	1,154,287	942,373
181 to 365 days	179,768	44,404
Over 366 days	52,221	159,781
	$ 5,897,950	$ 3,431,226

The above aging analysis was based on past due date.

v. As of December 31, 2016 and 2015, the Group's accounts receivable that were impaired amounted to $908,998 and $302,657, respectively.

Movements in allowance for individual provision for doubtful accounts were as follows:

	2016	2015
At January 1	$ 302,657	$ 272,858
Provision for doubtful accounts	616,826	25,154
Effect of changes in exchange rate	(10,485)	4,645
At December 31	$ 908,998	$ 302,657

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(17)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and expects to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>Non-derivative financial liabilities:</u>

December 31, 2016

	Less than 180 days	Between 180 days and 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Short-term borrowings	$22,013,337	$ -	$ -	$ -	$22,013,337
Short-term notes and bills payable	300,000	-	-	-	300,000
Accounts payable	18,656,748	-	-	-	18,656,748
Other payables	1,231,179	62,578	-	-	1,293,757
Bonds payable	-	-	-	1,446,000	1,446,000
	$42,201,264	$ 62,578	$ -	$1,446,000	$43,709,842

December 31, 2015

	Less than 180 days	Between 180 days and 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Short-term borrowings	$15,261,376	$ -	$ -	$ -	$15,261,376
Accounts payable	11,249,387	-	-	-	11,249,387
Other payables	1,102,834	68,358	-	-	1,171,192
Long-term loans	-	-	572,547	1,333,333	1,905,880
	$27,613,597	$ 68,358	$ 572,547	$1,333,333	$29,587,835

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. Details of the fair value of the Group’s financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group’s investment property measured at cost are provided in Note 6(9).

B. The balance of financial assets measured at fair value was $1,245,179 and $1,405,705 as of December 31, 2016 and 2015, respectively. The financial assets all belong to Level 1 (quoted prices in active markets for identical assets or liabilities) financial instruments (shown as ‘available-for-sale financial assets – current’ and ‘available-for-sale financial assets -

non-current').

C. The methods and assumptions the Group used to measure fair value are as follows:

The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

13. SEGMENT INFORMATION

(1) General information

The Group is engaged in the development and sales of electronic and communication components. The chief operating decision-maker considered the business and determined to separate segments from a perspective of sales region, which are mainly divided into Greater China, South Asia and North Asia. The Group has identified the Greater China shall be a reportable operating segment, and for other segments which have not met the quantitative threshold are not disclosed individually.

The Group's operating segment information is prepared in accordance with the Group's accounting policies. The chief operating decision-maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax of individual operating segment.

(2) Financial information of reportable segment

The financial information on reportable segment provided to the chief operating decision-maker is as follows:

	Greater China Region	
	Years ended December 31,	
	2016	2015
Revenue from external customers	$ 128,357,983	$ 103,599,366
Segment income	$ 1,796,457	$ 2,161,807
Segment assets (Note)	$ -	$ -

Note: The chief operating decision-maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

(3) Reconciliation information on reportable segment revenue and profit (loss)

A reconciliation of reportable segment income or loss to the income / (loss) before tax from continuing operations is as follows:

	Years ended December 31,	
Operating revenue	2016	2015
Total reported segment revenue	$ 128,357,983	$ 103,599,366
Other operating segment revenue	15,789,478	9,998,829
Total operating revenue	$ 144,147,461	$ 113,598,195

Profit and loss	Years ended December 31, 2016	2015
Income of reported segment	$ 1,796,457	$ 2,161,807
Income of other operating segments	241,257	187,760
Income before income tax from continuing operation	$ 2,037,714	$ 2,349,567

(4) Revenue information by category

	Years ended December 31,			
	2016		2015	
	Amount	%	Amount	%
Analog IC	$ 53,585,874	37	$ 39,757,608	$ 35
Chipset	10,963,647	8	6,546,733	6
IC Memory	10,860,656	8	7,700,400	7
Application-Specific IC	10,540,408	7	8,829,885	8
Discrete Devices	9,048,156	6	8,115,794	7
Others	49,148,720	34	42,647,775	38
	$ 144,147,461	100	$ 113,598,195	$ 100

(5) Revenue information by geographic area

Geographical information for the years ended December 31, 2016 and 2015 were as follows:

	Years ended December 31,			
	2016		2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 22,345,154	$ 1,649,422	$ 18,203,269	$ 1,643,368
China	101,064,672	589,634	78,577,195	528,073
Others	20,737,635	539,177	16,817,731	623,879
	$ 144,147,461	$ 2,778,233	$ 113,598,195	$ 2,795,320

The above revenue by geographic area is calculated based on sales to external customers at the location where payments are collected.

(6) Major customers' information

Major customer information of the Group for the years ended December 31, 2016and 2015 is as follows:

	Years ended December 31, 2016	2015
Customer A	$ 14,685,582	$ 5,480,882