ORIENT SEMICONDUCTOR ELECTRONICS LIMITED

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH

REPORT OF INDEPENDENT AUDITORS

MARCH 31, 2017 AND 2016

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese financial statements shall prevail.

安永聯合會計師事務所
80052 高雄市中正三路2號17樓
17F, No. 2, Zhongzheng 3rd Road
Kaohsiung City, Taiwan, R.O.C.
Tel: 886 7 238 0011
Fax: 886 7 237 0198
www.ey.com/taiwan

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
English Translation of a Report Originally Issued in Chinese

To Orient Semiconductor Electronics Limited

We have reviewed the accompanying consolidated balance sheets of Orient Semiconductor Electronics Limited (the "Company") and its subsidiaries as of March 31, 2017 and 2016, the related consolidated statements of comprehensive income for the three-month periods ended March 31, 2017 and 2016, and consolidated statements of changes in equity and cash flows for the three-month periods ended March 31, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue the review report based on our reviews.

Except for the matters mentioned in the third paragraph, our reviews were made in accordance with the Statements of Auditing Standards NO. 36, "Review of Financial Statements". We only performed the analytical and comparative procedures to financial data and inquired persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As of March 31, 2017 and 2016, total assets of the part subsidiaries were $1,005,630 thousand (5.82% of the consolidated total assets) and $1,254,856 thousand (7.19% of the consolidated total assets), respectively; total liabilities of the subsidiaries were $292,294 thousand (2.65% of the consolidated total liabilities) and $324,011 thousand (2.93% of the consolidated total liabilities), respectively. For the three-month periods ended March 31, 2017 and 2016, net income of the subsidiaries were $21,860 thousand ((9.20%) of the consolidated net income) and $21,500 thousand (10.21% of the consolidated net income). As stated in Note 13 to the financial statements, investments accounted for using equity method of the Company and its subsidiaries, were $430,549 thousand and $410,514 thousand as of March 31, 2017 and 2016. For the three-month period ended March 31, 2017 and 2016 the related shares of investment income from the associates were $8,024 thousand and $10,172 thousand, respectively, and the related shares of other comprhensive income from the associates were both $0, which were based solely on the financial reports not reviewed by other independent accountants.

Based on our reviews and the reports of other independent accountants, we are not aware of any material modifications or adjustments that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, "Interim Financial Reporting" which is endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Ernst & Young

Ernst & Young
May 10, 2017
Republic of China on Taiwan

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

As of March 31, 2017, December 31, 2016 and March 31, 2016

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	March 31, 2017		December 31, 2016		March 31, 2016	
		Amount	%	Amount	%	Amount	%
Current assets							
Cash and cash equivalents	4, 6	$1,345,941	8	$1,073,721	6	$541,007	3
Financial assets at fair value through profit or loss-Current	4, 7, 35	45,934	—	35,266	—	29,054	—
Notes receivable	4, 8	10,125	—	12,785	—	16,966	—
Accounts receivable-Non Affiliates	4, 9, 35	1,945,255	11	2,293,028	14	1,967,818	11
Accounts receivable-Affiliates	4, 9, 34	351,999	2	293,635	2	687,147	4
Other receivable-Non Affiliates		39,791	—	104,829	1	54,842	—
Other receivable-Affiliates	34	84,656	1	81,909	—	47,492	—
Current income tax assets	4, 31	—	—	—	—	63	—
Inventories	4, 10	1,431,498	8	1,487,131	8	1,536,758	9
Prepayments	4, 17	57,275	1	113,533	1	157,909	1
Other current assets		28,799	—	56,059	—	41,196	—
Other financial assets-Current	35	277,671	2	268,051	1	747,107	5
Total current assets		5,618,944	33	5,819,947	32	5,827,359	33
Non-current assets							
Available-for-sale financial assets-Non current	4, 11	267,313	2	267,313	1	291,628	2
Financial assets carried at cost-Non current	4,12	4,393	—	7,686	—	4,987	—
Investments accounted for using the equity method	4, 13, 35	430,549	2	411,635	2	410,514	2
Property, plant, and equipment	4, 14, 35	8,620,896	50	9,174,961	51	8,463,555	49
Investment property	4, 15	596,331	3	640,819	4	659,155	4
Intangible assets	4, 16	81,065	—	95,977	1	63,489	—
Deferred income tax assets	4	1,368,495	8	1,318,908	7	1,389,010	8
Prepayment for purchase of fixed assets	4, 17	27,255	—	50,382	—	57,756	—
Refundable deposits	35	162,756	1	164,695	1	160,384	1
Long-term receivables-Affiliates	4, 18,34	94,028	1	100,047	1	99,954	1
Other non-current assets	4	15,923	—	20,260	—	23,797	—
Total non-current assets		11,669,004	67	12,252,683	68	11,624,229	67
Total assets		$17,287,948	100	$18,072,630	100	$17,451,588	100

(The accompanying notes are an integral part of the financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS

As of March 31, 2017, December 31, 2016 and March 31, 2016

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	March 31, 2017		December 31, 2016		March 31, 2016	
		Amount	%	Amount	%	Amount	%
Current liabilities							
Short-term loans	19	$2,026,718	12	$1,474,062	8	$2,466,837	14
Short-term notes payable	20	398,823	2	249,131	2	249,362	1
Notes payable		24,733	—	45,048	—	265,628	2
Other notes payable		1,209	—	11,627	—	43,723	—
Accounts payable-Non Affiliates		2,808,864	16	3,200,021	18	3,029,562	17
Accounts payable-Affiliates	34	30,634	—	9,923	—	9,320	—
Accrued expenses		343,871	2	607,977	3	396,320	2
Payables on equipment		301,167	2	514,076	3	827,485	5
Other payables-Affiliates	34	—	—	248,693	1	265,032	2
Current income tax liabilities	4	979	—	16	—	2	—
Current portion of long-term loans	21	1,618,075	10	1,411,496	8	955,187	5
Lease payable-Current	4, 22	95,488	1	157,349	1	414,944	2
Other current liabilities		230,348	1	185,959	1	144,600	1
Total current liabilities		7,880,909	46	8,115,378	45	9,068,002	51
Non-current liabilities							
Long-term loans	21	2,561,556	15	2,656,909	15	1,137,242	7
Lease payable-Non current	4, 22	10,418	—	24,538	—	105,903	1
Net defined benefit liabilities-Non current	4	581,764	3	595,722	3	730,298	4
Other non current liabilities-Others	4	3,570	—	3,583	—	33,559	—
Total non-current liabilities		3,157,308	18	3,280,752	18	2,007,002	12
Total liabilities		11,038,217	64	11,396,130	63	11,075,004	63
Equity attributable to the parent company	4, 24						
Capital							
Common stock		8,060,158	47	8,060,158	45	8,060,158	47
Additional paid-in capital		21,868	—	21,868	—	1,097	—
Recognize changes in subsidiaries' ownership							
Retained earnings							
Retained deficits		(1,980,953)	(12)	(1,796,040)	(10)	(2,060,858)	(12)
Other Components of Equity		148,658	1	198,306	1	228,652	1
Equity attributable to stockholders of the parent		6,249,731	36	6,484,292	36	6,229,049	36
Non-controlling interests		—	—	192,208	1	147,535	1
Total stockholders' equity		6,249,731	36	6,676,500	37	6,376,584	37
Total liabilities and stockholders' equity		$17,287,948	100	$18,072,630	100	$17,451,588	100

(The accompanying notes are an integral part of the financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31, 2017 and 2016

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	For the three-month periods ended March 31, 2017		For the three-month periods ended March 31, 2016	
		Amount	%	Amount	%
Net revenue	4, 25	$3,396,940	100	$4,056,851	100
Cost of goods sold	4, 28	(3,353,361)	(99)	(3,420,427)	(84)
Gross profit		43,579	1	636,424	16
Operating expenses	4, 28				
Selling and administration expenses		(185,960)	(5)	(232,597)	(6)
Research and development expenses		(60,343)	(2)	(56,276)	(1)
Subtotal		(246,303)	(7)	(288,873)	(7)
Operating income		(202,724)	(6)	347,551	9
Non-operating income and expenses	29				
Other income		19,793	1	14,739	—
Other gains and losses		(11,969)	—	(55,862)	(1)
Financial costs		(36,695)	(1)	(39,847)	(1)
Share of profit of associates under equity method	4, 13	8,024	—	10,172	—
Pretax income		(223,571)	(6)	276,753	7
Income tax expense	4, 31	37,431	1	(48,346)	(1)
Consolidated net income		(186,140)	(5)	228,407	6
Other comprehensive income (loss)	4, 30				
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(61,710)	(2)	(20,863)	(1)
Income tax relating to components of other comprehensive income		10,169	—	3,031	—
Total other comprehensive (loss) for the period, net of tax		(51,541)	(2)	(17,832)	(1)
Total comprehensive income		($237,681)	(7)	$210,575	5
Consolidated net income attributable to:					
Common stockholders of the parent		($184,913)	(5)	$225,064	6
Non controlling interests		(1,227)	—	3,343	—
		($186,140)	(5)	$228,407	6
Consolidated comprehensive income attributable to:					
Common stockholders of the parent		($234,561)	(8)	$210,263	5
Non-controlling interests		(3,120)	—	312	—
		($237,681)	(7)	$210,575	5
Basic earnings per share (Expressed in NTD)	4, 32	$(0.23)		$0.28	

(The accompanying notes are an integral part of the financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31, 2017 and 2016

(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Equity attributable to stockholders of the parent						Non-Controlling Interests	Total Equity
	Common stock	Capital surplus	Retained earnings	Other equity		Total		
			Retained deficits	Exchange differences on translation of foreign operations	Unrealized gains from available-for-sale financial assets			
Balance as of January 1, 2016	$8,060,158	$2,137	($2,285,922)	$36,100	$207,353	$6,019,826	$144,211	$6,164,037
Share of changes in net assets of associates and joint ventures accounted for using equity method		(2,379)				(2,379)	—	(2,379)
Profit for the three months ended March 31, 2016			225,064			225,064	3,343	228,407
Other comprehensive (loss) for the three months ended March 31, 2016				(14,801)		(14,801)	(3,031)	(17,832)
Total comprehensive income (loss)	—	—	225,064	(14,801)	—	210,263	312	210,575
From shares of changes in equities of subsidiaries		1,339				1,339	—	1,339
Changes in non-controlling interests						—	3,012	3,012
Balance as of March 31, 2016	$8,060,158	$1,097	($2,060,858)	$21,299	$207,353	$6,229,049	$147,535	$6,376,584
Balance as of January 1, 2017	$8,060,158	$21,868	($1,796,040)	$11,134	$187,172	$6,484,292	$192,208	$6,676,500
Profit for the three months ended March 31, 2017			(184,913)			(184,913)	(1,227)	(186,140)
Other comprehensive (loss) for the three months ended March 31, 2017				(49,648)		(49,648)	(1,893)	(51,541)
Total comprehensive income (loss)	—	—	(184,913)	(49,648)	—	(234,561)	(3,120)	(237,681)
From shares of changes in equities of subsidiaries							(192,208)	(192,208)
Changes in non-controlling interests							3,120	3,120
Balance as of March 31, 2017	$8,060,158	$21,868	($1,980,953)	($38,514)	$187,172	$6,249,731	—	$6,249,731

(The accompanying notes are an integral part of the financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31, 2017 and 2016

(Amount expressed in Thousands of New Taiwan Dollars)

Items	For the three-month periods ended March 31, 2017 Amount	For the three-month periods ended March 31, 2016 Amount
Cash flows from operating activities:		
Pretax (loss) income	($223,571)	$276,753
Adjustments to reconcile net income (loss) before tax to net		
The profit or loss items which did not affect cash flows:		
Depreciation	388,270	330,156
Amortization	13,881	9,852
Bad debt (reversal) expenses	(1,478)	(917)
Net (income) of financial assets and liabilities at fair value through profit or loss	(10,668)	(7,342)
Interest expense	36,695	39,847
Interest revenue	(1,087)	(1,331)
Share of (profit) of associates accounted for using the equity method	(8,024)	(10,172)
(Gain) on disposal of property, plant and equipment	(21,150)	(1,828)
Loss on disposal of investments	7,369	16,971
Changes in operating assets and liabilities:		
Decrease (Increase) in notes receivable-non affiliates	2,660	(4,377)
Decrease in accounts receivable-non affiliates	317,839	487,519
(Increase) Decrease in accounts receivable-affiliates	(58,333)	7,573
Decrease (Increase) in other receivable-non affiliates	56,195	(4,666)
(Increase) Decrease in other receivable-affiliates	(2,747)	2,892
Decrease (Increase) in inventories	7,146	(57,611)
Decrease in prepayments	15,368	2,743
Decrease (Increase) in other current assets	27,260	(5,953)
(Increase) Decrease in other operating assets	(981)	244
(Decrease) in notes payable-non affiliates	(30,733)	(29,341)
(Decrease) in accounts payable	(352,855)	(238,158)
Increase (Decrease) Increase in other accounts payable-affiliates	20,711	(2,847)
Increase (Decrease) in other accounts payable	13,160	(1,191)
(Decrease) in other current liabilities	(202,554)	(266,080)
(Decrease) in accrued pension liabilities	(13,958)	(4,515)
Cash (used) generated from operating activities	(21,585)	538,221
Interest received	1,083	1,550
Income tax (paid)	(2,149)	(3,799)
Net cash (used) provided by operating activities	(22,651)	535,972

Items	For the three-month periods ended March 31, 2017 Amount	For the three-month periods ended March 31, 2016 Amount
Cash flows from investing activities:		
Acqusition of financial assets carried at cost	—	(4,987)
Cashflow of subsidiaries derecognition	(98,513)	—
Acqusition of property, plant, and equipment	(257,429)	(420,198)
Disposal of property, plant, and equipment	73,018	63,180
(Increase) in refundable deposits	—	(19,019)
Decrease in refundable deposits	1,509	—
Acqusition of intangible assets	—	(46,313)
Decrease in long-term receivables	6,019	2,078
(Increase) in other financial assets	(11,684)	—
Other investing activities	—	(1,040)
Net cash (used) by investing activities	(287,080)	(426,299)
Cash flows from financing activities:		
Increase in short-term loans	575,494	—
(Decrease) in short-term loans	—	(785,933)
Increase in short-term notes payable	398,823	26
(Decrease) in short-term notes payable	(249,131)	—
Increase in long-term loans	591,000	870,000
Repayment of long-term loans	(360,011)	(194,104)
Increase in guarantee deposits received	—	18
(Decrease) in guarantee deposits received	(13)	—
Increase in other payable-affiliates	—	32
(Decrease) in other payable-affiliates	(248,693)	—
Increase in lease payable	3,892	68,180
(Decrease) in lease payable	(79,873)	(148,464)
Interest paid	(49,855)	(38,656)
Changes in non-controlling interests	3,120	3,012
Other financing activities	—	(9,328)
Net cash provided (used) by financing activities	584,753	(235,217)
Foreign currency translation adjustment	(2,802)	(2,432)
Net increase (decrease) increase in cash	272,220	(127,976)
Cash and cash equivalents, beginning of period	1,073,721	668,983
Cash and cash equivalents, end of period	$1,345,941	$541,007

(The accompanying notes are an integral part of the financial statements.)

1. ORGANIZATION AND OPERATION

Orient Semiconductor Electronics Limited (the Company) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China in June 1971. The Company was registered in Kaohsiung City and the registered address is 9 Central 3Rd St. N.E.P.Z., Kaohsiung, Taiwan, 11, R.O.C. The principal activity of the Company is to engage in the manufacture, assembly, processing and sale of integrated circuits, parts for semiconductors, computer motherboards and related products. The Company's shares commenced trading in the Taiwan stock exchange market in April 1994.

For the three-month periods ended March 31, 2017, the Company and its subsidiaries current liabilities and current assets amounted to $7,880,909 thousand and $5,618,944 thousand, respectively. The current ratio was 71.30%. The Company has devoted to adjusting its product structure. The Company keeps making a profit and improving financial structure.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries("the Group) for the three-month periods ended March 31, 2017 and 2016 were authorized for issue by the Board of Directors on May 10, 2017.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments.

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2017. The nature and the impact of each new standard and amendment that has no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below.

(a) IFRS 15 "Revenue from Contracts with Customers"

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company 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

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after 1 January 2018.

(b) IFRS 9“Financial Instruments”

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 Financial Instruments (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that ‘own credit risk’ adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018.

(c) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(d) IFRS 16“Leases”

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after 1 January 2019.

(e) IAS 12“Income Taxes” — Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how to account for deferred tax assets for unrealized losses. The amendments are effective for annual periods beginning on or after 1 January 2017.

(f) Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:

The amendments relate to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendments are effective for annual periods beginning on or after 1 January 2017.

(g) IFRS 15 “Revenue from Contracts with Customers” — Clarifications to IFRS 15

The amendments clarify how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a licence should be recognized at a point in time or over time. The amendments are effective for annual periods beginning on or after 1 January 2018.

(h) IFRS 2 “Shared-Based Payment” — Amendments to IFRS 2

The amendments contain (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognised in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognised on that date. Any difference between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2018.

(i) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (1 January 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before 1 January 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

(j) Transfers of Investment Property — Amendments to IAS 40

The amendments relate to the transfers of investment property. The amendments clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after 1 January 2018.

(k) Improvements to International Financial Reporting Standards (2014-2016 cycle):

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The amendments revise and amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after 1 January 2018.

IFRS 12 “Disclosure of Interests in Other Entities”

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity’s interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after 1 January 2017.

IAS 28“Investments in Associates and Joint Ventures”

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments” on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after 1 January 2018.

(l) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 "The Effects of Changes in Foreign Exchange Rates", in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after 1 January 2018.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The abovementioned standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended 31 March 2017 and 2016 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 Interim Financial Reporting as endorsed and became effective by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

(b) exposure, or rights, to variable returns from its involvement with the investee, and

(c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee

(b) rights arising from other contractual arrangements

(c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries 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.

If the Group loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) recognizes any surplus or deficit in profit or loss; and
(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

A. The consolidated entities are listed as follows:

			Percentage of ownership			
Investor	Name of subsidiaries	Main businesses	March 31, 2017	December 31, 2016	March 31, 2016	Remarks
The Company	OSE PHILIPPINES INC. (OSEP)	Manufacture and export of integrated circuits and computers	99.99%	99.99%	99.99%	1. As at March 31, 2017, the Company owned 93.67% and OSE B.V.I. owned 6.33% of the shares of OSEP, which represented the aggregate a 99.99% ownership of OSEP. 2. OSEP ceased its operation in fourth quarter of 2011.
The Company	OSE INTERNATIONAL, LTD. (OSE B.V.I.)	Investments of various manufacturing businesses	100.00%	100.00%	100.00%	–

Investor	Name of subsidiaries	Main businesses	Percentage of ownership March 31, 2017	December 31, 2016	March 31, 2016	Remarks
The Company	OSE USA, INC. (OSEU)	Sales agent for the Company in North America	100.00%	100.00%	100.00%	OSEA merged with OSEU on February 14, 2006 and assumed OSEU's assets, liabilities and preferred stocks. OSEA changed its name as OSE USA, Inc. after the merger.
The Company	COREPLUS (HK) LIMITED (COREPLUS)	Manufacture of electronics product	100.00%	100.00%	100.00%	—
COREPLUS (HK) LIMITED (COREPLUS)	VALUE–PLUS TECHNOLOGY (SUZHOU) CO. (VALUE–PLUS (SUZHOU))	Manufacture of electronics product	100.00%	100.00%	100.00%	—
The Company	SPARQTRON CORP. (SPARQTRON)	Manufacture of electronics product	—	9.96%	43.89%	As discussed in (B)
SPARQTRON CORP. (SPARQTRON)	CONSTELLAR TECHNOLOGY CORPORATION (CONSTELLAR)	Manufacture of electronics product	—	100.00%	100.00%	—
SPARQTRON CORP. (SPARQTRON)	Diamond Creative Holding Limited	Investment holding.	—	71.43%	—	—
DIAMOND CREATIVE HOLDING LIMITED	DIAMOND DIGITAL CORPORATION	Manufacture of electronics product	—	100.00%	—	—

B. According to IFRS10, based on the Company's ownership of voting rights of SPARQTRON, it has been determined that the Company is no longer able to influence the policy-making processes in shareholders meeting, which results in the loss of control. As a result, SPARQTRON is not included in the consolidated financial reporting entities.

C. The financial statements of part of the consolidated subsidiaries listed above had not been reviewed by auditors. As at March 31, 2017 and 2016, the related assets of the subsidiaries which were unaudited by auditors amount to $1,005,630 thousand and $1,254,856 thousand respectively, and the related liabilities amount to $292,294 thousand and $324,011 thousand, respectively. The comprehensive income of these subsidiaries amount to $21,860 thousand and $21,500 thousand for the three-month periods ended March 31, 2017 and 2016, respectively.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle

(b) The Group holds the asset primarily for the purpose of trading.

(c) The Group expects to realize the asset within twelve months after the reporting period.

(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle.

(b) The Group holds the liability primarily for the purpose of trading.

(c) The liability is due to be settled within twelve months after the reporting period.

(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity with three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment). If financial assets do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

i. significant financial difficulty of the issuer or obligor; or
ii. a breach of contract, such as a default or delinquency in interest or principal payments; or
iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
iv. the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

<u>Derecognition of financial assets</u>

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired.
ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(b) Financial liabilities and equity

<u>Classification between liabilities or equity</u>

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
ii. ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or

(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on an average basis.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs, on an average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(11) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

(12) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 39 Financial Instruments: Recognition and Measurement. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

(1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

(2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10～50 years
Machinery and equipment	7～15 years
Transportation equipment	5 years
Office equipment	5 years
Leased assets	7～15 years
Leasehold improvements	5～15 years
Other equipment	5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(14) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	40 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

(15) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Sale and leaseback

The company sold and portion machinery and equipment and leased back. When sale and leaseback determined as finance lease, the company (the lessor and lessee) deferred the amount exceed book value in the leasehold period.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale
(b) Its intention to complete and its ability to use or sell the asset
(c) How the asset will generate future economic benefits
(d) The availability of resources to complete the asset
(e) The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

A summary of the policies applied to the Group’s intangible assets is as follows:

	Cost of computer software
Useful lives	1～3 years
Amortization method used	Amortized on a straight-line basis
Internally generated or acquired	Acquired

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

<u>Sale of goods</u>

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

(a) the significant risks and rewards of ownership of the goods have passed to the buyer;

(b) neither continuing managerial involvement nor effective control over the goods sold have been retained;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(e) the costs incurred in respect of the transaction can be measured reliably.

For the customer loyalty points programme that the Group operates, consideration received is allocated between the goods sold and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

<u>Dividends</u>

Revenue is recognised when the Group's right to receive the payment is established.

<u>Rendering of services</u>

Revenue is recognised when the Group finishes the processing services.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and

(b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

<u>Current income tax</u>

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

<u>Deferred tax</u>

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(22) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 Financial Instruments: Recognition and Measurement either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. SIGNIFICANT ACCOUNITNG JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(1) Investment properties

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety.

(2) Operating lease commitment－Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(3) De facto control without a majority of the voting rights in subsidiaries

The Company does not have majority of the voting rights in certain subsidiaries. However, after taking into consideration factors such as absolute size of the Company's holding, relative size of the other shareholdings, how widely spread are the remaining shareholders, contractual arrangements between shareholders, potential voting rights, etc., the Company reached the conclusion that it has de facto control over these subsidiaries. Please refer to Note 4 for further details.

(4) Revenue recognition

The Group based on trading patterns and whether the economic substance were expose to the sale of goods or services related to the significant risks and rewards, to determine whether the Group should be classified as the principal of the transaction or agent. When expose to the sale of goods or services related to the significant risks and rewards, the principal of the transaction should recognize the total receivables or received economic benefit as revenue; if determine as the agent, recognize the net transaction as revenue.

The Group provides electronic manufacturing services and integrated circuit packaging and testing manufacturing services, determined as to conform to the following indicators; it is recognized as total revenue collected:

i. Has the primary responsibility to the provision of goods or services provided

ii. Assumed inventory risk

iii. Assumed customer’s credit risk

Estimates and assumptions

In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(1) The Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 39 for more details.

(2) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases (decrease).

(3) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(4) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Please refer to Note 39 for the main assumption of estimating the recoverable amount of different cash-generating units, including sensitivity analysis.

6. CASH AND CASH EQUIVALENTS

	Mar. 31 , 2017	Dec. 31 , 2016	Mar. 31 , 2016
Cash on hand	$276	$82,149	$352
Demand deposits	1,345,665	991,572	540,655
Total	$1,345,941	$1,073,721	$541,007

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS－CURRENT

	Mar. 31 , 2017	Dec. 31 , 2016	Mar. 31 , 2016
Designated financial assets at fair value through profit or loss at initial recognition:			
Non-derivative financial assets			
Listed stocks	$38,560	$38,560	$38,560
Add : valuation adjustments	7,374	(3,294)	(9,506)
Total	$45,934	$35,266	$29,054

Please refer to Note 35 for the more details on financial assets held for trading under pledge.

8. NOTES RECEIVABLES

	Mar. 31 , 2017	Dec. 31 , 2016	Mar. 31 , 2016
Notes receivables	$10,125	$12,785	$16,966
Less : allowance for doubtful debts	(－)	(－)	(－)
Total	$10,125	$12,785	$16,966

Notes receivables were not pledged.

9. ACCOUNTS RECEIVABLES AND ACCOUNTS RECEIVABLES－AFFILIATES

(1) Details are as follows:

	Mar. 31 , 2017	Dec. 31 , 2016	Mar. 31 , 2016
Accounts receivables	$1,948,140	$2,298,227	$1,885,498
Add : accounts receivable to be factored	(－)	(－)	87,433
Less : allowance for doubtful debts	(2,885)	(5,199)	(5,113)
Subtotal	1,945,255	2,293,028	1,967,818
Accounts receivables -affiliates	352,006	293,673	687,554
Less : allowance for doubtful debts	(7)	(38)	(407)
Subtotal	351,999	293,635	687,147
Total	$2,297,254	$2,586,663	$2,654,965

Please refer to Note 35 for the more details on part of accounts receivables under pledge.

(2) Accounts receivables are generally on 30-150 day terms. The movements in the provision for impairment of accounts receivables are as follows (please refer to Note 39 for disclosure on credit risk):

	Individually impaired	Collectively impaired	Total
As at Jan.1, 2017	—	$5,237	$5,237
Charge/(reversal) for the current period	—	(1,478)	(1,478)
Effect of exchange rate	—	1	1
Other changes	—	(868)	(868)
As at Mar.31, 2017	—	$2,892	$2,892
As at Jan.1, 2016	—	$6,440	$6,440
Charge/(reversal) for the current period	—	(917)	(917)
Effect of exchange rate	—	(3)	(3)
As at Mar.31, 2016	—	$5,520	$5,520

		Past due but not impaired			
	Neither past due nor impaired	61-90 days	91-120 days	>=121 days	Total
Mar. 31 , 2017	$2,289,755	$6,330	—	$1,169	$2,297,254
Dec. 31 , 2016	$2,578,225	$997	$2,127	$5,314	$2,586,663
Mar. 31 , 2016	$2,631,797	$9,523	$11,480	$2,165	$2,654,965

(3) The Group signed loan agreements with the following banks and used its accounts receivable as securities for the loans. Certain of the Company's accounts receivable were under pledge to the banks. The details of the loan agreements are as follows :

Mar. 31, 2017

Bank	Contract period	Banking facility	Loan amount	Factored amount
Far Eastern Bank	June 28, 2016 ~ June 28, 2017	$450,000	—	—
Far Eastern Bank	June 28, 2016 ~ June 28, 2017	$135,000	—	—
Total			—	—

Dec. 31, 2016

Bank	Contract period	Banking facility	Loan amount	Factored amount
SinoPac Bank	March 23, 2016 ~ March 31, 2017	US$9,000 $350,000	—	—
Far Eastern Bank	June 28, 2016 ~ June 28, 2017	$450,000	—	—
Far Eastern Bank	June 28, 2016 ~ June 28, 2017	$135,000	—	—
Total			—	—

Mar. 31, 2016

Bank	Contract period	Banking facility	Loan amount	Factored amount
SinoPac Bank	March 31, 2015 ~ March 31, 2016	US$13,600 $265,000	$72,610	$87,433
SinoPac Bank	March 31, 2015 ~ March 31, 2016	$260,000	—	—
Far Eastern Bank	April 10, 2015 ~ April 10, 2016	$450,000	—	—
Far Eastern Bank	April 10, 2015 ~ April 10, 2016	$135,000	—	—
Total			$72,610	$87,433

10. INVENTORIES

(1) Details are as follows:

	Mar. 31 , 2017	Dec. 31 , 2016	Mar. 31 , 2016
Raw materials	$1,005,640	$1,059,894	$1,033,320
Supplies	79,359	78,466	77,058
Work in progress	264,982	212,322	310,477
Finished goods	81,517	136,449	115,903
Total	$1,431,498	$1,487,131	$1,536,758

(2)

	For the 3-month periods ended March 31	
	2017	2016
Cost of inventories sold	$3,345,992	$3,403,456
Loss of write-down of inventories	7,369	16,971
Cost of goods sold	$3,353,361	$3,420,427

(3) As at March 31, 2017 and 2016, inventories were insured for $9,762,628 thousand and $9,828,668 thousand, respectively.

(4) No inventories were pledged.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS─ NON CURRENT

(1) Details are as follows:

	Mar. 31 , 2017	Dec. 31 , 2016	Mar. 31 , 2016
Unlisted stocks	$41,805	$41,805	$41,805
Less : Unrealized gains and losses	225,508	225,508	249,823
Total	$267,313	$267,313	$291,628

(2) Stock details are as follows:

Investee Company	Type of stock	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
STRATEDGE	Common stock	$1,323	$1,323	$1,323
ACTIONTEC	Common stock	126,367	126,367	136,592
ACTIONTEC	Preferred stock	139,623	139,623	153,713
SPINERGY	Common stock	─	─	─
GOLFWARE, INC.	Common stock	─	─	─
Total		$267,313	$267,313	$291,628

12. FINANCIAL ASSETS MEASURED AT COST –NON CURRENT

(1) Available-for-Sale Financial Assets

	Mar. 31 , 2017	Dec. 31 , 2016	Mar. 31 , 2016
Foreign stocks	$4,393	$7,686	$4,987

No financial assets measured at cost were pledged.

(2) The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(1) The group investments accounted for using the equity method are as follows:

		Mar. 31, 2017		Dec. 31, 2016		Mar. 31, 2016	
Investee Company	Type of stock	Amount	Ownership	Amount	Ownership	Amount	Ownership
Investments in associates:							
OSE PROPERTIES, INC.	Common stock	—	39.99%	—	39.99%	—	39.99%
ATP ELECTRONICS, TAIWAN INC.	Common stock	$406,056	18.31%	$404,624	18.31%	$406,218	18.48%
INFOFAB, INC.	Common stock	3,212	14.85%	4,752	14.85%	4,296	14.85%
SCS HIGHTECH INC.	Common stock	—	18.17%	—	18.17%	—	18.17%
Sparqtronics Inc	Common stock	—	—	2,259	48.98%	—	—
SPARQTRON CORP.	Common stock	21,281	9.96%	—	—	—	—
Total		$430,549		$411,635		$410,514	

(2) In September 2006, shares of the investee company ATP were exchanged with ATP TAIWAN so that the Company would hold 15.13% ownership of ATP TAIWAN after the exchange. The Group had purchased 1,929 thousand shares of treasury stocks. So the Group held 18.31% ownership of ATP TAIWAN as at March 31, 2017.

(3) SCS HIGHTECH INC. was written off as losses in 2004, and the company was rescinded based on the approval granted by Science Park Bureau on March 8, 2007 by Doc No.0960006126.

(4) In March 2017, the Group lost control of the investee company SPARQTRON, but still has significant influence. Therefore, The investment accounted for using the equity method. Please refer to Note 33 for more details.

(5) Part of the shares in long-term equity investments has been pledged to the banks as securities for bank loans granted to the Group. Please refer to Note 35 for more details.

(6) The Group’s investments by using the equity method are not published price quotations.

(7) Investments accounted for using the equity mothod of the Company and its subsidiaries, were $430,549 thousand and $410,514 thousand as at March 31, 2017 and 2016, respectively. For the three-month periods ended March 31, 2017 and 2016 the related shares of investment income from the associates were $8,024 thousand and $10,172 thousand, respectively, and the related shares of other comprehensive income from the associates were both $0, which were based solely on the financial reports of other independent accountants.

(8) The following table summarizes financial information of the investments in associates of the Group:

	Mar.31, 2017	Dec.31, 2016	Mar.31, 2016
Total assets (100%)	$3,250,831	$2,814,359	$2,811,859
Total liabilities (100%)	$1,177,456	$961,491	$973,588

	For the 3-month periods ended March 31	
	2017	2016
Revenue	$981,632	$772,243
Profit	$42,768	$53,520
Other Comprehensive (loss)	($36,749)	($5,129)
Total Comprehensive Income	$6,019	$48,391

14. PROPERTY, PLANT AND EQUIPMENT

(1)

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Rental assets	Leased assets	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:											
As at Jan.1, 2017	$35,856	$7,030,483	$18,108,900	$8,945	$97,500	$279,342	$759,230	$19,686	$409,005	$126,561	$26,875,508
Additions	–	1,116	1,397	–	–	–	–	–	–	31,714	34,227
Disposals	–	–	(210,562)	(861)	(34)	–	–	(4,266)	(7,347)	–	(223,070)
Transfers	–	32,001	38,291	–	–	–	–	–	–	(37,073)	33,219
Exchange differences	–	–	(35,819)	(187)	(1,656)	–	–	–	(584)	–	(38,246)
Subsidiaries derecognition effects	(35,856)	(111,222)	(199,847)	(2,954)	(14,625)	–	–	(15,420)	(933)	–	(380,857)
As at Mar. 31, 2017	–	$6,952,378	$17,702,360	$4,943	$81,185	$279,342	$759,230	–	$400,141	$121,202	$26,300,781
Depreciation and impairment:											
As at Jan.1, 2017	–	$4,011,383	$12,936,991	$5,619	$88,212	$118,833	$212,329	$14,665	$312,515	–	$17,700,547
Depreciation	–	63,554	275,762	130	234	1,671	31,441	70	7,245	–	380,107
Disposals	–	–	(166,492)	(301)	(31)	–	–	(1,226)	(3,152)	–	(171,202)
Transfers	–	–	(12)	–	–	–	–	–	–	–	(12)
Exchange differences	–	–	(33,393)	(100)	(1,545)	–	–	–	(469)	–	(35,507)
Subsidiaries derecognition effects	–	(10,932)	(157,809)	(1,859)	(9,425)	–	–	(13,509)	(514)	–	(194,048)
As at Mar. 31, 2017	–	$4,064,005	$12,855,047	$3,489	$77,445	$120,504	$243,770	–	$315,625	–	$17,679,885

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Rental assets	Leased assets	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:											
As at Jan.1, 2016	$36,568	$6,985,457	$19,390,259	$9,202	$96,370	$412,751	$1,305,299	$18,743	$414,191	$159,775	$28,828,615
Additions	—	431	2,861	—	1,063	—	—	207	333	448,925	453,820
Disposals	—	(102,526)	(279,569)	(698)	—	—	—	—	(4,296)	—	(387,089)
Transfers	—	9,652	352,294	—	(433)	—	61,339	—	10,392	(129,174)	304,070
Exchange differences	(746)	(2,311)	(15,756)	(114)	(846)	—	—	(311)	(208)	—	(20,292)
As at Mar. 31, 2016	$35,822	$6,890,703	$19,450,089	$8,390	$96,154	$412,751	$1,366,638	$18,639	$420,412	$479,526	$29,179,124
Depreciation and impairment:											
As at Jan.1, 2016	—	$3,877,037	$15,945,960	$5,418	$86,948	$180,133	$273,298	$13,956	$353,295	—	$20,736,045
Depreciation	—	61,475	189,579	246	503	2,678	60,883	220	5,159	—	320,743
Disposals	—	(102,526)	(218,230)	(698)	—	—	—	—	(4,283)	—	(325,737)
Transfers	—	—	23	—	(23)	—	—	—	—	—	—
Exchange differences	—	(175)	(14,118)	(61)	(690)	—	—	(277)	(161)	—	(15,482)
As at Mar. 31, 2016	—	$3,835,811	$15,903,214	$4,905	$86,738	$182,811	$334,181	$13,899	$354,010	—	$20,715,569
Net carrying amount:											
As at Mar.31, 2017	—	$2,888,373	$4,847,313	$1,454	$3,740	$158,838	$515,460	—	$84,516	$121,202	$8,620,896
As at Dec.31, 2016	$35,856	$3,019,100	$5,171,909	$3,326	$9,288	$160,509	$546,901	$5,021	$96,490	$126,561	$9,174,961
As at Mar.31, 2016	$35,822	$3,054,892	$3,546,875	$3,485	$9,416	$229,940	$1,032,457	$4,740	$66,402	$479,526	$8,463,555

(2) Affects both the cash and non-cash items of investing activities :

Items	For the 3-month periods ended March 31 2017	2016
Acquisition of property, plant, and equipment expenditure		
Increase of property, plant and equipment	$67,446	$757,890
(Decrease) of prepayment for equipment	(22,926)	(73,340)
Decrease (Increase) of payables on equipment	212,909	(264,352)
Cash expenditure	$257,429	$420,198

(3) Details of capitalized borrowing costs are as follows:

	For the 3-month periods ended March 31 2017	2016
Prepayments for equipment	$658	$1,287
Capitalisation rate of borrowing costs	2.1800%～3.2400%	2.5871%～2.6275%

(4) As at March 31, 2017 and 2016, fixed assets were insured for $12,390,824 thousand and $12,429,063 thousand, respectively.

(5) The company signed a financial leasing contracts of leased assets for lease payable that the abovementioned assets are not allowed to be provided as guarantee for other borrowings.

(6) Please refer to Note 35 for more details on property, plant and equipment under pledge.

15. INVESTMENT PROPERTY

	Buildings
Cost :	
As at Jan.1, 2017	$703,838
Transfers from other non-current assets	—
Exchange differences	(42,339)
As at Mar.31, 2017	$661,499
As at Jan.1, 2016	$717,806
Transfers from other non-current assets	—
Exchange differences	(14,622)
As at Mar.31, 2016	$703,183
Depreciation and impairment :	
As at Jan.1, 2017	$63,019
Depreciation	6,130
Transfers from other non-current assets	—
Exchange differences	(3,981)
As at Mar.31, 2017	$65,168
As at Jan.1, 2016	$38,504
Depreciation	6,374
Transfers from other non-current assets	—
Exchange differences	(850)
As at Mar.31, 2016	$44,028

Net carrying amount :	
As at Mar.31, 2017	$596,331
As at Dec.31, 2016	$640,819
As at Mar.31, 2016	$659,155

No investment properties were pledged.

The fair value of investment property is $666,720 thousand, $709,394 thousand and $708,734 thousand As at March 31, 2017, December 31, 2016 and March 31, 2016, respectively. The fair value has been determined based on valuations performed by an independent appraiser and on transactions observable in the market. The investment property has no rent revenue.

16. INTANGIBLE ASSETS

(1) As at March 31, 2017, December 31, 2016 and March 31, 2016, the cost of the computer software, original cost, accumulated amortization and amount of amortization in the book of the Group is listed as below:

	Computer software
Cost :	
As at Jan. 1, 2017	$229,771
Addition	—
Transfer	(982)
Exchange differences	—
As at Mar. 31, 2017	$228,789
As at Jan. 1, 2016	$117,682
Addition	46,313
Exchange differences	—
As at Mar. 31, 2016	$163,995
Amortization :	
As at Jan. 1, 2017	$133,794
Amortization	13,881
Exchange differences	49
As at Mar. 31, 2017	$147,724
As at Jan. 1, 2016	$90,622
Amortization	9,852
Exchange differences	32
As at Mar. 31, 2016	$100,506
Net carrying amount :	
As at Mar. 31, 2017	$81,065
As at Dec. 31, 2016	$95,977
As at Mar. 31, 2016	$63,489

(2) Amortization expense of intangible assets under the statement of comprehensive income:

	For the 3-month periods ended March 31	
	2017	2016
Operating costs	$7,851	$4,281
Operating expenses	$6,030	$5,571

17. PREPAYMENTS

Details are as follows:

	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
Current assets－prepayments :			
Prepaid expenses	$49,192	$104,669	$149,287
Other prepayments	8,083	8,864	8,622
Total	$57,275	$113,533	$157,909
Non current assets－prepayments for equipment :			
Prepayment for equipment	$27,255	$50,382	$57,756

18. LONG-TERM RECEIVABLES-AFFILIATES

(1) Details are as follows:

	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
Loan receivables -PROPERTIES	$94,028	$100,047	$99,954
Less : allowance for doubtful debts	(－)	(－)	(－)
Net	$94,028	$100,047	$99,954

(2) OSE PHILIPPINES, INC. lent USD 4,387 thousand to OSE PROPERTIES Inc. in July 31, 1996. OSE PROPERTIES Inc. disposed of part of the land and returned USD 1,285 thousand in the first quarter of 2015. The principal was USD 3,102 thousand as at March 31, 2017. The interest rates for the three-month periods ended March 31, 2017 and 2016 were both 2.50%. The contract periods were 10 years and may be extended to another 10 years, if necessary.

19. SHORT-TERM LOANS

(1) Details are as follows :

Items	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
L/C	$197,820	$153,206	$461,188
Unsecured bank loans	1,775,704	1,212,542	1,638,966
Mortgage loans on machinery and equipment	53,194	108,314	366,683
Total	$2,026,718	$1,474,062	$2,466,837

(2) The range of interest rates and the due dates :

	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
Ranges of interest rates	1.54%～3.09%	1.40%~4.00%	1.08%～4.38%
Due dates	June 28, 2017～ March 31, 2018	January 18, 2017～ December 29, 2017	March 31, 2016～ July 31, 2017

(3) As at March 31, 2017, December 31, 2016 and March 31, 2016, unused short-term lines of credits were $1,832,441 thousand, $2,606,240 thousand and $2,496,331 thousand, respectively.

(4) Please refer to Note 35 for more details on short- term loans.

20. SHORT-TERM NOTES PAYABLE

(1) Details are as follows:

	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
Par value of commercial papers	$400,000	$250,000	$250,000
Less : Discount for short-term notes payable	(1,177)	(869)	(638)
Net	$398,823	$249,131	$249,362

(2) The range of interest rates and the due dates:

	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
Range of interest rates	1.94%～2.04%	1.94%～2.10%	2.45%～2.65%
Due dates	April 11, 2017 ～July 26, 2017	August 30, 2017～ August 31, 2017	April 22, 2016 ～May 26, 2016

21. LONG-TERM LOANS

(1) Details are as follows:

Items	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
Mortgage loans	$4,179,631	$3,948,073	$2,072,730
Other loans	－	120,332	19,699
Total	4,179,631	4,068,405	2,092,429
Less: Due within one year	(1,618,075)	(1,411,496)	(955,187)
Net	$2,561,556	$2,656,909	$1,137,242

(2) The range of interest rates and the due dates:

	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
Range of interest rates	2.20%～3.30%	2.22%～4.82%	2.61%～4.82%
Due dates	June 29, 2017 ～July 28, 2021	June 29, 2017 ～August 20, 2026	August 5, 2016 ～June 5, 2020

(3) Part of property, plant and equipment and Investment Property are pledged as security for the Group's long-term borrowings. Please refer to Note 35 for more details.

22. LONG-TERM LEASE PAYABLE

The Group has finance leases contracts for various items of machinery. These leases contain purchase options. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows :

	Mar. 31, 2017		Dec. 31, 2016		Mar. 31, 2016	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	$97,684	$95,488	$161,247	$157,349	$430,454	$414,944
After one year but not more than five years	10,542	10,418	24,904	24,538	108,226	105,903
Total minimum lease payments	108,226	105,906	186,151	181,887	538,680	520,847
Less : finance charges on finance lease	(2,320)	－	(4,264)	－	(17,833)	－
Present value of minimum lease payments	$105,906	$105,906	$181,887	$181,887	$520,847	$520,847
Current	$95,488		$157,349		$414,944	
Non-current	$10,418		$24,538		$105,903	

23. POST-EMPLOYMENT BENEFITS

(1) Defined contribution plan

Expenses under the defined contribution plan for the three-month periodss ended March 31, 2017 and 2016 are $25,842 thousand and $23,686 thousand, respectively.

(2) Defined benefits plan

Costs under the defined contribution plan for the three-month periodss ended March 31, 2017 and 2016 are $11,038 thousand and $9,441 thousand, respectively.

24. EQUITY

(1) Common stock

A. The Company had increased capital by cash by $1,800,000 thousand with par value $10 per share and issued price $9.2 on May 30, 2007. The rights and obligations of new shares by private placement are the same as those of common shares. Ownership of shares by private placement cannot be transferred to others within three years since issuance per Security and Exchange regulations.

B. The board of directors of the Company agreed on June 21, 2011 to increase capital by issuing common stocks for cash in order to repay loan and improve the Company financial structure. A total of 200,000 thousand shares of common stocks, with face value of $10 per share, will be issued for a total of $2,000,000 thousand. Approval has been granted by Financial Supervisory Commission on July 22, 2011 by Doc No. 1000030977. In the event of existing shareholders or employees forfeiting purchasing rights or the event of shortage of subscription of share, the board of directors will authorize the chair of directors to contact a designated person for purchases. As at August 2, 2011, the board of directors agreed stocks will be issued with the issuance price of NTD 6.4 per share with the official issuance date of September 5, 2011. As at September 19, 2011, registration for the issuance of new stocks is complete.

C. As at March 31, 2017, December 31, 2016 and March 31, 2016, the authorized capitals were both $20,000,000 thousand. Issued capital were both $8,060,158 thousand with 806,015,782 shares.

(2) Additional paid-in capital

	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
Form shares of changes in equities of subsidiaries	$6,047	$6,047	$2,667
The differences between the fair value of consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	16,940	16,940	—
Share of changes in net assets of associates and joint ventures accounted for using the equity method	(1,119)	(1,119)	(1,570)
Total	$21,868	$21,868	$1,097

A. According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them. Additional paid-in capital arising from long-term equity investment can not be used for any purpose.

B. According to the prevailing laws and regulations, each year, the amount of capital increase transferred from capital reserve arising from premiums on issuance of capital stock and donations cannot exceed 10% of the Company's total issued capital.

(3) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order :

(a) Payment of all taxes and dues;

(b) Offset prior years' operation losses;

(c) Set aside 10% of the remaining amount as legal reserve;

(d) Set aside or reverse special reserve in accordance with the requirements for operating and law and regulations;

(e) The remaining balance combined with the undistributed earnings accumulated during previous years shall be distributed to the shareholders as dividends. (The cash dividend shall not be lower than 10 percent of the total dividends and shall not be higher than 50 percent.)

The Company shall take into account the changing environment of the industry and development stage of the Company in meeting the needs of capital in the future and in establishing long-term financial planning together with satisfying the shareholders’ demand for cash. The earnings distributed for the current year shall not be lower than 10% of accumulated distributable earnings and shall not be distributed if the accumulated distributable earnings is lower than 1% of contributed capital. Cash dividends distributed shall not be lower than 10% of the dividends distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of TIFRS, the FSC on 6 April 2012 issued Order No.
Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company’s adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to “other net deductions from shareholders’ equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed.

Details of the 2016 and 2015 earnings distribution and dividends per share as approved and resolved by the Board of Directors’ meeting and shareholders’ meeting on May 10, 2017 and June 22, 2016, respectively, are as follows :

	Appropriation of earnings		Dividend per share (NT$)	
	2016(Note)	2015(Note)	2016	2015
Legal reserve	—	—	—	—
Special reserve	—	—	—	—
Common stock -cash dividend	—	—	—	—

(Note) : The Company still had accumulated deficit. As a result the Company did not distribute earnings.

Please refer to Note 28 for further details on employees' compensation and remuneration to directors and supervisors.

(4) Non-controlling interests

	3-month period ended March 31	
	2017	2016
Beginning balance	$192,208	$144,211
Profit attributable to non-controlling interests		
Consolidated net (loss) income	(1,227)	3,343
Increase in non-controlling interests	3,120	3,012
Other comprehensive (loss)	(1,893)	(3,031)
Subsidiaries derecognition effects	(192,208)	—
Ending balance	—	$147,535

25. OPERATING REVENUE

The details are as follows :

	3-month period ended March 31	
	2017	2016
Sale of goods	$3,204,994	$3,949,416
Revenue arising from rendering of services	95,169	101,074
Income on sale of material	103,952	13,319
Total	3,404,115	4,063,809
Less : sales returns and allowances	(7,175)	(6,958)
Net sales	$3,396,940	$4,056,851

26.LEASES

Operating lease commitments – Group as lessee

A. Long-term Rental Agreement

The Company has entered into a series of land rental agreements with the government which will expire between March 31, 2018 and April 30, 2025. The Company could apply for lease renewal three months prior to the expiry date. If the Company fails to do so, the land shall be returned to the government and the building on the land shall be sold to another approved exporting enterprise within six months after the expiry date. If the Company fails to complete all the above-mentioned procedures within the prescribed six months, the government has the right to dispose the property on the land on the behalf of the Company. The government has the right to adjust the rent based on the publicly announced land value. The government also has the right to terminate the contract if the Company breaches the contract or fails to pay the rent over four months or violates the civil law or the land law. The Group has signed non-cancellable operating leases. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable as at March 31, 2017, December 31, 2016 and March 31, 2016 are as follows:

	Mar.31, 2017	Dec.31, 2016	Mar.31, 2016
Not later than one year	$13,135	$20,321	$10,165
Later than one year and not later than five years	26,242	44,014	24,641
Later than five years	12,895	21,614	13,311
Total	$52,272	$85,949	$48,117

B. Recognized as expense :

For the three-month periods ended March 31, 2017 and 2016, the rental expenses were $3,284 thousand and $4,234 thousand, respectively.

27. AMORTIZATION EXPENSE AND OPERATING LEASE EXPENSES IN THE STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended March 31	
	2017	2016
Included in operating costs :		
Amortization expense of intangible assets	$7,851	$4,281
Minimum lease payments recognized as operating lease expenses	$7,775	$8,560
Included in operating expenses :		
Amortization expense of intangible assets	$6,030	$5,571
Minimum lease payments recognized as operating lease expenses	$3,252	$4,155

28. SUMMARY STATEMENTS OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION

	3-month period ended March 31					
	2017			2016		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$528,865	$93,771	$622,636	$528,874	$114,637	$643,511
Pension	$31,051	$5,829	$36,880	$27,863	$5,264	$33,127
Labor and health insurance	$61,216	$9,984	$71,200	$56,998	$9,757	$66,755
Other employee benefits expense	$38,285	$12,652	$50,937	$43,884	$5,721	$49,605
Depreciation	$369,269	$19,001	$388,270	$304,968	$25,188	$330,156
Amortization	$7,851	$6,030	$13,881	$4,281	$5,571	$9,852

A resolution was passed at a shareholders' meeting of the Company held on June 22, 2016 to amend the Articles of Incorporation of the Company. According to the resolution, the employee's compensation and remuneration to directors and supervisors is based on the current year's earnings, which should be used first to cover accumulated deficit, if any, and then the remaining balance shall be distributed: 8%~12% as employees' compensation, and no more than 3% as remuneration to directors and supervisors.

The distribution ratio of employee's compensation and remuneration to directors and supervisors and employee's compensation may be made in the form of stocks or cash, which shall be determined by a resolution adopted by a majority vote at a board of directors meeting attended by two-thirds or more of the directors and be reported at a shareholders' meeting. Cash or stock dividends as bonus to employees shall only be given to employees who satisfy certain conditions.

During the three-month periods ended 31 March 2017, the Company estimated Employees' bonuses and rewards for Directors and Supervisors based on profit situation. As at March 31, 2017, the Company still had accumulated deficit. As a result the Company's recognized amounts of Employees' bonuses and rewards for Directors and Supervisors for the three-month periods ended March 31, 2017 was $0.

The estimated employee bonuses and remuneration to directors and supervisors for the three-month periods ended March 31, 2016 were based on post-tax net income of the period and the Company's Articles of Incorporation, and considered factors such as appropriation to legal reserve etc. The estimated employee bonuses and remuneration to directors and supervisors for the three-month periods ended March 31, 2016 are recognized as employee benefits expense for the period. If the Board modified the estimates significantly in the subsequent periods, the Company will recognize the change as an adjustment to current income. The difference between the estimation and the resolution of shareholders' meeting will be recognized in profit or loss of the subsequent year. The number of stocks distributed as employee bonuses was calculated based on the closing price one day earlier than the date of shareholders' meeting and considered the impacts of ex-right/ex-dividend. As at March 31, 2016, the Company still had accumulated deficit. As a result the Company's expected amounts of Employees' bonuses and rewards for Directors and Supervisors for the three-month periods ended March 31, 2016 was $0.

As at March 31, 2017 and 2016, the total number of employees of the Group were 6,347 and 6,581, respectively.

Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

29. NON-OPERATING INCOME AND EXPENSES

(1) Other income

	For the 3-month periods ended March 31	
	2017	2016
Rental income	$6,231	$7,283
Interest income	1,087	1,331
Other income	12,475	6,125
Total	$19,793	$14,739

(2) Other gains and losses

	For the 3-month periods ended March 31	
	2017	2016
Gains on disposal of property, plant and equipment	$21,150	$1,828
Foreign exchange (losses), net	(43,787)	(64,911)
Gains on financial assets at fair value through profit or loss	10,668	7,342
Other losses	—	(121)
Total	($11,969)	($55,862)

(3) Finance costs

	For the 3-month periods ended March 31	
	2017	2016
Interest on borrowings from bank	($34,521)	($31,689)
Interest on borrowings from others	(2,174)	(8,158)
Total	($36,695)	($39,847)

30. COMPONENTS OF OTHER COMPREHENSIVE INCOME

For the 3-month periods ended March. 31, 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	($61,710)	—	($61,710)	$10,169	($51,541)
Unrealized gain from available-for-sale financial assets	—	—	—	—	—
Total	($61,710)	—	($61,710)	$10,169	($51,541)

For the 3-month periods ended March. 31, 2016

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	($20,863)	—	($20,863)	$3,031	($17,832)
Unrealized gain on available-for-sale financial assets	—	—	—	—	—
Total	($20,863)	—	($20,863)	$3,031	($17,832)

31. INCOME TAX

(1) The major components of income tax expense are as follows:

A. Income tax expense recognized in profit or loss

	For the 3-month periods ended March 31	
	2017	2016
Current income tax (expense) income:		
Current income tax charge	($2,149)	($3,735)
Deferred tax (expense) income:		
Deferred tax (expense) income relating to origination and reversal of temporary differences	(1,892)	(4,099)
Deferred tax (expense) relating to origination and reversal of tax loss and tax credit	41,472	(40,512)
Total income tax (expense)	$37,431	($48,346)

B. Income tax relating to components of other comprehensive income

	For the 3-month periods ended March 31	
	2017	2016
Deferred tax income:		
Exchange differences on translation of foreign operations	$10,169	$3,031

(2) Imputation credit information

	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
A. Balances of imputation credit amounts	$36,199	$36,199	$32,069

B. The tax-deductible rate for retained earnings to be distributed to stockholders were both 0.00%.

C. OSE's earnings generated in the year ended December 31, 1997 and prior years have been fully appropriated.

(3) The assessment of income tax returns

As at March 31, 2017, the assessment of the income tax returns of the Company and its subsidiaries is as follows :

	The assessment of income tax returns
The Company	Assessed and approved up to 2011

32. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible bonds payable) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the 3-month periods ended March 31	
	2017	2016
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (Expressed in thousand NT$)	($184,913)	$225,064
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	806,016	806,016
Basic earnings per share (Expressed in NT$)	($0.23)	$0.28

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

33.Information of Subsidiary Derecognition

On August 23, 2016 the Company sold 12,350,000 shares of SPARQTRON to Diamond Creative Holding Limited, reducing its shareholding ratio to 9.96%. As at December 31,2016, despite holding less than 50% of the voting rights, the Company determined that it still had control over SPARQTRON. From the beginning of investment in SPAQTRON, the Company has been the single largest shareholder of SPAQTRON. The Company and its related parties jointly hold more than 50% ownership. Therefore, the Company is capable of leading decision-making activities at shareholders' meetings and exercising substantial control. During the three-month period ended 31 March 2017, the Company lost majority interest because of the change of the related parties. As a result, the Company lost control of SPAQTRON in March,2017. Though, the Company and the related parties jointly hold less than 50% of shareholding rights, but remained the board members. The Company still has material influence and recognized the investments using the equity method.

(A) Analysis of assets and liabilities of lost control

Current asset

	Book Value
Cash and cash equivalents	$98,513
Accounts receivables	31,380
Inventories	41,670
Other current asset	50,077

Non-Current asset

Property, plant and equipment	186,809
Financial assets measured at cost	3,037
Investment	2,259
Other non-current asset	7,891

Current liability		
Short-term loans		(22,575)
Accounts payable		(38,302)
Long-term loans due within one year		(9,677)
Other current liability		(17,163)
Non-current liability		
Long-term loans		(110,655)
Total net assets		$223,264

(B) Gain on subsidiary derecognition

Fair value of the investment		$31,056
Less:Book value of the investment		
Net assets of derecognition	223,264	
Non-controlling interests	(192,208)	
		31,056
Gain on subsidiary derecognition		—

(C) Cashflow of subsidiary derecognition

Cash and cash equivalents of derecognition	$98,513

34. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
SPARQTRON CORP.(SPARQTRON)	Associate
ATP Electronics Taiwan Inc.(ATP)	Associate
INFOFAB, INC.(INFO)	Associate
OSE PROPERTIES, INC.(PROPERTIES)	Associate
Phison Electronics Corporation	Legal Director of the Company
LONGSYS ELECTRONICS (TAIWAN) CO., LTD.	Legal Director of the Company
DIAMOND CREATIVE HOLDING LIMITED	Substantive related party
DIAMOND DIGITAL CORPORATION	Substantive related party
Chin-Hsing Investment Co., Ltd.	Substantive related party
Yuan-Jen Investment Corp.	Substantive related party

Significant transactions with the related parties

(1) Significant transactions with related partie

A. Sales

	For the 3-month periods ended March 31	
	2017	2016
Associates	$36,634	$38,177
Key management personnel of the Group	398,015	940,851
Other related parties	50,374	—
Total	$485,023	$979,028

The sales price to the above related parties was determined through mutual agreement based on the market rates. The details of credit period are 15～60 days. The outstanding balance at 31 March 2017 and 2016 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

B. Purchase

	For the 3-month periods ended March 31	
	2017	2016
Associates	$1,654	$9
Key management personnel of the Group	—	473
Other related parties	4,155	—
Total	$5,809	$482

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers.

C. Intercompany receivables and payables

	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
Accounts Receivable			
Associates	$28,978	$38,365	$30,527
Key management personnel of the Group	275,358	255,308	657,027
Other related parties	47,670	—	—
Less : allowance for doubtful debts	(7)	(38)	(407)
Net	$351,999	$293,635	$687,147
Accounts Payable			
Associates	$22,564	$9,833	$8,808
Key management personnel of the Group	2	90	512
Other related parties	8,068	—	—
Net	$30,634	$9,923	$9,320

D. Transaction of properties

For the 3-month periods ended March 31, 2017 :

Counterparty	Property	Amount	Gain (loss) on sales of assets	The basis of transaction price
Purchase				
Associates	Other equipment	$713	Not applicable	Negotiate
Associates	Computer software	$202	Not applicable	Negotiate

Counterparty	Property	Book Value	Sale price	Gain (loss) on sales of assets	The basis of transaction price
Sales					
Other related parties	Machinery and equipment	$43,523	$55,751	$12,228	Negotiate
Other related parties	Transportation equipment	$559	$559	－	Negotiate
Other related parties	Leasehold improvements	$3,040	$3,040	－	Negotiate
Other related parties	Other equipment	$4,190	$10,687	$6,497	Negotiate

As at March 31, 2017, receivables of selling equipment to other related parties were $40,614 thousand and accounted as other receivables –affiliates.

For the year ended December 31, 2016 :

Counterparty	Property	Amount	Gain (loss) on sales of assets	The basis of transaction price
Purchase				
Associates	Other equipment	$53,361	Not applicable	Negotiate
Associates	Computer software	$88,855	Not applicable	Negotiate
For the 3-month periods ended March 31, 2016 :				
Purchase				
Associates	Other equipment	$10,002	Not applicable	Negotiate

E. Intercompany borrowing

Related parties	Mar. 31, 2017 Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
Associates	$94,028 (USD3,102 thousand)	$94,028 (USD3,102 thousand)	2.50%	$2,426
Amount borrowed from: (included in other payable-affiliates accounts)				
Other related parties	$245,000	－	－	－

	Dec. 31, 2016			
Related parties	Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
Associates	$100,047 (USD3,102 thousand)	$100,047 (USD3,102 thousand)	2.50%	$2,497
Amount borrowed from: (included in other payable-affiliates accounts)				
Other related parties	$265,000	$245,000	1.65%~3.00%	($7,481)

	Mar. 31, 2016			
Related parties	Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
Associates	$99,954 (USD3,102 thousand)	$99,954 (USD3,102 thousand)	2.50%	$631
Amount borrowed from: (included in other payable-affiliates accounts)				
Other related parties	$265,000	$265,000	1.65%~3.00%	($1,915)

F. Compensation of key management personnel

	For the 3-month periods ended March 31	
	2017	2016
Short-term employee benefits	$7,938	$8,672
Post-employment benefits	149	189
Total	$8,087	$8,861

For details of total compensation paid to the Company's key management personnel, please refer to the annual report for the Company.

G. Other disclosures

(a) As at March 31, 2017, December 31, 2016 and March 31, 2016, interest receivables from Associates amounted to $41,557 thousand, $43,591 thousand and $41,676 thousand, respectively, which were included in other receivable-affiliates accounts.

(b) Associates had borrowed USD $3,102 thousand from subsidiary and provided all of real estates to trust as the mortgage for financing bank.

(c) As at March 31, 2017, the Group paid related parties $10,743 thousand and $485 thousand service fees and computer operating fees, which are accounted for as maintenance expenses and computer operating expenses. As at March 31, 2017 the unpaid maintenance expenses amounted to $0 thousand.

(d) The rental incomes from Associates for machinery and equipment and furniture and fixtures are as follows :

	For the 3-month periods ended March 31	
	2017	2016
Associates	$1,800	$1,385
Other related parties	11	—
Total	$1,811	$1,385

35. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Group pledged as security:

	Carrying amount			
Assets pledged as security	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016	Secured liabilities details
Financial assets at fair value through profit or loss–current	$20,496	$15,736	$12,964	Short-term borrowings
Accounts Receivables–Short-term	—	—	87,432	Short-term borrowings
Accounts Receivables–Long-term	69,080	82,744	79,953	Long-term borrowings
Other financial assets–current–time deposits	126,477	128,688	465,832	Short&Long-term borrowings
Other financial assets–current–deposits reserved for repayment	151,134	139,363	281,275	Short&Long-term borrowings
Investments accounted for using the equity method –ATP	351,605	350,365	351,745	Short-term borrowings
Property, plant and equipment–Building and equipment	944,332	962,094	988,642	Short&Long-term borrowings
Property, plant and equipment–Machinery and equipment	3,492,232	3,413,398	1,817,741	Short&Long-term borrowings
Property, plant and equipment–Leased assets	515,460	546,901	946,339	Short&Long-term borrowings
Property, plant and equipment–Rental assets- Building	—	—	22,054	Short&Long-term borrowings
Refundable deposits	136,085	135,045	130,100	Customs Guarantee or others
Total	$5,806,901	$5,774,334	$5,184,077	

36. COMMITMENTS AND CONTINGENCIES

(1) Guarantee given by the banks for the payment of input tax imposed for sales from a tax free zone to non-tax free zone amounted to $200,000 thousand.

(2) The Company issued promissory notes of $9,485,121 thousand as guarantees for bank loans.

(3) The Company issued promissory notes of $820,862 thousand as guarantee for finance lease.

(4) The Company issued promissory notes of $191,784 thousand as guarantee for payments of raw materials purchased.

(5) The Company issued promissory notes of $19,200 thousand as guarantee for project.

(6) The Company has acted as a subcontractor for processing electronic products and provided storage services for outsiders. As at March 31, 2017, the Company kept the processed electronic parts of $6,771,776 thousand and raw materials of $431,087 thousand on custodian.

37. LOSSES DUE TO MAJOR DISASTERS

None.

38. SIGNIFICANT SUBSEQUENT EVENTS

None.

39. FINANCIAL INSTRUMENTS

(1) Categories of financial instruments

Financial assets

	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
Financial assets at fair value through profit or loss:			
Designated at fair value through profit or loss at initial recognition	$45,934	$35,266	$29,054
Available-for-sale financial assets -Non current (including $4,393 reported as financial assets measured at cost in balance sheet)	271,706	274,999	296,615
Loans and receivables :			
Cash and cash equivalents (exclude cash on hand)	1,345,665	991,572	540,655
Notes, accounts and other receivables	2,431,826	2,786,186	2,774,328
Long-term receivables-Affiliates	94,028	100,047	99,954
Subtotal	3,871,519	3,877,805	3,414,937
Total	$4,189,159	$4,188,070	$3,740,606

Financial liabilities	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
Financial liabilities at amortized cost :			
Short-term loans	$2,026,718	$1,474,062	$2,466,837
Short-term notes payable	398,823	249,131	249,362
Notes, accounts and other payable	3,511,457	4,637,381	4,837,072
Long-term loans (including current portion)	4,179,631	4,068,405	2,092,429
Lease payable (including current portion)	105,906	181,887	520,847
Total	$10,222,535	$10,610,866	$10,166,547

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

<u>Foreign currency risk</u>

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD and foreign currency JPY.

<u>Interest rate risk</u>

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

<u>Equity price risk</u>

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Risks of pre-tax Sensitivity analysis is as follows:

For the 3-month periods ended March 31, 2017

Key risk	Variation	Sensitivity of profit and loss
Foreign currency risk	NTD/USD Foreign currency +/− 1%	+/−14,597 thousand
	NTD/JPY Foreign currency +/− 1%	−/+1,160 thousand
Interest rate risk	Market rate +/− 10 fundamental proposition	+/−6,206 thousand
Equity price risk	Market price +/− 10 fundamental proposition	+/−3,176 thousand

For the 3-month periods ended March 31, 2016

Key risk	Variation	Sensitivity of profit and loss
Foreign currency risk	NTD/USD Foreign currency +/− 1%	+/− 11,709 thousand
	NTD/JPY Foreign currency +/− 1%	−/+ 6,061 thousand
Interest rate risk	Market rate +/− 10 fundamental proposition	+/− 4,559 thousand
Equity price risk	Market price +/− 10 fundamental proposition	+/− 3,257 thousand

Please refer to Note 39.(7) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As at March 31, 2017, December 31, 2016 and March 31, 2016, amounts receivables from top ten customers represent 73.68%, 67.82% and 57.76% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings, and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve As at the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at Mar. 31, 2017					
Borrowings	$3,646,065	$2,185,556	$376,000	—	$6,207,621
Lease payable	$97,684	$10,542	—	—	$108,226
Other payables	—	—	—	—	—
As at Dec. 31, 2016					
Borrowings	$2,819,400	$2,284,290	$476,417	$90,785	$5,670,892
Lease payable	$228,967	$39,254	$13	—	$268,234
Other payables	$258,242	—	—	—	$258,242
As at Mar. 31, 2016					
Borrowings	$3,434,946	$1,173,224	$16,018	—	$4,624,188
Lease payable	$430,454	$108,226	—	—	$538,680
Other payables	$274,105	—	—	—	$274,105

(6) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments :

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities :

(a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 39. (7) for fair value measurement hierarchy for financial instruments of the Company.

(7) Fair value measurement hierachy

A. Fair value measurement hierarchy:

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities:

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As at Mar. 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$45,934	—	—	$45,934
Available-for-sale financial assets				
Equity securities	—	—	$267,313	$267,313

As at Dec. 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$35,266	—	—	$35,266
Available-for-sale financial assets				
Equity securities	—	—	$267,313	$267,313

As at Mar. 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$29,054	—	—	$29,054
Available-for-sale financial assets				
Equity securities	—	—	$291,628	$291,628

Transfers between Level 1 and Level 2 during the period

During the three-month periods ended March 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows :

	Available-for-sale financial assets
	Stock
Beginning balance As at Jan. 1, 2017	$267,313
Recognized in other comprehensive income	—
Transfer out of Level 3	—
Ending balance As at Mar. 31, 2017	$267,313

	Available-for-sale financial assets
	Stock
Beginning balance As at Jan. 1, 2016	$291,628
Recognized in other comprehensive income	—
Transfer out of Level 3	—
Ending balance As at Mar. 31, 2016	$291,628

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at March 31, 2017

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
Available-for-sale					
Stocks	Option-Pricing Model	discount for lack of marketability	16%~18%	(1) The higher the discount rate, the lower the fair value of the stocks (2)The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's equity by $3,001 thousand.

As at December 31, 2016

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
Available-for-sale					
Stocks	Option-Pricing Model	discount for lack of marketability	16%~18%	(1) The higher the discount rate, the lower the fair value of the stocks (2)The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's equity by $3,193 thousand.

As at March 31, 2016

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
Available-for-sale					
Stocks	Market approach	discount for lack of marketability	18%~20%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT$26,936 thousand.

C. Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed :

As at March 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	—	—	$666,720	$666,720

As at December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	－	－	$709,393	$709,393

As at March 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	－	－	$708,734	$708,734

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below :

	Mar. 31, 2017		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$119,414	30.31	$3,619,438
JPY	$607,836	0.2714	164,967
Non-monetary items			
USD	$701	30.31	$21,247
Financial liabilities			
Monetary items:			
USD	$71,254	30.31	$2,159,709
JPY	$1,035,174	0.2714	$280,946

	Dec. 31, 2016		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$108,173	32.25	$3,488,579
Financial liabilities			
Monetary items:			
USD	$75,744	32.25	$2,442,744
JPY	$1,400,143	0.2758	$386,159

	Mar. 31, 2016		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	$103,503	32.22	$3,334,867
Financial liabilities			
Monetary items:			
USD	$67,163	32.22	$2,163,992
JPY	$2,111,230	0.2871	$606,134

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Group's entities functional currencies are various, and hence are not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange losses were ($43,787) thousand and ($64,911) thousand for the three-month periods ended March 31, 2017 and 2016, respectively.

(9) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

40. SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on its products and services and has two reportable segments as follows :

Semiconductor Group: Mainly provides IC packaging and testing services.

EMS Group: Provides professional electronics manufacturing services.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group finance costs, finance income and income taxes are managed on a group basis and are not allocated to operating segments.

The transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

For the 3-month periods ended Mar. 31, 2017

	Semiconductor Group	EMS Group	Other	Adjustment and Eliminations	Consolidated
Revenue					
External customer	$1,941,149	$1,455,791	—	—	$3,396,940
Inter-Segment	10,253	219,225	—	($229,478) (Note1)	—
Total Revenue	$1,951,402	$1,675,016	—	($229,478) (Note1)	$3,396,940
Segment Profit	($297,256)	$119,831	$32,290	($61,496) (Note2)	($206,631)

(Note 1) : Inter-segment revenues are eliminated on consolidation.

(Note 2) : The profit for each operating segment does not include income tax expense.

For the 3-month periods ended Mar. 31, 2016

	Semiconductor Group	EMS Group	Other	Adjustment and Eliminations	Consolidated
Revenue					
External customer	$2,710,619	$1,346,232	—	—	$4,056,851
Inter-Segment	20,157	332,960	—	($353,117) (Note1)	—
Total Revenue	$2,730,776	$1,679,192	—	($353,117) (Note1)	$4,056,851
Segment Profit	$193,513	$105,885	$8,557	($31,202) (Note2)	$276,753

(Note 1) : Inter-segment revenues are eliminated on consolidation.

(Note 2) : The profit for each operating segment does not include income tax expense.