Stock Code:3038

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EMERGING DISPLAY TECHNOLOGIES CORP.

PARENT-COMPANY-ONLY FINANCIAL STATEMENTS

December 31, 2016 and 2015
(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

To the Board of Directors of Emerging Display Technologies Corp.:

Opinion

We have audited the financial statements of Emerging Display Technologies Corp. ("the Company"), which comprise the balance sheets as of December 31, 2016 and 2015, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we judged shall be presented in the financial report as follows:

1. **Valuation of inventory**

   Please refer to Note 4(g) Inventories and Note 5(b) of the financial statements for inventories and accounting estimate of inventory valuation, respectively. Information regarding the inventory are shown in Note 6(g) of the financial statements.

   Description of key audit matters:

   Inventory is carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Company is engaged in the manufacture and sale of liquid crystal displays and capacity touch panels. The Company focuses on the small and medium sized niche markets of nonconsumable area. The product are used in industrial equipment, smart home devices, handheld devices, and information appliance products. The development strategy of the Company is focused on diversified and customized product. The impact to assess provision includes the purchasing and write-down of the components which are used in diversified and customized products, the management of safety stocks levels, and production planning which effects the inventory cost. As a result there is a risk that the net realizable value of inventory falls below its carrying value. Therefore this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included selecting samples to test the accuracy of inventory aging report; analyzing the changes of inventory aging; assessing the reasonableness of the accounting policy, such as the provision of inventory valuation and obsolescence, and understanding the basis of selling price used by the management for evaluating the reasonableness of the net realizable value. Moreover, assessing the changes of obsolescence inventory in the subsequent events, and the basis of net realizable value to evaluate the accuracy of the Company's provisions. In addition, assessing the appropriateness of the provisions and disclosures made by the management.

2. **Valuation of receivable**

Please refer to Note 4(f) and Note 5(a) of the financial statement for receivable and accounting estimate of receivable valuation, respectively. Information regarding the inventory are shown in Note 6 (f) of the financial statement.

Description of key audit matters:

The Company's customers are the manufacturer industries of industrial equipment, smart home devices, handheld devices, and information appliance product. The cause of some customers delayed payment was there is a need to clarify the responsibility of problematic products that resulted from the failure of process and usage of end product. The management has subjective and significant judgments with the balance of allowance for bad debts from receivables. Therefore this is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the processes of checking account with customers and collecting; analyzing receivable aging report; assessing the reasonableness of the provision of receivable by reviewing the historical accuracy on provision, historical receipt records, industrial economy, and concentration of credit risk of its customers; and considering the adequacy of the Company's disclosures in the accounts.

3. **Recoverability of deferred tax assets**

Please refer to Note 4(s) "Income taxes", Note 5(c) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty", and Note 6(r) "Income taxes "of the financial statements.

Description of key audit matters:

The recoverability of deferred tax assets based on the management's judgment in respect of the timing and quantum of expected future profits and the probability that the taxable profit will be available against which the deductible temporary differences can be utilized is one of the key areas our audit focused on.

How the matter was addressed in our audit

In relation to the key audit matter above, our principal audit procedures included assessing the management estimates for assumptions used in respect of the future taxable profit forecasts based on the relevant components to the Company's forecasts; retrospectively reviewing the accuracy of taxable profit and assumptions used estimates; assessing the appropriateness of management assumptions used in growth forecasts by using the knowledge of the Company and the information of industry in which it operates.

Also, we evaluated the appropriateness of the disclosures and estimates of deferred tax assets of the Company.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (inclusive of supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Po Jen, Yang and Kuo Tsung, Chen.

KPMG

Taiwan (Republic of China)
March 8, 2017

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EMERGING DISPLAY TECHNOLOGIES CORP.

Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2016 Amount	%	December 31, 2015 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 675,142	20	904,007	25
1110	Financial assets at fair value through profit or loss, current (note 6(b))	4,655	-	50,130	1
1125	Current available-for-sale financial assets (note 6(c))	387,997	11	598,050	16
1147	Current investments in debt instrument without active market (notes 6(d) and 8)	420,428	12	1,014	-
1170	Accounts receivable, net (note 6(f))	168,483	5	193,769	5
1180	Accounts receivable — related parties, net (notes 6(f) and 7)	304,585	9	395,302	11
1200	Other receivables (note 6(f))	19,550	1	17,772	1
1220	Current tax assets	680	-	1,030	-
130X	Inventories (note 6(g))	639,984	19	664,660	18
1470	Other current assets (note 6(h))	12,440	-	13,503	-
		2,633,944	77	2,839,237	77
	Non-current assets:				
1543	Financial assets carried at cost, non-current (note 6(e))	35,000	1	35,000	1
1550	Investments accounted for using equity method (note 6(i))	295,829	9	295,685	8
1600	Property, plant and equipment (notes 6(k) and 8)	383,070	11	453,128	12
1760	Investment property, net (note 6(l))	17,047	1	17,407	1
1780	Intangible assets (note 6(m))	3,868	-	3,521	-
1840	Deferred tax assets (note 6(r))	25,683	1	38,588	1
1915	Prepayments for business facilities	377	-	-	-
1980	Other non-current financial assets (note 6(f))	4,040	-	3,996	-
		764,914	23	847,325	23
	Total assets	**$ 3,398,858**	**100**	**3,686,562**	**100**

	Liabilities and Equity	December 31, 2016 Amount	%	December 31, 2015 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(h) and 8)	$ 712,000	21	599,286	16
2150	Notes payable	2,203	-	3,192	-
2170	Accounts payable	293,301	9	302,219	8
2180	Accounts payable — related parties (note 7)	106,250	3	96,904	3
2200	Other payables	197,243	6	239,581	7
2220	Other payables — related parties (note 7)	4,787	-	6,321	-
2230	Current tax liabilities	11,024	-	-	-
2322	Long-term borrowings, current portion (notes 6(o) and 8)	-	-	72,800	2
2300	Other current liabilities	20,271	1	24,562	1
		1,347,079	40	1,344,865	37
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(o) and 8)	-	-	218,400	6
2570	Deferred tax liabilities (note 6(r))	2,812	-	2,539	-
2640	Net defined benefit liability, non-current (note 6(g)	88,505	2	84,771	2
2645	Guarantee deposits received	160	-	160	-
		91,477	2	305,870	8
	Total liabilities	1,438,556	42	1,650,735	45
	Equity attributable to owners of parent (note 6(s)):				
3100	Capital stock	1,949,076	57	2,149,076	58
3200	Capital surplus	33,663	1	27,955	1
3300	Retained earnings	338,384	10	216,937	6
3400	Other equity interest	(87,612)	(2)	(99,001)	(3)
3500	Treasury shares	(273,209)	(8)	(259,140)	(7)
	Total equity	1,960,302	58	2,035,827	55
	Total liabilities and equity	**$ 3,398,858**	**100**	**3,686,562**	**100**

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EMERGING DISPLAY TECHNOLOGIES CORP.

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2016		2015	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue (notes 6(u) and 7)**	$ 3,045,089	100	3,377,472	100
5000	**Operating costs (notes 6(g), (m), (q) and (u), 7 and 12)**	2,548,633	84	2,819,817	83
	Gross profit	496,456	16	557,655	17
5910	Less: Unrealized profit (loss) from sales	20,186	1	24,531	1
5920	Add: Realized profit (loss) on from sales	24,531	1	15,727	-
	Gross profit	500,801	16	548,851	16
	Operating expenses (notes 6(m),(g) and (u), 7 and 12):				
6100	Selling expenses	119,965	4	135,255	4
6200	Administrative expenses	92,204	3	97,012	3
6300	Research and development expenses	102,547	3	100,149	3
		314,716	10	332,416	10
6500	**Net other income (expenses) (note 6(w))**	1,094	-	1,094	-
	Net operating income	187,179	6	217,529	6
	Non-operating income and expenses (note 6(x)):				
7010	Other income	15,683	-	16,862	-
7020	Other gains and losses	20,163	1	78,423	2
7050	Finance costs	(11,758)	-	(16,125)	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method	340	-	17,579	1
		24,428	1	96,739	3
7900	**Profit before tax**	211,607	7	314,268	9
7950	**Income tax expense (note 6(r))**	23,835	1	48,291	1
8200	**Profit**	187,772	6	265,977	8
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of defined benefit plans (note 6(q))	(6,053)	-	794	-
8349	Less: income tax related to components of other comprehensive income that may not be reclassified subsequently to profit or loss	-	-	-	-
		(6,053)	-	794	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation	(8,311)	-	1,737	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets (note 6(y))	18,495	-	(58,052)	(2)
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method that may be reclassified subsequently to profit or loss (note 6(s))	2,291	-	(8,364)	-
8399	Less: income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss (note 6(r))	1,086	-	2,570	-
		11,389	-	(62,109)	(2)
8300	**Other comprehensive income, net**	5,336	-	(61,315)	(2)
8500	**Total comprehensive income**	**$ 193,108**	**6**	**204,662**	**6**
	Earnings per share (New Taiwan Dollars) (note 6(t)):				
9750	**Basic net income per share (New Taiwan Dollars)**	**$**	**1.03**		**1.25**
9850	**Diluted net income per share (New Taiwan Dollars)**	**$**	**1.03**		**1.24**

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EMERGING DISPLAY TECHNOLOGIES CORP.

Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings			Other components of equity			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Treasury shares	Total equity
Balance on January 1, 2015	$ 2,261,076	6,294	-	-	(56,128)	8,133	(45,025)	(122,282)	2,052,068
Profit for the year ended December 31, 2015	-	-	-	-	265,977	-	-	-	265,977
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	794	1,399	(63,508)	-	(61,315)
Comprehensive income for the year ended December 31, 2015	-	-	-	-	266,771	1,399	(63,508)	-	204,662
Capital surplus used to offset accumulated deficits	-	(6,294)	-	-	6,294	-	-	-	-
Purchase of treasury share	-	-	-	-	-	-	-	(220,903)	(220,903)
Retirement of treasury share	(112,000)	27,955	-	-	-	-	-	84,045	-
Balance on December 31, 2015	2,149,076	27,955	-	-	216,937	9,532	(108,533)	(259,140)	2,035,827
Profit for the year ended December 31, 2016	-	-	-	-	187,772	-	-	-	187,772
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	(6,053)	(9,825)	21,214	-	5,336
Comprehensive income for the year ended December 31, 2016	-	-	-	-	181,719	(9,825)	21,214	-	193,108
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	21,614	-	(21,614)	-	-	-	-
Special reserve appropriated	-	-	-	96,448	(96,448)	-	-	-	-
Cash dividends	-	-	-	-	(60,272)	-	-	-	(60,272)
Purchase of treasury share	-	-	-	-	-	-	-	(211,167)	(211,167)
Retirement of treasury share	(200,000)	2,902	-	-	-	-	-	197,098	-
Cash dividends to subsidiaries	-	2,806	-	-	-	-	-	-	2,806
Balance on December 31, 2016	**$ 1,949,076**	**33,663**	**21,614**	**96,448**	**220,322**	**(293)**	**(87,319)**	**(273,209)**	**1,960,302**

Note: For the years ended December 31, 2016 and 2015, the directors' and supervisors' remuneration amounted to $6,900 and $8,623, and the employees' remuneration amounted to $11,500 and $14,371, respectively, has been charged against statement of comprehensive income.

See accompanying notes to financial statements.

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EMERGING DISPLAY TECHNOLOGIES CORP.

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

		2016	2015
Cash flows from (used in) operating activities:			
Profit before tax	$	211,607	314,268
Adjustments for:			
Adjustments to reconcile profit (loss):			
Depreciation expense		101,009	115,056
Amortization expense		1,061	919
Bad debt expenses		-	1,070
Net gain on financial assets or liabilities at fair value through profit or loss		(2,021)	(9,430)
Interest expense		11,758	16,125
Interest income		(3,525)	(4,643)
Dividend income		(8,356)	(12,009)
Share of profit of subsidiaries,associates and joint ventures accounted for using equity method		(340)	(17,579)
Gain on disposal of property, plant and equipment		(175)	(834)
Gain on disposal of investments		(11,632)	(20,362)
Unrealized profit from sales		20,186	24,531
Realized profit on from sales		(24,531)	(15,727)
Unrealized foreign exchange gain		(10,285)	(13,321)
Total adjustments to reconcile profit (loss)		73,149	63,796
Changes in operating assets and liabilities:			
Changes in operating assets:			
Decrease in accounts receivable		29,004	13,112
Decrease (increase) in accounts receivable ─related parties		95,855	(39,178)
Increase in other receivable		(1,390)	(2,661)
Decrease in inventories		24,676	11,480
Decrease (increase) in prepayment and other current assets		(471)	1,187
Total changes in operating assets		147,674	(16,060)
Changes in operating liabilities:			
Decrease in notes payable		(989)	(631)
Decrease in accounts payable		(12,078)	(20,572)
Increase (decrease) in accounts payable - related parties		8,780	(16,208)
Increase (decrease) in other payable		(33,467)	35,121
Increase (decrease) in other payable ─ related parties		(1,543)	656
Increase (decrease) in accrued expense and other current liabilities		(4,291)	4,168
Decrease in net defined benefit liability, non-current		(2,319)	(1,597)
Decrease in other operating liabilities		-	(11)
Total changes in operating liabilities		(45,907)	926
Total changes in operating assets and liabilities		101,767	(15,134)
Total adjustments		174,916	48,662
Cash flows from operations		386,523	362,930
Interest received		3,137	5,048
Dividends received		8,356	12,009
Interest paid		(10,341)	(14,822)
Income taxes paid		(369)	(4,488)
Net cash flows from operating activities		387,306	360,677
Cash flows from (used in) investing activities:			
Acquisition of financial assets at fair value through profit or loss, designated as upon initial recognition		(16,187)	(105,639)
Proceeds from disposal of financial assets at fair value through profit or loss, designated as upon initial recognition		63,683	126,581
Acquisition of available-for-sale financial assets		(32,464)	(528,132)
Proceeds from disposal of available-for-sale financial assets		272,644	357,426
Increase in investments in debt instrument without active market		(417,223)	(9)
Acquisition of property, plant and equipment		(28,412)	(39,242)
Proceeds from disposal of property, plant and equipment		175	1,095
Acquisition of intangible assets		(1,408)	(1,538)
Increase in other financial assets		(44)	-
Increase in prepayments for business facilities		(377)	(7,319)
Dividends received		1,327	1,070
Net cash flows used in investing activities		(158,286)	(195,707)
Cash flows from (used in) financing activities:			
Increase in short-term borrowings		112,714	568,655
Repayments of long-term debt		(291,200)	(345,800)
Cash dividends paid		(60,263)	-
Payments to acquire treasury shares		(222,266)	(209,804)
Net cash flows from (used in) financing activities		(461,015)	13,051
Effect of exchange rate changes on cash and cash equivalents		3,130	9,528
Net increase (decrease) in cash and cash equivalents		(228,865)	187,549
Cash and cash equivalents at beginning of period		904,007	716,458
Cash and cash equivalents at end of period	**$**	**675,142**	**904,007**

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EMERGING DISPLAY TECHNOLOGIES CORP.
Notes to the Parent-Company-Only Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Emerging Display Technologies Corp. (the "Company") was incorporated as a limited liability company under the laws of the Republic of China (ROC) on September 23, 1994. The address of its registered office and principal place of business is No. 5, Central 1st Rd, Kaohsiung Economic Processing Zone, Kaohsiung City, Taiwan. The Company is engaged in the manufacture and sale of Capacity Touch Panels and liquid crystal displays (LCDs).

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issuance by the board of directors on March 8, 2017.

(3) Application of New standards, Amendments and Interpretations:

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued by the FSC, the following IFRSs that have been issued by the International Accounting Standards Board (IASB) and endorsed by the FSC should be adopted by the Company commencing 2017. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Company assessed that the initial application of the above IFRSs would not have material impact on its financial statements.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Company should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Company's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts"("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 "Investment Property"	January 1, 2018

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The Company is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The new standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: ・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 assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. ・Impairment: The expected credit loss model is used to evaluate impairment. ・Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

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Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: ・For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. ・A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
January 19, 2016	Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	The objective of this project is to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. It clarifies that 'taxable profit excluding tax deductions' used for assessing the utilization of deductible temporary differences is different from 'taxable profit on which income taxes are payable'.
January 29, 2016	Amendments to IAS 7 "Disclosure Initiative"	The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.
December 8, 2016	IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	IFRIC 22 clarifies the transaction date used to determine the exchange rate. The transaction date is the date on which the company initially recognizes the prepayment or deferred income arising from the advance consideration.
December 8, 2016	Amendments to IAS 40 "Investment Property"	The amendments specify that a transfer into, or out of, investment property would be made only when there has been a change in use of a property, supported by evidence that a change in use has occurred. The amendments also clarify that the list of circumstances that provide evidence of a change in use set out in paragraph 57 (a)-(d) of IAS 40 contains examples and is not an exhaustive list.

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The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(4) Significant accounting policies:

The accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language parent-company-only financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized as follows. Except for those specifically indicated in note 3, the following accounting policies were applied consistently throughout the presented periods in the financial statements.

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations).

(b) Basis of preparation

(i) Basis of measurement

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Available-for-sale financial assets are measured at fair value;

3) The defined benefit liability is recognized as the present value of the defined benefit obligation less fair value of plan assets.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entities operate. The financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the translation differences of the following, which are recognized in other comprehensive income:

1) Available-for-sale financial instrument;

2) A financial liability designated as hedge of the net investment in c foreign operation to the extent that the hedge is effective; or

3) Qualified cash flow hedge.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company’s functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) The asset is cash and 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.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It 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.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The time deposits which meet the definition above and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial Instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

b) Performance of the financial asset is evaluated on a fair value basis

c) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and included in financial assets measured at cost.

2) Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus any directly attributable transaction cost. Subsequent to initial recognition, these financial assets are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary assets, are recognized in other comprehensive income and presented under fair value reserve in equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using trade-date accounting.
Financial assets in this category that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost, less any impairment losses, and they are classified as financial assets carried at cost.
Dividend income is recognized in profit or loss on the date when the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date; such dividend income is recognized in profit or loss, under income of non operating income and expenses.

Interest income from investment in bond security is recognized in profit or loss under other income of non operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt security with no active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

The objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is

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reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries are recognized in profit or loss. Recovery and loss on doubtful debts of account receivables is included in operating expense, others are included in non-operating income and expense.

5) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in profit or loss and it is included in non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Company designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses thereon on a different basis;

b) Performance of the financial liabilities is evaluated on a fair value basis; or

c) A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in non-operating income and expenses.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method other than insignificant interest on short-term loans and payables. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expense.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction

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costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in non-operating income and expenses. When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is measured as at fair value through profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted average costing principle and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

The Company evaluates a controlled investee company when preparing its parent-company-only financial statements. Under the equity method, the profit and other comprehensive income in the parent-company-only financial statements are the same as the profit and other comprehensive income belonging to the parent company in the consolidated financial statements. And the equity in the parent-company-only financial statements is the same as equity belonging to parent company in the financial statements on a consolidated basis.

Changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(i) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently. The depreciation is computed along with the depreciable amount. The method, the useful life and the residual amount are the same with those of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property, plant and equipment, the carrying amount at the date of reclassification becomes its cost for subsequent accounting.

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(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Cost also includes foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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 shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and expense.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1)	Buildings	2～55 years
2)	Machinery	2～10 years
3)	Furniture and fixtures	3～5 years
4)	Other equipment	1～10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as changes in an accounting estimate.

(iv) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from internal use to investment use.

(k) Lease

(i) The Company as lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) Lessee

Leases in which the Company does not assume substantially all of the risks and rewards of ownership are classified as operating leases. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(l) Intangible assets

(i) Recognition and measurement

Intangible assets, other than goodwill, acquired are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

The amortizable amount is the cost of an asset, less, its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1)	Patents	9～20 years
2)	Computer software cost	4 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each reporting date. Any change shall be accounted for as a change in accounting estimate.

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(m) Impairment of non-financial assets

The carrying amounts of the Company's non financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value, less, costs to sell, and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount as a reversal of a previously recognized impairment loss.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(o) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of

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treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(p) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Export sales revenue is recognized at the date of shipment, at which date the related risks and rewards are transferred to the customers. Domestic sales revenue is recognized at the date of deliveries received by the customers.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of the economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. In order to calculate the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on the settlement of the plan liabilities.

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When the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and the change in the present value of the defined benefit obligation.

(iii) Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Company is required to recognize the termination benefits at the earlier of when the Company can no longer withdraw the offer of those benefits and when it recognizes any related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

(s) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be revaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against

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which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(t) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(u) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the financial statement.

(5) Major sources of significant accounting assumptions, judgments, estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of trade receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows, the amount of the impairment loss according to historical payment experiences, the customers' current financial position and aging of receivables of the Company's customers. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Refer to note 6(f) for further description of the impairment of trade receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net

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realizable value of inventories. Refer to note 6(g) for further description of the valuation of inventories.

(c) Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management's subjective judgment and estimate, including the future revenue growth and profitability, the amount of tax credits that can be utilized and feasible tax planning strategies. Changes in the economic environment, industry trends, and relevant laws, and regulations may result in adjustments to the amounts of deferred tax assets. Refer to note 6(r) for further description of the recognition of deferred tax assets.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash	$ 160	187
Demand deposits	448,667	847,233
Checking accounts	565	702
Time deposits	225,750	55,885
Cash and cash equivalents in the statement of cash flows	$ 675,142	904,007

Please refer to note 6(z) for the interest rate risk and sensitivity analysis of the financial assets of the Company.

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

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	December 31, 2016	December 31, 2015
Financial assets at fair value through profit or loss		
Financial assets designated as at fair value through Profit or loss:		
ECB	$ -	48,540
Financial assets held for trading:		
Forward exchange contract	4,655	1,590
Total	$ 4,655	50,130

Please refer to note 6(x) for the recognition of gain or loss at fair value.

As of December 31, 2016 and 2015, the financial assets at fair value through profit or loss of the Company were not pledged as collaterals.

The Company uses derivative instruments to hedge certain currency the Company is exposed to arising from its operating activities. The Company held the following derivative instruments presented as held-for-trading financial assets or liabilities:

	December 31, 2016		
	Contract amount (in thousands)	**Currency**	**Maturity date**
Forward exchange contract	USD 6,000	NTD to USD	2017.01.06~2017.02.24

	December 31, 2015		
	Contract amount (in thousands)	**Currency**	**Maturity date**
Forward exchange contract	USD 3,000	NTD to USD	2016.01.15~2016.02.17

(c) Available-for-sale financial assets

	December 31, 2016	**December 31, 2015**
Stocks listed on domestic markets	$ 161,045	193,283
Stocks listed on foreign markets	59,763	55,282
Open-end mutual funds	167,189	349,485
	$ 387,997	**598,050**

Please refer to note 6(x) for the recognition of gain or loss of disposal of investment.

Please refer to note 6(y) for the recognition of other comprehensive gain (loss) at fair value.

For investment purpose, the Company entrusted part of the listed stocks to banks. In accordance with the contract, The Company did not lose control of those financial assets. Therefore, those financial assets had not been derecognized. As of December 31, 2016 and 2015, the carrying amount of the listed stocks which were entrusted to financial institutions for security lending amounted to $14,050 and $0, respectively.

As of December 31, 2016 and 2015, the available-for-sale financial assets of the Company were not pledged as collaterals.

(d) Bond instrument investment without active market

	December 31, 2016	**December 31, 2015**
Restricted time deposits	**$ 420,428**	**1,014**

As of December 31, 2016 and 2015, the bond investment without an active market of the Company had been pledged as collateral; please refer to note 8.

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(e) Financial assets measured at cost

	December 31, 2016	December 31, 2015
Stocks unlisted on domestic markets	$ 35,000	35,000

The aforementioned investments held by the Company are measured at cost less accumulated impairment losses on the reporting date. The fair values of these investments cannot be measured reliably because the range of reasonable fair value estimates is large and the probabilities for each estimate cannot be reasonably determined.

As of December 31, 2016 and 2015, the financial assets measured at cost of the Company were not pledged as collateral.

(f) Accounts receivable and other receivables

	December 31, 2016	December 31, 2015
Account receivable	$ 190,827	216,113
Account receivable — related parties	304,585	395,302
Other receivable — current	19,550	17,772
Other receivable — deposits paid	4,040	3,996
Less: allowance for doubtful accounts	(22,344)	(22,344)
	$ 496,658	610,839

The aging analysis of accounts receivable and other receivables which were past due but not impaired was as follows:

	December 31, 2016	December 31, 2015
Overdue 1 to 30 days	$ 27,807	25,729
Overdue 31 to 90 days	1,340	1,733
Overdue 91 to 270 days	-	128
	$ 29,147	27,590

The movement in the allowance for accounts receivable and other receivables was as follows:

	2016		
	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2016	$ 22,344	-	22,344
Impairment loss recognized (Reversed)	-	-	-
Balance on December 31, 2016	$ 22,344	-	22,344

(Continued)

	2015		
	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2015	$ 21,274	-	21,274
Impairment loss recognized (Reversed)	1,070	-	1,070
Balance December 31, 2015	$ 22,344	-	22,344

The Company considers any change in credit quality of accounts receivable and other receivables from the date credit was initially granted to the end of the reporting period when evaluating the collectability of accounts receivable and other receivables. The Company evaluates the customers' credit and collectible amounts to estimate the allowance for doubtful accounts. The individual receivables found not to be specifically impaired are further collectively assessed for impairment by group based on similar risk characteristics.

As of December 31, 2016 and 2015, the accounts receivable and other receivables of the Company were not pledged as collateral.

(g) Inventories

	December 31, 2016	December 31, 2015
Raw materials and supplies	$ 185,601	176,547
Work in process	299,867	313,837
Finished goods	149,713	173,243
Inventories in transit	4,803	1,033
	$ 639,984	664,660

For the years ended December 31, 2016 and 2015, the cost of inventories recognized as operating costs and expenses were $2,516,450 and $2,813,370, respectively. In 2016, the write-downs amounted to $3,580, and the reversal was recorded as cost of sales. In 2015, the reversal of write-downs amounted to $21,438, as the Company sold its inventories which had been written down to net value. Therefore, the fact that inventories were written down below cost did not exist anymore. The reversal was recorded as a reduction of cost of sales.

As of December 31, 2016 and 2015 the inventories of the Company were not pledged as collaterals.

(h) Other current assets

The details of other current assets were as follows:

	December 31, 2016	December 31, 2015
Tax refund receivable	$ 2,180	1,963
Prepayment for purchases	2,923	4,850
Other prepaid expenses	7,337	6,690
	$ 12,440	13,503

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(i) Investments accounted for using equity method

A summary of the Company's financial information for equity-accounted investees at the reporting date is as follows:

	December 31, 2016	December 31, 2015
Subsidiaries	$ 295,829	295,685

Please refer to the consolidated financial statements for the year ended December 31, 2016.

As of December 31, 2016 and 2015, the investments accounted for using equity method of the Company were not pledged as collaterals.

(j) Non-controlling interests' share of subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2016.

(k) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2016 and 2015 were as follows:

	Buildings and construction	Machinery and equipment	Office equipment	Other	Total
Cost or deemed cost:					
Balance on January 1, 2016	$ 925,501	2,478,158	18,912	144,269	3,566,840
Additions	1,295	8,232	373	20,691	30,591
Reclassification	-	11,373	-	(11,373)	-
Disposals	-	(125,978)	-	(98)	(126,076)
Balance on December 31, 2016	$ 926,796	2,371,785	19,285	153,489	3,471,355
Balance on January 1, 2015	$ 922,461	2,669,253	22,425	130,823	3,744,962
Additions	3,040	6,686	1,958	33,806	45,490
Reclassification	-	19,282	800	(20,082)	-
Disposals	-	(217,063)	(6,271)	(278)	(223,612)
Balance on December 31, 2015	$ 925,501	2,478,158	18,912	144,269	3,566,840
Depreciation and impairment losses:					
Balance on January 1, 2016	$ 684,856	2,315,142	15,957	97,757	3,113,712
Depreciation	15,159	69,586	1,017	14,887	100,649
Disposals	-	(125,978)	-	(98)	(126,076)
Balance on December 31, 2016	$ 700,015	2,258,750	16,974	112,546	3,088,285
Balance on January 1, 2015	$ 662,474	2,458,991	21,161	79,742	3,222,368
Depreciation	22,382	73,178	842	18,293	114,695
Disposals	-	(217,027)	(6,046)	(278)	(223,351)
Balance on December 31, 2015	$ 684,856	2,315,142	15,957	97,757	3,113,712
Carrying amounts:					
Balance on December 31, 2016	$ 226,781	113,035	2,311	40,943	383,070
Balance on January 1, 2015	$ 259,987	210,262	1,264	51,081	522,594
Balance on December 31, 2015	$ 240,645	163,016	2,955	46,512	453,128

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Please refer to note 6(x) for gain (loss) on disposal of property, plant and equipment.

Property, plant and equipment pledged as collateral for long-term loans and finance as of December 31, 2016 and 2015, are disclosed in note 8.

(l) Investments property

	Land	Building	Total
Cost or deemed cost:			
Balance on January 1, 2016	$ 10,079	21,670	31,749
Balance on December 31, 2016	**$ 10,079**	**21,670**	**31,749**
Balance on January 1, 2015	$ 10,079	21,670	31,749
Balance on December 31, 2015	**$ 10,079**	**21,670**	**31,749**
Depreciation and impairment loss:			
Balance on January 1, 2016	$ -	14,342	14,342
Depreciation	-	360	360
Balance on December 31, 2016	**$ -**	**14,702**	**14,702**
Balance on January 1, 2015	$ -	13,981	13,981
Depreciation	-	361	361
Balance on December 31, 2015	**$ -**	**14,342**	**14,342**
Carrying amounts:			
Balance on December 31, 2016	**$ 10,079**	**6,968**	**17,047**
Balance on January 1, 2015	**$ 10,079**	**7,689**	**17,768**
Balance on December 31, 2015	**$ 10,079**	**7,328**	**17,407**
Fair value:			
Balance on December 31, 2016			**$ 20,475**
Balance on December 31, 2015			**$ 28,552**

Investment property is leased to third parties for factories. Each of the leases contains an initial non-cancellable period of five years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. See note 6(p) for further information (including rental income and other direct operation cost).

The fair value of investment property is measured by the finance department. The finance department has assessed the investment property based on its location and category. The fair value of the Company's investment property was determined by Level 3 fair value measurement inputs.

When measuring the fair value of investment property, the Company considered the present value of net cash flows to be generated from leasing the property. The expected net cash flows were discounted using the yield to reflect the inherent risk of the net cash flows. In 2016 and 2015, the yields applied to the net annual rentals to determine the fair value of investment property were 2.826% and 2.9%, respectively.

As of December 31, 2016 and 2015, the investment property of the Company had been pledged as collateral for short-term borrowings, please refer to note 8.

(m) Intangible assets

Initial cost and accumulated amortization for intangible assets were as follows:

		Patent and other	Computer software cost	Total amount
Initial cost				
Balance on January 1, 2016	$	6,454	49,662	56,116
Individual acquisition		271	1,137	1,408
Balance on December 31, 2016	$	6,725	50,799	57,524
Balance on January 1, 2015	$	6,148	48,430	54,578
Individual acquisition		306	1,232	1,538
Balance on December 31, 2015	$	6,454	49,662	56,116
Amortization and impairment losses:				
Balance on January 1, 2016	$	4,516	48,079	52,595
Amortization		366	695	1,061
Balance on December 31, 2016	$	4,882	48,774	53,656
Balance on January 1, 2015	$	4,254	47,422	51,676
Amortization		262	657	919
Balance on December 31, 2015	$	4,516	48,079	52,595
Carrying value				
Balance on December 31, 2016	$	1,843	2,025	3,868
Balance on January 1, 2015	$	1,894	1,008	2,902
Balance on December 31, 2015	$	1,938	1,583	3,521

For the years 2016 and 2015, the amortization expenses of intangible assets included in the statement of comprehensive income were as follows:

		2016	2015
Operating costs	$	667	571
Operating expenses		394	348
Total	$	1,061	919

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As of December 31, 2016 and 2015, the intangible assets of the Company were not pledged as collateral.

(n) Short-term borrowings

	December 31, 2016	December 31, 2015
Letters of credit	$ -	9,286
Unsecured bank loans	330,000	540,000
Secured bank loans	382,000	50,000
Total	$ 712,000	599,286
Unused short-term credit lines	$ 1,236,686	1,024,682
Range of interest rates	0.88%~1.10%	1.18%~1.43%

Please refer to note 8 for assets pledged as collateral for short-term borrowings.

As of December 31, 2016 and 2015, the letters of credit which were accepted for purchase of raw materials amounted to $11,017 and $11,174.

(o) Long-term borrowings

	December 31, 2016	December 31, 2015
Secured bank loans	$ -	291,200
Less: current portion	-	(72,800)
Total	$ -	218,400
Unused long-term credit lines	$ 800,000	-
Range of interest rates	-	2.0056%

(i) Issues and repayment of long-term borrowings

In 2016 and 2015, there were no increases in long-term loans, and the repayments of long-term loans amounted to $291,200 and $345,800, respectively. Advance repayment because of financing strategies amounted to $254,800 and $273,000, respectively. Please refer to note 6(x) for interest expense.

The Company signed a 3-year loan contract with Taishin International Bank and eight other banks. The line of credit are $800,000 in total. As of December 31, 2016, the line of credit has not been used. Restrictions related to the contract are as follows:

Pursuant to the loan contract, for the duration of the loan, the Company must conform to the predetermined financial covenants involving special financial ratios calculated based on the annual consolidated financial statements. If the special financial ratios cannot meet the requirement, the Company should improve within the nine months after the end of the fiscal year. If the adjusted financial ratios reviewed by the certified accountant meet the requirements, it will not be regarded as breach of the contract. During the period for adjustment, unused lines of credit, excluding the revolving credit extension, will be suspended until such ratios are in compliance with the contract requirement. But during the said period, the interest rate would increase to 0.125% unless the majority of the consortium agreed the exemption proposed by the Company. The financial covenants were as follows:

1) A maximum debt ratio of 150% should be maintained.

2) A minimum current ratio of 100% should be maintained.

3) A minimum times interest earned ratio of 2.5 should be maintained.

4) Minimum net tangible assets of $1,600,000 should be maintained.

The Company signed a 3-year loan contract with E. Sun Bank and six other banks in November, 2015. The Company repaid all of which in 2016. Restrictions related to the contract are as follows:

Pursuant to the loan contract, for the duration of the loan, the Company must conform to the predetermined financial covenants involving special financial ratios calculated based on the annual consolidated financial statements. If the special financial ratios cannot meet the requirement, the Company should improve within the nine months after the end of the fiscal year. If the adjusted financial ratios reviewed by the certified accountant meet the requirements, it will not be regarded as breach of the contract. During the period for adjustment, unused lines of credit, excluding the revolving credit extension, will be suspended until such ratios are in compliance with the contract requirement. But during the said period, the interest rate would increase to 0.125% unless the majority of the consortium agreed the exemption proposed by the Company. The financial covenants were as follows:

1) A maximum debt ratio of 150% should be maintained.

2) A minimum current ratio of 100% should be maintained.

3) A minimum times interest earned ratio of 2.5 should be maintained.

4) Minimum net tangible assets of $1,700,000 should be maintained.

(ii) Collateral for long-term loans

Assets pledged as collateral for long-term loans are disclosed in note 8.

(p) Operating lease

(i) The Company as leasee

Non-cancellable operating lease rentals that were payable were as follows:

	December 31, 2016	December 31, 2015
Less than one year	$ 3,769	3,160
Between one and five years	1,687	4,258
	$ 5,456	**7,418**

The Company leases land under operating leases. The leases typically run for 10 years, with an option to renew the lease after that date. Lease payments are adjusted periodically to reflect market rentals.

The rental expenses of operating leases were $4,052 and $3,493 for each of the years ended December 31, 2016 and 2015, and were included in profit or loss.

(ii) The Company as lessor

The Company leases out its investment properties to third parties under operating leases. Please refer to note 6(l). The future minimum lease receivable under non-cancellable leases is as follows:

	December 31, 2016	December 31, 2015
Less than one year	$ 945	945
Between one and five years	1,890	2,835
	$ 2,835	**3,780**

The rental income from investment properties was $900 in both 2016 and 2015. The investment properties did not have any significant maintenance expense.

(q) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan asset at fair value are as follows:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 186,226	180,918
Fair value of plan assets	(97,721)	(96,147)
Recognized liabilities for defined benefit obligations	**$ 88,505**	**84,771**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for its employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on the years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

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The Company's Bank of Taiwan labor pension reserve account balance amounted to $97,721 as of December 31, 2016. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	2016	2015
Balance at January 1	$ 180,918	177,175
Current service and interest cost	4,056	4,411
Remeasurement of the net defined benefit liability (assets)		
－Actuarial loss (gain) on financial assumptions change	4,201	4,042
－Experience	701	(4,286)
Employee benefits paid	(3,650)	(424)
Balance at December 31	**$ 186,226**	**180,918**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2016	2015
Balance at January 1	$ 96,147	89,657
Interest income	1,839	1,830
Remeasurement of the net defined benefit liability (assets)		
－Return on plan assets (excluding current interest cost)	(1,151)	550
Contributions made by employer	4,536	4,534
Employee benefits paid	(3,650)	(424)
Balance at December 31	**$ 97,721**	**96,147**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2016	2015
Current service cost	$ 670	876
Interest cost on net defined benefit liability (asset)	1,547	1,705
	$ 2,217	**2,581**

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		2016	2015
Operating cost	$	1,760	2,041
Selling expenses		71	77
General and administrative expenses		218	263
Research and development expenses		168	200
	$	2,217	2,581
Actual return on assets	$	688	2,380

5) Remeasurement in net defined benefit liability (asset) recognized in other comprehensive income

The Company's remeasurement in net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2016 and 2015 were as follows:

		2016	2015
Cumulative amount at January 1	$	(28,990)	(29,784)
Recognized during the period		(6,053)	794
Cumulative amount at December 31	$	(35,043)	(28,990)

6) Actuarial assumptions

a) The following are the Company's principal actuarial assumptions:

	December 31, 2016	December 31, 2015
Discount rate at December 31	1.500%	1.875%
Future salary increases	2.750%	3.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $4,452.

The weighted-average lifetime of the defined benefits plans is 20.52 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased	Decreased
As of December 31, 2016		
Discount rate (changed 0.25%)	(7,971)	8,386
Future salary increasing rate (changed 0.25%)	8,175	(7,786)

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	Influences of defined benefit obligations	
	Increased	**Decreased**
As of December 31, 2015		
Discount rate (changed 0.25%)	(7,963)	8,395
Future salary increasing rate (changed 0.25%)	8,199	(7,820)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2016 and 2015.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

Details of the Company's pension costs under the defined contribution method were as follows:

	2016	2015
Operating cost	$ 17,878	18,189
Selling expenses	1,313	1,288
General and administrative expenses	1,168	1,185
Research and development expenses	2,137	2,081
	$ 22,496	22,743

(r) Income taxes

(i) Income tax expenses (benefit)

The amount of income tax expense was as follows:

	2016	2015
Current tax expense		
Current period	$ 11,610	880
Adjustment for prior periods	133	1,522
	11,743	2,402

(Continued)

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	2016	2015
Deferred tax expense		
Origination and reversal of temporary differences	20,389	48,227
Change in unrecognized deductible temporary differences	(8,297)	(2,338)
	12,092	45,889
Income tax expenses	$ 23,835	48,291

No income tax was recognized directly in equity in 2016 and 2015.

The amount of income tax recognized in other comprehensive income for 2016 and 2015 was as follows:

	2016	2015
Items that will be reclassified subsequently to profit or loss:		
Unrealized gain (loss) on available-for-sale financial assets	$ (1,086)	2,570

Reconciliation of income tax and profit before tax for 2016 and 2015 is as follows:

	2016	2015
Income before income tax	$ 211,607	314,268
Income tax calculated based on the Company's tax rate	$ 35,973	53,426
Investment loss (gain) under equity method	(31)	(2,934)
Income tax already paid abroad	150	164
Tax-exempt income	(3,005)	(3,047)
Adjustment for prior year	133	1,522
Change in unrecognized temporary differences	(8,297)	(2,338)
Undistributed earnings additional tax at 10%	3,860	-
Income Basic Tax	-	715
Others	(4,948)	783
Total	$ 23,835	48,291

(Continued)

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(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2016	December 31, 2015
Unrealized inventory valuation and obsolescence loss	$ 4,711	12,977
Pension expense	13,075	12,750
Temporary differences related to investment on subsidiaries	49,213	49,237
Other	963	1,295
Total	$ 67,962	76,259

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2016 and 2015 were as follows:

Deferred tax liabilities:

	Unrealized exchange gain	Others	Total
Balance on January 1, 2016	$ 2,264	275	2,539
Recognized in profit or loss	(516)	789	273
Balance on December 31, 2016	$ 1,748	1,064	2,812
Balance on January 1, 2015	$ 2,875	429	3,304
Recognized in profit or loss	(611)	(154)	(765)
Balance on December 31, 2015	$ 2,264	275	2,539

Deferred tax assets:

	Tax loss carry-forward	Inventory valuation loss	Unrealized sales profit	Others	Total
Balance on January 1, 2016	$ 19,794	881	4,171	13,742	38,588
Recognized in profit or loss	(19,794)	8,874	(738)	(161)	(11,819)
Recognized in other comprehensive income	-	-	-	(1,086)	(1,086)
Balance on December 31, 2016	$ -	9,755	3,433	12,495	25,683

(Continued)

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	Tax loss carry-forward	Inventory valuation loss	Unrealized sales profit	Others	Total
Balance on January 1, 2015	$ 69,600	2,536	2,674	7,862	82,672
Recognized in profit or loss	(49,806)	(1,655)	1,497	3,310	(46,654)
Recognized in other comprehensive income	-	-	-	2,570	2,570
Balance on December 31, 2015	**$ 19,794**	**881**	**4,171**	**13,742**	**38,588**

(iii) Examination and Approval

The Company's tax returns for the years through 2014 were examined and approved by the R.O.C tax authority.

(iv) Information related to the ICA is summarized as follows:

	December 31, 2016	December 31, 2015
Unappropriated earnings of 1997 and before	$ -	-
Unappropriated earnings of 1998 and after	220,322	216,937
	$ 220,322	**216,937**
Balance of the imputation credit account	**$ 2,565**	**8,268**

	2016 (expected)	2015 (actual)
Tax creditable ratio for earnings distribution to ROC residents	1.16%	4.18%

The above stated information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance of the ROC on October 17, 2013.

(s) Capital and other equities

(i) Ordinary shares

The board has resolved during the board meeting held on February 15, October 19 and November 9, 2015, for the Company to repurchase 18,000 thousand shares of its stock as treasury stock. The Company's board of directors approved resolutions to retire treasury stock amounting to 20,000 thousand shares with a face value of $200,000 on January 14 and December 5, 2016. The related registration procedures had been completed.

The board has resolved during the board meeting held on August 3, September 7, September 30, and November 2, 2015, for the Company to repurchase 25,200 thousand shares of its stock as treasury stock. The Company's board of directors approved resolutions to retire treasury stock amounting to 11,200 thousand shares with a face value of $112,000 on August 27 and October 21, 2015. The related registration procedures had been completed.

As of December 31, 2016 and 2015, the authorized share capital of the Company amounted to $3,500,000, comprising 350,000 thousand shares with a par value of TWD10 per share. Issued shares were 194,908 thousand shares and 214,908 thousand shares, respectively. The weighted-average numbers of shares of common stock outstanding excluded treasury stock and the common stock held by the Company's subsidiaries were comprising 174,113 thousand shares and 192,114 thousand shares, respectively.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2016 and 2015 were as follows:

	December 31, 2016	December 31, 2015
Treasury share transactions	$ 33,663	27,955

According to the Company Act, any realized capital surplus is initially used to cover any deficit, and the balance, if any, could be transferred to common stock as stock dividend or distributed as cash based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and endowments received by the Company. According to the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", the combined amount of any portions capitalized in any one year may not exceed 10% of paid-in capital.

On June 2, 2016, the Company's board of directors approved offsetting the deficit with capital surplus of $6,294.

(iii) Retained Earning

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve. Only if the legal reserve have attained to the paid-in capital could be the exception, besides, special reserves are supposed to set aside or reversed in accordance with the relevant regulations or as required by the government. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's industry is currently in a steady growth phase. The Company's dividend policy is to pay dividends from surplus considering the future capital budget requirement and cash requirements, and taking into the extent of dilution on earnings per share and influence upon return on equity. Therefore, the future distribution of earnings shall be distributed in cash dividends and/or stock dividends. The ratio of cash dividends shall not be less than 50% of the Company's total dividends for every year.

1) Legal reserve

In accordance with the Company Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by

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cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and is not qualified for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2016, Resolutions were passed during the board meeting for the Company to reclassify $62,110 as a special earnings reserve.

In accordance with Ruling No. 1010047490 issued by the FCS on November 21, 2012, if the market value of the Company's shares is lower than the carrying value of the Company's shares held by the subsidiaries at year-end, the Company should retain a special reserve amounting to the difference between the market value and the carrying value, based upon the Company's ownership percentage in the subsidiaries. When market value rebounds, the Company could reverse the special reserve. As of December 31, Resolutions were passed during the board meeting for the Company to reclassify $34,338 as a special earnings reserve.

3) Earnings distribution

a) According to the resolutions of the annual stockholders' meetings held on June 7, 2016, the appropriations of dividend from the distributable retained earnings of 2015 were as follows:

Dividends distributed to ordinary shareholders	
Cash	**$ 0.31905693** (Note)

(Note)According to the resolutions of the annual stockholders meetings, the appropriation of dividend from the distributable retained earnings was $0.3036 per share. However, it was adjusted to $0.31905693 because the repurchase of treasury stock impacted shares outstanding.

On June 2, 2015, the Company's stockholders' meeting decided to use the 2014 net income after tax to make up the previous years' accumulated deficit, with no dividend distribution.

(Continued)

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Notes to Parent-Company-Only Financial Statements

(iv) Other equity (net taxes)

		Foreign exchange differences arising from foreign operation	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance on January 1, 2016	$	9,532	(108,533)	(99,001)
The Company		(8,311)	17,409	9,098
Subsidiaries		(1,514)	3,805	2,291
Balance on December 31, 2016	$	(293)	(87,319)	(87,612)
Balance on January 1, 2015	$	8,133	(45,025)	(36,892)
The Company		1,737	(55,482)	(53,745)
Subsidiaries		(338)	(8,026)	(8,364)
Balance on December 31, 2015	$	9,532	(108,533)	(99,001)

(v) Treasury shares

The movements of treasury shares of the Company were as follows:

(Unit: thousands)

Reason for repurchase	January 1, 2016	Shares repurchased	Shares retired	December 31, 2016
2016				
To maintain the Company's integrity and shareholder's equity	14,000	6,000	(20,000)	-
To transfer shares to the Company's employee	-	12,000	-	12,000
	14,000	18,000	(20,000)	12,000
2015				
To maintain the Company's integrity and shareholder's equity	-	25,200	(11,200)	14,000

In accordance with Article 28-2 of the Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company’s retained earnings, share premium, and realized capital reserves.

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Statutory limit related to the purchase of treasury shares of the Company are as follows:

	Record date	Upper limit of repurchasable amount	Upper limit of repurchasable amount
2016			
	2015.9.30	20,731 thousand shares	168,037
	2016.6.30	18,011 thousand shares	184,437
	2016.9.30	18,011 thousand shares	223,220
2015			
	2015.6.30	21,731 thousand shares	51,136
	2015.9.30	20,731 thousand shares	168,037

The aforementioned repurchased shares and amount did not exceed statutory limit.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

Ying Dar Corp. and Bae Haw Corp., subsidiaries of the Company, held the Company's common stock. In 2016 and 2015, Ying Dar Corp. and Bae Haw Corp. did not purchase or dispose of any of the Company's shares. As of December 31, 2016 and 2015, Ying Dar Corp. and Bae Haw Corp. together held 8,794 thousand shares of the Company's common stock. As of December 31, 2016 and 2015, their market values amounted to $86,185 and $87,944, respectively.

(t) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2016 and 2015 are as follows:

	2016	2015
Basic earnings per share		
Profit (loss) attributable to owners of parent	$ 187,772	265,977
Weighted-average number of ordinary shares (expressed in thousands of shares)	181,702	212,510
Expressed in New Taiwan dollars	$ 1.03	1.25
Diluted earnings per share		
Profit (loss) attributable to owners of parent	$ 187,772	265,977
Weighted-average number of ordinary shares (expressed in thousands of shares)	181,702	212,510
Effect of potentially dilutive ordinary stock		
－Employee bonus	1,399	1,437
Weighted-average number of ordinary shares – diluted (expressed in thousands of shares)	183,101	213,947
Expressed in New Taiwan dollars	$ 1.03	1.24

(Continued)

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In computing basic earnings (loss) per share of ordinary stock for the years ended December 31, 2016 and 2015, the weighted-average numbers of shares of ordinary stock outstanding excluded 8,794 thousand shares of ordinary stock held by the Company's subsidiaries as treasury stock.

(u) Revenue

The details of revenue for the years ended December 31, 2016 and 2015 were as follows:

		2016	2015
Sales of goods	$	3,045,089	3,377,472

(v) Employee remuneration and directors' and supervisors' remuneration

(i) In accordance with the Articles of incorporation, the Company should contribute no less than 5% of the profit as employee remuneration and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the year ended December 31, 2016 and 2015, the Company estimated its employee remuneration amounting to $11,500 and $14,371, and directors' and supervisors' remuneration amounting to $6,900 and $8,623, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2016 and 2015. The aforementioned amounts are identical to those of the estimated amounts, as stated in the parent only financial statements 2016 and 2015. Related information would be available at the Market Observation Post System website.

(w) Net other income (expenses)

Net other income (expenses) consist of rental income.

(x) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

		2016	2015
Interest income			
Bank deposits	$	3,289	4,333
Other loans and receivables		236	310
Dividend income		8,356	12,009
Others		3,802	210
	$	15,683	16,862

(Continued)

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(ii) Other gains and losses

The details of other gains and losses were as follows:

		2016	2015
Foreign exchange gains (losses)	$	(2,420)	43,837
Gains on disposal of investments and financial liabilities			
Net gains on disposal of available-for-sale financial assets		11,632	20,362
Others		(158)	-
Net gain (losses) on disposal of financial assets (liabilities) measured at fair value through profit or loss		10,954	13,390
Net gains on disposal of property, plant and equipment		175	834
Others		(20)	-
	$	**20,163**	**78,423**

(iii) Finance costs

The details of finance costs were as follows:

		2016	2015
Interest expenses			
Bank loans	**$**	**11,758**	**16,125**

(y) Reclassification adjustments components of other comprehensive income

The details of reclassified adjustments of the components of other comprehensive income were as follows:

		2016	2015
Available-for-sale financial assets			
Net change in fair value	$	30,327	(37,406)
Net change in fair value reclassified to profit or loss		(11,832)	(20,646)
Net change in fair value recognized in other comprehensive income	**$**	**18,495**	**(58,052)**

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(z) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The Company's maximum exposure to credit risk was the carrying amount of financial assets. As of December 31, 2016 and 2015, the Company's maximum exposures to credit risk amounted to $2,019,720 and $2,198,852, respectively.

2) Concentration of credit risk

To reduce the credit risk of accounts receivable, the Company continuously evaluates customers' financial condition, and requires customers to provide a guarantee if necessary. The Company periodically measures the possibility of collecting the accounts receivable and also records an allowance for doubtful accounts, which is always under the expectation of the management. As of December 31, 2016 and 2015, one customers accounted for 61% and 67%, respectively, of total accounts receivable.

(ii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractua lcash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2016							
Non-derivative financial liabilities							
Secured loans	$ 382,000	(382,144)	(382,144)	-	-	-	-
Unsecured loans	330,000	(330,148)	(330,148)	-	-	-	-
Accounts payable	293,301	(293,301)	(293,301)	-	-	-	-
Accounts payable－related parties	106,250	(106,250)	(106,250)	-	-	-	-
Notes payable	2,203	(2,203)	(2,203)	-	-	-	-
Other payable	69,825	(69,825)	(69,825)	-	-	-	-
Other payable－related parties	4,787	(4,787)	(4,787)	-	-	-	-
Guarantee deposits	160	(160)	-	-	-	(160)	-
	$ 1,188,526	**(1,188,818)**	**(1,188,658)**	**-**	**-**	**(160)**	**-**
December 31, 2015							
Non-derivative financial liabilities							
Secured loans	$ 341,200	(347,206)	(89,072)	(38,774)	(219,360)	-	-
Unsecured loans	549,286	(550,095)	(550,095)	-	-	-	-
Accounts payable	302,219	(302,219)	(302,219)	-	-	-	-
Accounts payable－related parties	96,904	(96,904)	(96,904)	-	-	-	-
Notes payable	3,192	(3,192)	(3,192)	-	-	-	-
Other payable	102,112	(102,112)	(102,112)	-	-	-	-
Other payable－related parties	6,321	(6,321)	(6,321)	-	-	-	-
Guarantee deposits	160	(160)	-	-	-	(160)	-
	$ 1,401,394	**(1,408,209)**	**(1,149,915)**	**(38,774)**	**(219,360)**	**(160)**	**-**

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The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follow:

	December 31, 2016			December 31, 2015		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD	$ 44,564	32.25	1,437,197	39,446	32.825	1,294,829
JPY	47,505	0.2756	13,092	22,824	0.2727	6,224
CNY	2,191	4.617	10,115	11,235	4.995	56,116
EUR	-	-	-	284	35.880	10,192
Non-Monetary items						
USD	6,635	32.25	213,985	11,834	32.825	388,461
Financial liabilities						
Monetary items						
USD	8,961	32.25	288,996	8,768	32.825	287,805
JPY	22,992	0.2756	6,337	27,024	0.2727	7,369

2) Sensitivity analysis

The foreign currency risk mainly arose from the translation of cash and cash equivalents, accounts receivable, other receivables, available-to-sale financial assets, loans, accounts payable, bonds payable, and other payables. As of December 31, 2016 and 2015, if the exchange rate of the TWD versus the USD, CNY, and JPY had increased or decreased by 1%, given no changes in other factors, profit after tax would have increased or decreased by $9,631 and $8,912, respectively.

3) Exchange gains and losses of monetary items

As of December 31, 2016 and 2015, the exchange gain or loss (including realized and unrealized) that resulted from monetary items translated to the functional currency was lose $2,420 and $43,837, respectively.

(iv) Interest rate analysis

For the Company’s financial assets and liabilities exposed to interest rate risk, please refer to the attached note about liquidity risk.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which

(Continued)

also represents the Company management's assessment of the reasonably possible interest rate change.

If interest rates on loans had increased or decreased by 1%, with all other variables held constant, profit after tax for the years 2016 and 2015 would have been decreased or increased by $58 and $113, respectively, mainly as a result of liabilities bearing floating interest rates.

(v) Other prices risks

If the prices of equity securities change at reporting date, with all other variables held constant, the influences were as follows:

	2016		2015	
Prices at reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increase by 3%	$ 10,572	-	15,968	-
Decrease by 3%	$ (10,572)	-	(15,968)	-

(vi) Fair value

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and available for sale financial assets, are measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy are stated below; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2016				
		Fair Value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or less					
Forward exchange contract	$ 4,655	-	4,655	-	4,655
Available-for-sale financial assets					
Stocks in listed companies	220,808	220,808	-	-	220,808
Open-end fund	167,189	167,189	-	-	167,189
Financial assets carried at cost	35,000	-	-	-	-
Subtotal	422,997				

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	December 31, 2016				
	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	675,142	-	-	-	-
Debt instrument without active market	420,428	-	-	-	-
Accounts receivable	473,068	-	-	-	-
Other receivable	19,550	-	-	-	-
Other receivable – refundable deposits (recognized in other assets – current)	4,040	-	-	-	-
Subtotal	1,592,228				
Total financial assets	$ 2,019,880				
Financial liabilities at amortized cost					
Bank loans	$ 712,000	-	-	-	-
Notes payable	2,203	-	-	-	-
Accounts payable	399,551	-	-	-	-
Other payable	74,612	-	-	-	-
Guarantee deposits	160	-	-	-	-
Total financial liabilities	$ 1,188,526				

	December 31, 2015				
	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or less					
ECB	$ 48,540	48,540	-	-	48,540
Forward exchange contract	1,590	-	1,590	-	1,590
Subtotal	50,130				
Available-for-sale financial assets					
Stocks in listed companies	248,565	248,565	-	-	248,565
Open-end fund	349,485	349,485	-	-	349,485
Financial assets carried at cost	35,000	-	-	-	-
Subtotal	633,050				

(Continued)

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	December 31, 2015				
	Carrying	Fair Value			
	amount	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	904,007	-	-	-	-
Debt instrument without active market	1,014	-	-	-	-
Accounts receivable	589,071	-	-	-	-
Other receivable	17,772	-	-	-	-
Other receivable – refundable deposits (recognized in other assets – current)	3,996	-	-	-	-
Subtotal	1,515,860				
Total financial assets	**$ 2,199,040**				
Financial liabilities at amortized cost					
Bank loans	$ 890,486	-	-	-	-
Notes payable	3,192	-	-	-	-
Accounts payable	399,123	-	-	-	-
Other payable	108,433	-	-	-	-
Guarantee deposits	160	-	-	-	-
Total financial liabilities	**$ 1,401,394**				

2) The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

— Level 1: quoted prices (unadjusted) in the active markets for identified assets or liabilities.

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3) Valuation techniques and assumptions unused in fair value determination

Because of the short maturities of these instruments, the Company estimates that the carrying amount is a reasonable approximation of fair value.

4) Valuation techniques and assumptions used in fair value determination

Non-derivative instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. Quoted prices of major stock exchanges and quoted prices of government bonds are the basis for measuring the fair value of stocks listed on an exchange, stocks listed on the OTC, and debt instruments with quoted prices in an active market.

A financial instrument is regarded as having a quoted price in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and if those prices represent actual and regularly occurring market transactions on an arm's-length basis. Otherwise, the market is deemed to be inactive.

The fair values of the Company's bonds, listed securities, and open-end funds with standard terms and conditions and traded in active markets were determined by the quoted market prices.

Derivative instruments

The fair value of forward exchange contracts is based on quoted prices from the counterparty.

5) Transfer between level 1 to level 2

There was no transfer between the fair value hierarchy levels for the years ended December 31, 2016 and 2015.

(aa) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments：

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and objectives, policies and process of risk measurement and management.　For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The board of directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. Every department is responsible for planning and controlling the risk management of the Company's operation and reports to the board regularly.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The supervisor of the Company oversees how the management monitors the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The supervisor is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Accounting receivable and other receivables

The credit risk is impacted by the individual situation of each client. The Company continuously monitors the information concerning client credit risk factors, such as the default risk of the industries and countries in which the customers operate.

According to the credit policy, the Company has to evaluate the credit of each new customer before setting the payment and delivery terms. The evaluations include external credit ratings, if available, and bank references. The Company reviews credit limits periodically and requires customers to pay in advance when the customers' credit ratings do not meet the benchmark.

The Company established an impairment allowance that represents its estimate of incurred losses in respect of accounts receivable and other receivables. Major components of this impairment allowance are a specific loss component that relates to individually significant exposure and a collective loss component wherein the loss is incurred but not identified. The collective component is based on historical payment experience for similar financial assets.

2) Investment

The credit risk exposure in the bank deposits and derivative financial instruments is measured and monitored by the finance department. Since the Company's transactions were with financial institutions with good credit ratings, there were no noncompliance issues, and therefore, there is no significant credit risk. Investments in other financial instruments are measured and monitored by the finance department with the instruction from the chairman to ensure each risk of the investment target is under the Company's acceptable level.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As of December 31, 2016 and 2015, the Company had unused credit lines amounting to $2,036,685 and $1,024,682, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return.

The Company engages in derivative financial instrument trading in order to manage the market risk, thus generating financial liabilities or financial assets. The execution of those transactions was under the board's instruction.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the New Taiwan dollar (TWD). The currencies used in these transactions are the TWD, USD and JPY.

At any point in time, the Company's principle is to hedge using the net values after offsetting payables and receivables or assets and liabilities which are generated by business operations. The Company mainly hedges its currency risk using foreign exchange agreements wherein the maturity date is less than six months.

Interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the New Taiwan dollar (TWD) and US dollars (USD).

When the assets and liabilities denominated in a currency other than a functional currency have a short-term imbalance, the Company should purchase or sell foreign currencies at the spot rate on the transaction date in order to maintain an acceptable exposure to currency risk.

2) Interest rate risk

The Company adopts a policy to ensure the exposure to changes in interest rates on borrowings is evaluated based on the trend in market interest rates. The Company can manage its interest rate risk through maintaining an appropriate portfolio of floating interest rates and fixed interest rates.

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP.

Notes to Parent-Company-Only Financial Statements

3) Other market price risk

The company is exposed to equity price risk due to the investments in equity instruments that contain unsure future prices. Therefore, the Company monitors and manages the equity investments by holding a varied investment portfolio and regularly updating the information on equity instruments.

(ab) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, non-redeemable preference shares, retained earnings, and non-controlling interests of the Company. The board of directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company manages its capital to safeguard the capacity to continue to operate, to continue to provide a return to shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the total net debt divided by the total capital. The net debts from the balance sheet are derived from the total liabilities, less cash and cash equivalents. However, the net debts are also derived by deducting available-for-sale financial assets-current, and financial assets at fair value through profit or loss-current from 2015. The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interest. In 2016, the Company's capital management strategy is consistent with the prior year. The Company's debt-to-equity ratio at the end of the reporting period as at December 31, 2016 and 2015, is as follows:

	December 31, 2016	December 31, 2015
Net debt	$ 370,762	98,548
Total equity	$ 1,960,302	2,035,827
Debt-to-equity ratio	18.91%	4.84%

In 2016, cash and cash equivalent decreased since restricted deposits increased for borrowing. As a result, net debt increased on December 31, 2016; and debt to equity ratio is higher than which on December 31, 2015.

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP.

Notes to Parent-Company-Only Financial Statements

(7) Related-party transactions:

(a) Relationship with the parent company and its subsidiaries

Name of investor	Name of subsidiary	Location	Percentage of shareholding December 31, 2016	Percentage of shareholding December 31, 2015
The Company	Emerging Display Technologies Co., U.S.A	United States	100.00%	100.00%
The Company, Ying Dar Investment Development Corp. and Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	95.80%	95.80%
The Company	EDT-Europe ApS	Denmark	100.00%	100.00%
The Company	Tremendous Explore Corp.	B.V.I.	100.00%	100.00%
The Company	Emerging Display Technologies Korea	Korea	100.00%	100.00%
The Company	EDT-Japan Corp.	Japan	100.00%	100.00%
The Company	Ying Dar Investment Development Corp.	Taiwan	100.00%	100.00%
The Company	Bae Haw Investment Development Corp.	Taiwan	100.00%	100.00%
The Company	Ying Cheng Investment Development Corp.	Taiwan	52.50%	52.50%
Emerging Display International (Samoa) Corp.	Dong Guan Emerging Display Limited	China	100.00%	100.00%

(b) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Company and its subsidiaries.

(c) Significant related party transactions

(i) Operating revenue

The significant amounts of sales transactions between the Company and related parties were as follows:

	2016	2015
Subsidiaries	$ 1,371,463	1,620,306

As of December 31, 2016 and 2015, the unrealized profit from sales to related parties amounted to $20,186 and $24,531, respectively, which were included in investments accounted for using equity method in the accompanying balance sheets.

The selling prices for sales to subsidiaries were not significantly different from those for third-party customers. The collection terms were three months, which were not significantly different from those of other customers.

EMERGING DISPLAY TECHNOLOGIES CORP.

Notes to Parent-Company-Only Financial Statements

(ii) Receivables from relates parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2016	December 31, 2015
Accounts receivable	Subsidiaries	$ 304,585	395,302

(iii) Consigned for processing

The Company's sales of raw material (inclusive of that the Company purchased on behalf of the related parties) and semi-finished products to related parties were considered to contracted processing. The processing cost and material cost in 2016 and 2015 amounted to $360,022 and $464,571, respectively. As of December 31, 2016 and 2015, the payables resulting from the above transactions amounted to $106,250 and $96,904, respectively, and were included in accounts payable—related parties in the accompanying balance sheets.

(iv) Commission expense

As of December 31, 2016 and 2015, the sales commission paid to subsidiaries amounted to $65,276 and $64,863, respectively. As of December 31, 2016 and 2015, the payables resulting from the above transactions amounted to $4,787 and $6,319, respectively, and were included in other payable—related parties in the accompanying balance sheets.

(v) Others

As of December 31, 2015, the payables resulting from the consumables that related parties purchased on behalf of the Company amounted to $2 and were included in other payable—related parties in the accompanying balance sheets.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2016	2015
Short-term employee benefits	$ 25,324	29,407
Post-employment benefits	578	572
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	$ 25,902	29,979

In 2016 and 2015, the Company provides five of its own cars with carrying amount of $10,487 and a rental car with rental expense of $905 per year for key management personnel use.

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP.

Notes to Parent-Company-Only Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Purpose	December 31, 2016	December 31, 2015
Bond investments without active market—current—time deposits	Guarantee for customs	$ 1,014	1,014
Property, plant and equipment-buildings	Guarantee for long-term borrowings	-	240,645
Property, plant and equipment-machinery and equipment	Guarantee for long-term borrowings	-	106,658
Investment property	Guarantee for long-term borrowings	14,277	14,638
Bond investment without active market—current—time deposits	Guarantee for long-term borrowings	419,414	-
		$ 434,705	362,955

(9) Significant commitments and contingencies:

(a) As of December 31, 2016 and 2015, the Company's unused letters of credit for purchases of raw materials, machinery and equipment amounted to $18,298 and $27,457, respectively.

(b) As of December 31, 2016 and 2015, the Company has signed contracts for the purchase of equipment. The unrecognized commitments to those contracts amounted to $9,500 and $3,221, respectively.

(10) Losses due to major disasters: none

(11) Subsequent events:

The Company's board of directors approved resolutions to repurchase 5,500 thousand and 6,000 thousand shares of its shares as treasury shares from January to March and from February to April, respectively, on January 5, 2017 and February 20, 2017. The Company's board of directors approved resolutions to retire treasury shares amounting to 5,500 thousand shares on February 9, 2017. As of March 8, 2017, the related registration procedures had been completed.

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EMERGING DISPLAY TECHNOLOGIES CORP.

Notes to Parent-Company-Only Financial Statements

(12) Other:

The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function / By item	2016 Cost of sales	2016 Operating expenses	2016 Total	2015 Cost of sales	2015 Operating expenses	2015 Total
Employee benefits						
Salary	333,227	107,489	440,716	352,331	109,819	462,150
Labor and health insurance	39,086	6,396	45,482	40,424	6,299	46,723
Pension	19,638	5,075	24,713	20,230	5,094	25,324
Others	25,590	4,422	30,012	26,415	4,441	30,856
Depreciation	96,948	4,061	101,009	110,708	4,348	115,056
Amortization	667	394	1,061	571	348	919

As of December 31, 2016 and 2015, the numbers of the Company's employees were 947 and 987, respectively.

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for 2016:

(i) Loans to other parties: none

(ii) Guarantees and endorsements for other parties: none

(iii) Securities held as of December 31, 2016 (excluding investment in subsidiaries, associates and joint ventures):

Name of security holder	Name of security and type	Relationship between issuer of security and the security holder	Financial statement account	December 31, 2016 Units (shares)	Carrying value	Ratio	Market value (or net equity value)	Remarks
The Company	Ascendax Venture Capital Corp. stock	-	Financial assets carried at cost-noncurrent	1,000,000	10,000	5.00%	10,000	-
The Company	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost-noncurrent	1,000,000	25,000	2.23%	25,000	-
The Company	Apple Inc. stock	-	Available-for-sale financial assets-current	16,000	59,763	-	59,763	-
The Company	Innolux Corp. stock	-	Available-for-sale financial assets-current	1,147,089	13,306	0.01%	13,306	-
The Company	Fubon Financial Holding Co., Ltd. stock	-	Available-for-sale financial assets-current	300,000	15,300	-	15,300	-
The Company	Hon Hai Precision Co., Ltd. stock	-	Available-for-sale financial assets-current	577,500	48,626	-	48,626	-
The Company	Radiant Opto-Electronics Corp. stock	-	Available-for-sale financial assets-current	250,000	14,050	0.05%	14,050	-
The Company	Taiwan Cement Co., Ltd. stock	-	Available-for-sale financial assets-current	300,000	10,545	0.01%	10,545	-

(Continued)

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Notes to Parent-Company-Only Financial Statements

Name of security holder	Name of security and type	Relationship between issuer of security and the security holder	Financial statement account	December 31, 2016				Remarks
				Units (shares)	Carrying value	Ratio	Market value (or net equity value)	
The Company	Synnex Technology International Co., Ltd. stock	-	Available-for-sale financial assets-current	474,600	15,424	0.03%	15,424	-
The Company	Pegatron Co., Ltd. stock	-	Available-for-sale financial assets-current	216,000	16,632	0.01%	16,632	-
The Company	Mega Financial Holding Co., Ltd. stock	-	Available-for-sale financial assets-current	555,000	12,765	0.00%	12,765	-
The Company	Coasia Micoelectronis Corp. stock	-	Available-for-sale financial assets-current	441,508	6,093	0.32%	6,093	-
The Company	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets-current	480,000	8,304	0.78%	8,304	-
The Company	Edmond de Rothschild Europe Convertibles (B) USD	-	Available-for-sale financial assets-current	8,468.12	25,084	-	25,084	-
The Company	JPMorgan Asia Pacific Income Fud A (mth)	-	Available-for-sale financial assets-current	100,738.54	92,559	-	92,559	-
The Company	Fidelity Funds-Euro Balanced Fund-USD (hedge)	-	Available-for-sale financial assets-current	88,226.18	31,924	-	31,924	-
The Company	Yuanta Asia Pacific ex-Jpn Invt Grd Govt Bd Idx (A)	-	Available-for-sale financial assets-current	2,000,000	17,622	-	17,622	-
Ying Dar Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets-current	550,000	9,515	0.90%	9,515	-
Ying Dar Investment Development Corp.	AGV Products Corp. stock	-	Available-for-sale financial assets-current	101,500	753	0.02%	753	-
Ying Dar Investment Development Corp.	The Company's stock	Parent Company	Available-for-sale financial assets-noncurrent	5,346,672	52,397	2.74%	52,397	-
Bae Haw Investment Development Corp.	Everest Technology Inc. Corp. stock	-	Financial assets carried at cost-noncurrent	1,000,000	-	1.47%	-	-
Bae Haw Investment Development Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets-current	380,000	6,574	0.62%	6,574	-
Bae Haw Investment Development Corp.	The Company's stock	Parent Company	Available-for-sale financial assets-noncurrent	3,447,716	33,788	1.77%	33,788	-
Ying Cheng Investment Corp.	Chenfeng Optronics Corp. stock	-	Financial assets carried at cost-noncurrent	6,000,000	150,000	13.38%	150,000	-
Ying Cheng Investment Corp.	Shian Yih Electronic Co., Ltd. stock	-	Available-for-sale financial assets-current	235,000	4,066	0.38%	4,066	-

(iv) Individual securities acquired or disposed of with accumulated amount in excess of $300 million or 20% of Acbel Polytech Inc.'s issued share capital: none

(v) Acquisition of individual real estate with amount in excess of $300 million or 20% of the capital stock: none

(vi) Disposal of individual real estate with amount in excess of $300 million or 20% of the capital stock: none

(Continued)

EMERGING DISPLAY TECHNOLOGIES CORP.
Notes to Parent-Company-Only Financial Statements

(vii) Sales to and purchases from related parties in excess of $100 million or 20% of the capital stock:

Purchasing (selling) company	Counterparty	Relation-ship	Details of transaction				Circumstances of and reasons for deviation from regular trading conditions		Resulting receivables (payables)		Remarks
			Purchase (sale)	Amount	% of net Purchas-es (sales)	Credit line	Unit price	Payment terms	Balance	% of notes and accounts receivable (payable)	
The Company	Emerging Display Technologies Co., U.S.A.	Subsidiary of the Company	Sale	1,371,463	45.04%	3 months	Sales prices offered to Emerging Display Technologies Co., U.S.A. were not significantly different from those offered to other customers.	Collection terms offered to Emerging Display Technologies Co., U.S.A. were not significantly different from other customers.	304,585	61.48%	-
The Company	Tremendous Explore Corp.	Subsidiary of the Company	Purchase (processing cost)	360,022	23.98%	1-3 months	Tremendous Explore Corp. is the only entity the subsidiary provides processing service to. There is no comparable transaction.	The Company is the only entity the subsidiary provides processing service to.	(106,250)	26.59%	-
Emerging Display Technologies Co., U.S.A.	The Company	Subsidiary of the Company	Purchase	1,371,463	99.87%	3 months	The Company is the major supplier for Emerging Display Technologies Co., U.S.A. There is no comparable transaction	The Company is the major supplier for Emerging Display Technologies Co., U.S.A.	(304,585)	100%	-
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Sale (processing revenue)	360,022	100%	1-3 months	The Company is the only entity the subsidiary provides processing service to. There is no comparable transaction.	The Company is the only entity the subsidiary provides processing service to.	106,250	100%	-
Tremendous Explore Corp.	Dong Guan Emerging Display Limited	Subsidiary and sub- subsidiary of the Company, respectively	Purchase (processing cost)	352,333	100%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	(68,167)	64.17%	-
Dong Guan Emerging Display Limited	Tremendous Explore Corp.	Subsidiary and sub-subsidiary of the Company, respectively	Sale (processing revenue)	352,333	100%	1-3 months	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to. There is no comparable transaction.	Tremendous Explore Corp. is the only entity Dong Guan Emerging Display Limited provides processing service to.	68,167	100%	-

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EMERGING DISPLAY TECHNOLOGIES CORP.

Notes to Parent-Company-Only Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company that has the receivables	Counterparty	Relationship	Balance of amount	Turnover ratio	Overdue		Amount collected in the subsequent period	Allowance for doubtful accounts	Remarks
					Amount	Status			
The Company	Emerging Display Technologies Co., U.S.A.	Subsidiary of the Company	Accounts receivable of $304,585	3.92	-	-	180,304	-	-
Tremendous Explore Corp.	The Company	Subsidiary of the Company	Accounts receivable of $106,250	3.54	-	-	60,728	-	-

(ix) Trading in derivative instruments:

The derivative financial instruments are intended to manage the market risk resulting from the fluctuations in the exchange rate in operating activities. Please refer to note 6(b).

(b) Information on investees:

The following is the information on investees for the year 2016 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Business scope	Original cost of investment		Balance as of December 31, 2016			Net income (loss) of the investee	Investment income (loss) recognized	Remarks
				December 31, 2016	December 31, 2015	Shares owned	Percentage owned	Carrying value			
The Company	Emerging Display Technologies Co., U.S.A.	USA	Trading	121,656	121,656	3,500,000	100.00%	64,534 (Note 1)	(3,205)	(3,483)	Subsidiary
The Company	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	180,503	180,503	5,984,071	78.49%	89,508	2,460	2,090	Subsidiary
The Company	EDT-Europe ApS	Denmark	Trading	2,077	2,077	125,000	100.00%	1,604	122	122	Subsidiary
The Company	Tremendous Explore Corp.	BVI	Trading	-	-	50,000	100.00%	(4,201)	363	363	Subsidiary
The Company	Emerging Display Technologies Korea	Korea	Trading	1,677	1,677	58,212,500	100.00%	1,086	97	97	Subsidiary
The Company	EDT-Japan Corp.	Japan	Trading	17,401	17,401	5,000	100.00%	6,719	(2,016)	(2,016)	Subsidiary
The Company	Ying Dar Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	26,229	3,367	1,661 (Note 2)	Subsidiary
The Company	Bae Haw Investment Development Corp.	Taiwan	Investment	89,000	89,000	8,900,000	100.00%	26,816	2,639	1,539 (Note 2)	Subsidiary
The Company	Ying Cheng Investment Corp.	Taiwan	Investment	84,000	84,000	8,400,000	52.50%	83,534	(63)	(33)	Subsidiary
Ying Dar Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	13,234	13,234	450,000	5.90%	6,728	2,460	145	Subsidiary
Bae Haw Investment Development Corp.	Emerging Display International (Samoa) Corp.	Samoa	Investment holding	25,488	25,488	870,000	11.41%	13,012	2,460	281	Subsidiary

Note 1：Unrealized sales profit amounting to $20,186 was deducted.

Note 2：Cash dividends to subsidiaries, which were reclassified as capital surplus, were deducted.

EMERGING DISPLAY TECHNOLOGIES CORP.
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(c) Information on investment in mainland China:

(i) Information on investment in Mainland China:

Investee company	Main businesses and products	Received capital	Investment method	Accumulated amount invested in Mainland China as of January 1, 2016	Invested capital remitted from or repatriated to Taiwan		Accumulated amount invested in Mainland China as of December 31, 2016	Net income of investee	The Company's direct or indirect investment ratio	Investment gain (loss) recognized by the Company	Book value of the investment as of December 31, 2016	Accumulated investment income repatriated to Taiwan as of December 31, 2016
					Remittance	Repatriation						
Dong Guan Emerging Display Limited	Manufacturing of LCDs	248,516 (USD$7,625,300)	Investing through a third country by establishing a holding company, Emerging Display International (Samoa) Corp., in a third country.	219,225 (USD$6,746,936) (Note 1)	-	-	219,225 (USD$6,746,936)	2,944	95.80% (Note 2)	2,981 Based on the investee's financial statements audited by the same auditor of the Company (Note 3)	100,360 (Note 4)	-

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EMERGING DISPLAY TECHNOLOGIES CORP.

Notes to Parent-Company-Only Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2016(Note 8)	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs(Note 8)	Upper Limit on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
223,643 (USD$6,934,668) (Note 5)	449,943 (USD$13,951,732) (Note 6)	1,259,719 (Note 7)

Note 1：The amount includes $13,234 which was invested by Ying Dar Investment Development Corp. and $25,488 which was invested by Bae Haw Investment Development Corp.

Note 2：The ratio includes 5.90% which was held by Ying Dar Investment Development Corp. and 11.41% which was held by Bae Haw Investment Development Corp.

Note 3：The amount includes a gain of $174 which was recognized by Ying Dar Investment Development Corp. and a gain of $336 which was recognized by Bae Haw Investment Development Corp.

Note 4：The amount includes $6,180 which was invested by Ying Dar Investment Development Corp. and $11,953 which was invested by Bae Haw Investment Development Corp.

Note 5：The amount includes the remaining capital amounting to $6,589 (US$187,732) of Emerging Technologies Int'l Trading (Shanghai) Co., Ltd. remitted back after it had completed liquidation in 2009.

Note 6：The approved amount includes US$637,732 obtained from Ying Dar Investment Development Corp. and US$870,000 obtained from Bae Haw Investment Development Corp. The amount obtained from Ying Dar Investment Development Corp. includes the remaining capital amounting to $6,589 (US$187,732) of Emerging Technologies Int'l Trading (Shanghai) Co., Ltd. remitted back after it had completed liquidation in 2009.

Note 7：The amount includes $47,176 for Ying Dar Investment Development Corp. and $36,362 for Bae Haw Investment Development Corp.

Note 8：Transactions denominated in foreign currencies were recorded using the rate of exchange at December 31, 2016.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of the parent-company-only financial statements, are disclosed in "Information on significant transactions".

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2016.