

Xintec Inc.

**Financial Statements for the
Six Months Ended June 30, 2017 and 2016 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Xintec Inc.

We have reviewed the accompanying balance sheets of Xintec Inc. (the "Company") as of June 30, 2017 and 2016 and the related statements of comprehensive income for the three months ended June 30, 2017 and 2016 and for the six months ended June 30, 2017 and 2016, as well as the statements of changes in equity and cash flows for the six months ended June 30, 2017 and 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, "Review of Financial Statements," issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 4, 2017

Notice to Readers

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

For the convenience of readers, the independent auditors' review report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and financial statements shall prevail.

XINTEC INC.

BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)		LIABILITIES AND EQUITY	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Note 6)	\$ 1,473,444	18	\$ 1,209,162	14	\$ 803,255	10	Financial liabilities at fair value through profit or loss (Note 7)	\$ 5,255	-	\$ 9,534	-	\$ 327	-
Financial assets at fair value through profit or loss (Note 7)	111	-	-	-	2,747	-	Derivative financial liabilities for hedging (Note 8)	-	-	-	-	1,084	-
Accounts receivable, net (Note 9)	298,833	4	426,571	5	416,269	5	Accounts payable	248,507	3	216,171	2	273,428	3
Receivables from related parties, net (Notes 9 and 30)	191,928	2	124,539	2	264,153	3	Salary and bonus payable	124,027	1	155,672	2	107,115	1
Other receivables from related parties (Note 30)	11,692	-	-	-	-	-	Accrued profit sharing bonus to employees and compensation to directors (Notes 18 and 27)	-	-	-	-	21,965	-
Inventories (Note 10)	205,864	2	171,444	2	218,688	3	Payables to contractors and equipment suppliers	173,261	2	324,456	4	216,147	3
Other financial assets	3,629	-	647	-	697	-	Cash dividends payable (Note 18)	-	-	-	-	134,438	2
Other current assets (Notes 14 and 30)	<u>74,689</u>	<u>1</u>	<u>91,415</u>	<u>1</u>	<u>77,277</u>	<u>1</u>	Provisions - current (Note 15)	54,286	1	55,367	1	47,873	1
Total current assets	<u>2,260,190</u>	<u>27</u>	<u>2,023,778</u>	<u>24</u>	<u>1,783,086</u>	<u>22</u>	Long-term borrowings - current portion (Notes 16 and 31)	140,625	2	146,875	2	150,000	2
NONCURRENT ASSETS							Accrued expenses and other current liabilities (Note 30)	<u>335,111</u>	<u>4</u>	<u>306,287</u>	<u>3</u>	<u>253,647</u>	<u>3</u>
Financial assets measured at cost (Note 11)	-	-	-	-	-	-	Total current liabilities	<u>1,081,072</u>	<u>13</u>	<u>1,214,362</u>	<u>14</u>	<u>1,206,024</u>	<u>15</u>
Property, plant and equipment (Notes 12 and 31)	5,750,462	69	6,128,613	73	6,147,533	75	NONCURRENT LIABILITIES						
Intangible assets (Note 13)	65,766	1	69,361	1	74,952	1	Long-term borrowings (Notes 16 and 31)	2,666,375	32	2,078,125	25	1,410,000	17
Deferred income tax assets (Note 25)	227,242	3	199,669	2	133,362	2	Provisions - non-current (Note 15)	<u>63,106</u>	<u>1</u>	<u>36,837</u>	-	<u>25,076</u>	-
Refundable deposits	27,551	-	11,015	-	11,085	-	Total noncurrent liabilities	<u>2,729,481</u>	<u>33</u>	<u>2,114,962</u>	<u>25</u>	<u>1,435,076</u>	<u>17</u>
Net defined benefit assets (Note 17)	<u>2,616</u>	-	<u>1,840</u>	-	<u>30</u>	-	Total liabilities	<u>3,810,553</u>	<u>46</u>	<u>3,329,324</u>	<u>39</u>	<u>2,641,100</u>	<u>32</u>
Total noncurrent assets	<u>6,073,637</u>	<u>73</u>	<u>6,410,498</u>	<u>76</u>	<u>6,366,962</u>	<u>78</u>	EQUITY (Notes 18 and 27)						
							Share capital	<u>2,721,093</u>	<u>33</u>	<u>2,698,534</u>	<u>32</u>	<u>2,691,948</u>	<u>33</u>
							Capital surplus	<u>1,635,406</u>	<u>20</u>	<u>1,592,780</u>	<u>19</u>	<u>1,585,387</u>	<u>20</u>
							Retained earnings						
							Appropriated as legal reserve	274,233	3	274,233	3	274,233	3
							Appropriated as special reserve	-	-	1,774	-	1,774	-
							(Accumulated deficits) unappropriated earnings	<u>(69,845)</u>	<u>(1)</u>	<u>537,631</u>	<u>7</u>	<u>956,690</u>	<u>12</u>
								<u>204,388</u>	<u>2</u>	<u>813,638</u>	<u>10</u>	<u>1,232,697</u>	<u>15</u>
							Other	<u>(37,613)</u>	<u>(1)</u>	-	-	<u>(1,084)</u>	-
							Total equity	<u>4,523,274</u>	<u>54</u>	<u>5,104,952</u>	<u>61</u>	<u>5,508,948</u>	<u>68</u>
TOTAL	<u>\$ 8,333,827</u>	<u>100</u>	<u>\$ 8,434,276</u>	<u>100</u>	<u>\$ 8,150,048</u>	<u>100</u>	TOTAL	<u>\$ 8,333,827</u>	<u>100</u>	<u>\$ 8,434,276</u>	<u>100</u>	<u>\$ 8,150,048</u>	<u>100</u>

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

XINTEC INC.

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Loss Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 20 and 30)	\$ 715,838	100	\$ 1,015,353	100	\$ 1,466,264	100	\$ 2,069,514	100
OPERATING COSTS (Notes 10, 27 and 30)	<u>964,591</u>	<u>135</u>	<u>1,075,493</u>	<u>106</u>	<u>1,882,573</u>	<u>128</u>	<u>2,129,729</u>	<u>103</u>
GROSS LOSS	<u>(248,753)</u>	<u>(35)</u>	<u>(60,140)</u>	<u>(6)</u>	<u>(416,309)</u>	<u>(28)</u>	<u>(60,215)</u>	<u>(3)</u>
OPERATING EXPENSES (Notes 27 and 30)								
Sales and marketing	12,006	2	10,044	1	22,977	1	20,357	1
General and administrative	32,525	4	27,932	2	67,558	5	57,032	2
Research and development	<u>85,528</u>	<u>12</u>	<u>79,037</u>	<u>8</u>	<u>157,696</u>	<u>11</u>	<u>160,802</u>	<u>8</u>
Total operating expenses	<u>130,059</u>	<u>18</u>	<u>117,013</u>	<u>11</u>	<u>248,231</u>	<u>17</u>	<u>238,191</u>	<u>11</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 21, 27 and 30)	<u>20,675</u>	<u>3</u>	<u>(1,447)</u>	<u>-</u>	<u>40,570</u>	<u>2</u>	<u>49,951</u>	<u>2</u>
LOSS FROM OPERATIONS	<u>(358,137)</u>	<u>(50)</u>	<u>(178,600)</u>	<u>(17)</u>	<u>(623,970)</u>	<u>(43)</u>	<u>(248,455)</u>	<u>(12)</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income (Note 22)	2,018	-	686	-	4,023	-	1,479	-
Finance costs (Note 23)	(9,585)	(1)	(5,908)	(1)	(18,399)	-	(11,487)	-
Other gains and losses (Note 24)	<u>4,618</u>	<u>1</u>	<u>(1,594)</u>	<u>-</u>	<u>1,523</u>	<u>-</u>	<u>(1,649)</u>	<u>-</u>
Total non-operating income and expenses	<u>(2,949)</u>	<u>-</u>	<u>(6,816)</u>	<u>(1)</u>	<u>(12,853)</u>	<u>-</u>	<u>(11,657)</u>	<u>-</u>
LOSS BEFORE INCOME TAX	(361,086)	(50)	(185,416)	(18)	(636,823)	(43)	(260,112)	(12)
INCOME TAX BENEFIT (Note 25)	<u>-</u>	<u>-</u>	<u>30,268</u>	<u>3</u>	<u>27,573</u>	<u>1</u>	<u>42,966</u>	<u>2</u>
NET LOSS	(361,086)	(50)	(155,148)	(15)	(609,250)	(42)	(217,146)	(10)
OTHER COMPREHENSIVE INCOME								
Items that may be reclassified subsequently to profit or loss								
Cash flow hedge (Note 18)	<u>-</u>	<u>-</u>	<u>468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>690</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (361,086)</u>	<u>(50)</u>	<u>\$ (154,680)</u>	<u>(15)</u>	<u>\$ (609,250)</u>	<u>(42)</u>	<u>\$ (216,456)</u>	<u>(10)</u>
LOSS PER SHARE (Note 26)								
Basic loss per share	<u>\$ (1.33)</u>		<u>\$ (0.58)</u>		<u>\$ (2.25)</u>		<u>\$ (0.81)</u>	
Diluted loss per share	<u>\$ (1.33)</u>		<u>\$ (0.58)</u>		<u>\$ (2.25)</u>		<u>\$ (0.81)</u>	

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

XINTEC INC.
STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Share Capital - Common Stock		Capital Surplus	Retained Earnings				Other		Total Equity
	Share (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Total	Cash Flow Hedges	Unearned Stock-Based Employee Compensation	
BALANCE, JANUARY 1, 2016	268,876	\$ 2,688,761	\$ 1,580,613	\$ 259,553	\$ 823	\$ 1,323,905	\$ 1,584,281	\$ (1,774)	\$ -	\$ 5,851,881
Appropriation and distribution of 2015 earnings										
Legal reserve	-	-	-	14,680	-	(14,680)	-	-	-	-
Special reserve	-	-	-	-	951	(951)	-	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(134,438)	(134,438)	-	-	(134,438)
Total	-	-	-	14,680	951	(150,069)	(134,438)	-	-	(134,438)
Net loss for the six months ended June 30, 2016	-	-	-	-	-	(217,146)	(217,146)	-	-	(217,146)
Other comprehensive income for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	-	-	690	-	690
Total comprehensive (loss) income for the six months ended June 30, 2016	-	-	-	-	-	(217,146)	(217,146)	690	-	(216,456)
Issuance of stock from exercise of employee stock options	319	3,187	4,050	-	-	-	-	-	-	7,237
Compensation cost of employee stock options	-	-	724	-	-	-	-	-	-	724
BALANCE, JUNE 30, 2016	<u>269,195</u>	<u>\$ 2,691,948</u>	<u>\$ 1,585,387</u>	<u>\$ 274,233</u>	<u>\$ 1,774</u>	<u>\$ 956,690</u>	<u>\$ 1,232,697</u>	<u>\$ (1,084)</u>	<u>\$ -</u>	<u>\$ 5,508,948</u>
BALANCE, JANUARY 1, 2017	269,853	\$ 2,698,534	\$ 1,592,780	\$ 274,233	\$ 1,774	\$ 537,631	\$ 813,638	\$ -	\$ -	\$ 5,104,952
Appropriation and distribution of 2016 earnings										
Reversal of special reserve	-	-	-	-	(1,774)	1,774	-	-	-	-
Net loss for the six months ended June 30, 2017	-	-	-	-	-	(609,250)	(609,250)	-	-	(609,250)
Total comprehensive loss for the six months ended June 30, 2017	-	-	-	-	-	(609,250)	(609,250)	-	-	(609,250)
Issuance of stock from exercise of employee stock options	944	9,439	11,978	-	-	-	-	-	-	21,417
Compensation cost of employee restricted stock	1,500	15,000	35,040	-	-	-	-	-	(43,885)	6,155
Retirement of employee restricted stock	(188)	(1,880)	(4,392)	-	-	-	-	-	6,272	-
BALANCE, JUNE 30, 2017	<u>272,109</u>	<u>\$ 2,721,093</u>	<u>\$ 1,635,406</u>	<u>\$ 274,233</u>	<u>\$ -</u>	<u>\$ (69,845)</u>	<u>\$ 204,388</u>	<u>\$ -</u>	<u>\$ (37,613)</u>	<u>\$ 4,523,274</u>

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

XINTEC INC.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Six Months Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (636,823)	\$ (260,112)
Adjustments for:		
Depreciation	501,984	621,099
Amortization	20,182	20,408
(Reversal of impairment loss) impairment loss recognized on accounts receivables	(104)	116
Finance costs	18,399	11,487
Interest income	(4,023)	(1,479)
Compensation cost of employee stock options	-	724
Compensation cost of employee restricted stock	6,155	-
Gain on disposal of property, plant and equipment, net	(25)	(54,134)
Impairment loss recognized on property, plant and equipment	1,199	2,124
(Gain) loss on foreign exchange, net	(2,420)	1,318
Changes in operating assets and liabilities:		
Derivative financial instruments	(4,390)	(7,843)
Accounts receivable, net	127,840	(72,277)
Receivables from related parties, net	(67,387)	(23,477)
Other receivables from related parties	(11,692)	1,571
Inventories	(34,420)	21,247
Other current assets	29,745	20,565
Other financial assets	(2,888)	(75)
Accounts payable	32,336	(4,178)
Salary and bonus payable	(31,645)	(52,555)
Provisions	(1,081)	(35,242)
Accrued expenses and other current liabilities	28,963	(26,933)
Net defined benefit assets	(776)	(394)
Cash generated from operations	(30,871)	161,960
Income tax paid	-	(1,866)
Net cash (used in) generated from operating activities	(30,871)	160,094
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(247,538)	(457,259)
Intangible assets	(16,587)	(13,374)
Proceeds from disposal of:		
Property, plant and equipment	25	118,312
Refundable deposits paid	(17,711)	(2,777)
Refundable deposits refunded	1,175	963
Interest received	3,929	1,529
Net cash used in investing activities	(276,707)	(352,606)

(Continued)

XINTEC INC.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Six Months Ended June 30	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	\$ 1,157,000	\$ 250,000
Repayments of long-term borrowings	(575,000)	(75,000)
Proceeds from exercise of employee stock options	21,417	7,237
Interest paid	<u>(31,557)</u>	<u>(10,856)</u>
Net cash generated from financing activities	<u>571,860</u>	<u>171,381</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	264,282	(21,131)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,209,162</u>	<u>824,386</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,473,444</u>	<u>\$ 803,255</u>

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

(Concluded)

XINTEC INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

(Reviewed, Not Audited)

1. GENERAL

Xintec Inc. (the “Company”) was incorporated on September 11, 1998. The Company is a dedicated subcontractor of advanced packaging services in the semiconductor industry which engages mainly in wafer level chip scale packaging (CSP) and wafer level post passivation interconnection services (PPI). The Company’s shares have been listed on the Taipei Exchange since March 30, 2015. The address of its registered office and principal place of business is 9F, No.23, Jilin Rd., Jhongli Dist., Taoyuan City 32062, Taiwan.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying financial statements were reported to the Board of Directors and issued on August 4, 2017.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

- 1) Amendments to IAS 36, “Recoverable Amount Disclosures for Non-Financial Assets”

The amendments to IAS 36 clarify that the Company is required to disclose the recoverable amount of an asset or a cash-generating unit only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Company is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The Company expects the aforementioned amendments will result in a broader disclosure of recoverable amount for non-financial assets.

- 2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the

amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Company has transaction. If the transaction or balance with a specific related party is 10% or more of the Company's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefits on acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 30 for related disclosures.

- b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2018

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective after fiscal year beginning on or after the effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

- 1) Amendments to IFRS 2, "Classification and Measurement of Share-based Payment Transactions"

The amendment requires that market condition and non-vesting condition should be taken into account and vesting conditions, other than market conditions, should not be taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, they should be taken into account by adjusting the number of awards included in the

measurement of the liability arising from the transaction. This amendment applies to cash-settled share-based payment transactions that are unvested at January 1, 2017.

2) IFRS 9, “Financial Instruments”

All recognized financial assets currently in the scope of IAS 39, “Financial Instruments: Recognition and Measurement,” will be subsequently measured at either the amortized cost or the fair value. The classification and measurement requirements in IFRS 9 are stated as follows:

For the debt instruments invested by the Company, if the contractual cash flows that are solely for payments of principal and interest on the principal amount outstanding, the classification and measurement requirements are stated as follows:

- a) If the objective of the Company’s business model is to hold the financial asset to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method, continuously assessed for impairment and the impairment loss or reversal of impairment loss should be recognized in profit and loss.
- b) If the objective of the Company’s business model is to hold the financial asset both to collect the contractual cash flows and to sell the financial assets, such assets are measured at fair value through other comprehensive income and are continuously assessed for impairment. Interest revenue should be recognized in profit or loss by using the effective interest method. A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When such financial asset is derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet the aforementioned criteria should be measured at the fair value through profit or loss. However, the Company may irrevocably designate an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income. All relevant gains and losses shall be recognized in other comprehensive income, except for dividends which are recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

IFRS 9 adds a new expected loss impairment model to measure the impairment of financial assets. A loss allowance for expected credit losses should be recognized on financial assets measured at amortized cost and financial assets mandatorily measured at fair value through other comprehensive income. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition and is not deemed to be a low credit risk, the Company should measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. The Company should always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity’s risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way the hedging cost of derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

3) IFRS 15, “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18, “Revenue,” IAS 11, “Construction Contracts,” and a number of revenue-related interpretations.

When applying IFRS 15, the Company shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest

expense accrued on the lease liability; interest is computed by using effective interest method. On the statements of cash flows, cash payments for both the principal and interest portion of the lease liability are classified within financing activities.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatments, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

The Company may elect to apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following, the accounting policies applied in these financial statements are consistent with those applied in the financial statements for the year ended December 31, 2016.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

Statement of Compliance

The accompanying financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting,” endorsed and issued into effect by the FSC. The financial statements do not present all the disclosures required for a complete set of annual financial statements prepared under the IFRSs.

Retirement Benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these financial statements as were applied in the preparation of the Company's financial statements for the year ended December 31, 2016.

6. CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Cash and deposits in banks	\$ 1,473,444	\$ 1,168,362	\$ 704,029
Repurchase agreements collateralized by corporate bonds	<u>-</u>	<u>40,800</u>	<u>99,226</u>
	<u>\$ 1,473,444</u>	<u>\$ 1,209,162</u>	<u>\$ 803,255</u>

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Derivative financial assets</u>			
Forward exchange contracts	<u>\$ 111</u>	<u>\$ -</u>	<u>\$ 2,747</u>
<u>Derivative financial liabilities</u>			
Forward exchange contracts	<u>\$ 5,255</u>	<u>\$ 9,534</u>	<u>\$ 327</u>

The Company entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for derivative contracts.

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
<u>June 30, 2017</u>		
Sell US\$/Buy NT\$	July 2017-September 2017	US\$19,068/NT\$574,790 (Continued)

	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2016</u>		
Sell US\$/Buy NT\$	January 2017-March 2017	US\$19,263/NT\$610,715
<u>June 30, 2016</u>		
Sell US\$/Buy NT\$	July 2016-September 2016	US\$23,300/NT\$754,614 (Concluded)

8. DERIVATIVE FINANCIAL INSTRUMENT FOR HEDGING

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Financial liabilities - current</u>			
Cash flow hedge			
Interest rate swap contracts	\$ -	\$ -	\$ 1,084

The Company entered into interest rate swap contracts to mitigate the risk of changes in interest rates on the cash flow exposure related to the outstanding variable rate debt. The contracts had matured on December 15, 2016.

Outstanding interest rate swap contracts consisted of the following:

Contract Amount (In thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
<u>June 30, 2016</u>			
\$ 500,000	December 15, 2016	1.108%	0.685%-0.805%

Net loss arising from changes in fair value of the hedged items recognized in other comprehensive income and accumulated in other equity were NT\$0, NT\$8 thousand for the three months ended June 30, 2017 and 2016, respectively; and NT\$0 and NT\$180 thousand for the six months ended June 30, 2017 and 2016, respectively. Losses of hedging instruments reclassified from equity to loss recognized as financial costs in comprehensive income were NT\$0, NT\$476 thousand for the three months ended June 30, 2017 and 2016, respectively; and NT\$0 and NT\$870 thousand for the six months ended June 30, 2017 and 2016, respectively.

9. ACCOUNTS RECEIVABLE

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Unrelated Parties</u>			
Accounts receivable	\$ 299,174	\$ 427,014	\$ 416,741
Allowance for doubtful receivables	<u>(341)</u>	<u>(443)</u>	<u>(472)</u>
Accounts receivable, net	<u>298,833</u>	<u>426,571</u>	<u>416,269</u>
<u>Related Parties</u>			
Accounts receivable	191,928	124,541	264,153
Allowance for doubtful receivables	<u>-</u>	<u>(2)</u>	<u>-</u>
Accounts receivable, net	<u>191,928</u>	<u>124,539</u>	<u>264,153</u>
	<u>\$ 490,761</u>	<u>\$ 551,110</u>	<u>\$ 680,422</u>

In principle, the payment term granted to customers is due 30 days to 45 days from the end of the month of when the invoice is issued. The term granted to some customers is 30 days from the invoice date, and to few customers is 60 days from the end of the month when the invoice is issued. The allowance for doubtful receivables is assessed by reference to the collectability of receivables by performing the account aging analysis, historical experience and current financial condition of customers.

Except for those impaired, for the rest of the accounts receivable, the account aging analysis at the end of the reporting period is summarized in the following table. Accounts receivable include amounts that are past due but for which the Company has not recognized a specific allowance for doubtful receivables after the assessment since there has not been a significant change in the credit quality of its customers and the amounts are still considered recoverable.

Aging analysis of accounts receivable, net

	June 30, 2017	December 31, 2016	June 30, 2016
Neither past due nor impaired	\$ 485,905	\$ 531,624	\$ 680,422
Past due within 30 days	<u>4,856</u>	<u>19,486</u>	<u>-</u>
	<u>\$ 490,761</u>	<u>\$ 551,110</u>	<u>\$ 680,422</u>

Aging analysis of past due but not impaired accounts receivable, net

	June 30, 2017	December 31, 2016	June 30, 2016
Past due within 30 days	<u>\$ 4,856</u>	<u>\$ 19,486</u>	<u>\$ -</u>

Movements of the allowance for doubtful receivables

	Collectively Assessed for Impairment
Balance at January 1, 2017	\$ 445
Reversal	<u>(104)</u>
Balance at June 30, 2017	<u>\$ 341</u>
Balance at January 1, 2016	\$ 356
Provision	<u>116</u>
Balance at June 30, 2016	<u>\$ 472</u>

Aging analysis of accounts receivable that was impaired

	June 30, 2017	December 31, 2016	June 30, 2016
Not past due	<u>\$ 341</u>	<u>\$ 445</u>	<u>\$ 472</u>

10. INVENTORIES

	June 30, 2017	December 31, 2016	June 30, 2016
Finished goods	\$ 7,804	\$ 16,113	\$ 14,701
Work in process	68,656	37,901	65,463
Raw materials	<u>129,404</u>	<u>117,430</u>	<u>138,524</u>
	<u>\$ 205,864</u>	<u>\$ 171,444</u>	<u>\$ 218,688</u>

The cost of inventories recognized as cost of goods sold consisted of the following:

	Three Months Ended June 30 2017	2016	Six Months Ended June 30 2017	2016
Reversal of inventory losses (inventory losses)	<u>\$ 1,842</u>	<u>\$ 1,229</u>	<u>\$ (1,846)</u>	<u>\$ (4,177)</u>
Revenue from sale of scraps	<u>\$ 3,291</u>	<u>\$ 1,190</u>	<u>\$ 3,330</u>	<u>\$ 3,727</u>

11. FINANCIAL ASSETS MEASURED AT COST

The Company invested in Compositeltd Ltd. in 1998 which was delisted in 2002. The Company believed that the investment had been fully impaired; thus, in 2002, the Company recognized the whole investment amount as impairment loss.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Leased Improvement	Other Equipment	Equipment under Installation and Construction in Progress	Total
Cost								
Balance at January 1, 2017	\$ 772,029	\$ 1,897,336	\$ 9,763,998	\$ 189,043	\$ 659,217	\$ 851,490	\$ 138,818	\$ 14,271,931
Additions	-	53,967	61,256	5,359	16,241	53,316	(65,107)	125,032
Disposals or retirements	-	-	(5,554)	-	(255)	(468)	-	(6,277)
Balance at June 30, 2017	<u>\$ 772,029</u>	<u>\$ 1,951,303</u>	<u>\$ 9,819,700</u>	<u>\$ 194,402</u>	<u>\$ 675,203</u>	<u>\$ 904,338</u>	<u>\$ 73,711</u>	<u>\$ 14,390,686</u>
Accumulated depreciation and impairment								
Balance at January 1, 2017	\$ -	\$ 568,319	\$ 6,597,847	\$ 112,155	\$ 509,338	\$ 355,659	\$ -	\$ 8,143,318
Depreciation	-	76,421	344,271	11,550	22,893	46,849	-	501,984
Impairment loss	-	-	1,199	-	-	-	-	1,199
Disposals or retirements	-	-	(5,554)	-	(255)	(468)	-	(6,277)
Balance at June 30, 2017	<u>\$ -</u>	<u>\$ 644,740</u>	<u>\$ 6,937,763</u>	<u>\$ 123,705</u>	<u>\$ 531,976</u>	<u>\$ 402,040</u>	<u>\$ -</u>	<u>\$ 8,640,224</u>
Carrying amounts at January 1, 2017	<u>\$ 772,029</u>	<u>\$ 1,329,017</u>	<u>\$ 3,166,151</u>	<u>\$ 76,888</u>	<u>\$ 149,879</u>	<u>\$ 495,831</u>	<u>\$ 138,818</u>	<u>\$ 6,128,613</u>
Carrying amounts at June 30, 2017	<u>\$ 772,029</u>	<u>\$ 1,306,563</u>	<u>\$ 2,881,937</u>	<u>\$ 70,697</u>	<u>\$ 143,227</u>	<u>\$ 502,298</u>	<u>\$ 73,711</u>	<u>\$ 5,750,462</u>
Cost								
Balance at January 1, 2016	\$ 772,029	\$ 1,597,921	\$ 9,618,017	\$ 164,932	\$ 652,579	\$ 770,311	\$ 202,981	\$ 13,778,770
Additions	-	65,057	197,982	9,240	704	66,471	(92,307)	247,147
Disposals or retirements	-	-	(203,566)	-	(109)	-	-	(203,675)
Balance at June 30, 2016	<u>\$ 772,029</u>	<u>\$ 1,662,978</u>	<u>\$ 9,612,433</u>	<u>\$ 174,172</u>	<u>\$ 653,174</u>	<u>\$ 836,782</u>	<u>\$ 110,674</u>	<u>\$ 13,822,242</u>
Accumulated depreciation and impairment								
Balance at January 1, 2016	\$ -	\$ 442,534	\$ 5,949,658	\$ 90,365	\$ 467,879	\$ 266,696	\$ -	\$ 7,217,132
Depreciation	-	61,207	482,467	10,952	23,289	43,184	-	621,099
Impairment losses	-	-	2,124	-	-	-	-	2,124
Disposals or retirements	-	-	(165,537)	-	(109)	-	-	(165,646)
Balance at June 30, 2016	<u>\$ -</u>	<u>\$ 503,741</u>	<u>\$ 6,268,712</u>	<u>\$ 101,317</u>	<u>\$ 491,059</u>	<u>\$ 309,880</u>	<u>\$ -</u>	<u>\$ 7,674,709</u>
Carrying amounts at June 30, 2016	<u>\$ 772,029</u>	<u>\$ 1,159,237</u>	<u>\$ 3,343,721</u>	<u>\$ 72,855</u>	<u>\$ 162,115</u>	<u>\$ 526,902</u>	<u>\$ 110,674</u>	<u>\$ 6,147,533</u>

The significant part of the Company's buildings includes main plants, mechanical and electrical power equipment and clean rooms, and the related depreciation is calculated using the estimated useful lives of 18 to 32 years, 7 to 11 years and 10 to 11 years, respectively. The significant part of the Company's machinery and equipment includes etching machines and sputters, and the related depreciation is calculated using the estimated useful lives of 3 to 8 years.

The Company recognized impairment loss of NT\$0 and NT\$2,124 thousand for the three months ended June 30, 2017 and 2016, respectively; and NT\$1,199 thousand and NT\$2,124 thousand for the six months ended June 30, 2017 and 2016, respectively. Such the carrying amount of some of property, plant and equipment is expected to be unrecoverable. Such impairment loss was included in other operating income and expenses.

The Company leased certain buildings, machinery and equipment to VisEra Technology Company Ltd. (VisEra) and Taiwan Semiconductor Manufacturing Company Limited (TSMC) under operating lease agreement. The lease term and rental were both determined in accordance with mutual agreements. The lease term were from November 2016 to November 2018 and from February 2017 to January 2018, respectively and the rental were received monthly. The related rental and depreciation of such leased assets were included in other operating income and expenses.

The carrying amount of leased assets were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Carrying amount of leased buildings, machinery and equipment	<u>\$ 45,514</u>	<u>\$ 29,145</u>	<u>\$ -</u>

Future minimum lease payments under the above non-cancellable operating leases are as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Not later than 1 year	\$ 117,335	\$ 100,500	\$ -
Later than 1 year and not later than 5 year	<u>40,500</u>	<u>94,500</u>	<u>-</u>
	<u>\$ 157,835</u>	<u>\$ 195,000</u>	<u>\$ -</u>

Machinery and equipment pledged as collateral for bank borrowings were set out in Note 31.

13. INTANGIBLE ASSETS

	Acquired Special Technology	Software	Patents and Others	Total
<u>Cost</u>				
Balance at January 1, 2017	\$ 113,340	\$ 68,094	\$ 113,433	\$ 294,867
Additions	<u>-</u>	<u>6,615</u>	<u>9,972</u>	<u>16,587</u>
Balance at June 30, 2017	<u>\$ 113,340</u>	<u>\$ 74,709</u>	<u>\$ 123,405</u>	<u>\$ 311,454</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2017	\$ 86,422	\$ 51,576	\$ 87,508	\$ 225,506
Additions	<u>2,833</u>	<u>6,168</u>	<u>11,181</u>	<u>20,182</u>
Balance at June 30, 2017	<u>\$ 89,255</u>	<u>\$ 57,744</u>	<u>\$ 98,689</u>	<u>\$ 245,688</u>
Carrying amounts at January 1, 2017	<u>\$ 26,918</u>	<u>\$ 16,518</u>	<u>\$ 25,925</u>	<u>\$ 69,361</u>
Carrying amounts at June 30, 2017	<u>\$ 24,085</u>	<u>\$ 16,965</u>	<u>\$ 24,716</u>	<u>\$ 65,766</u>
<u>Cost</u>				
Balance at January 1, 2016	\$ 113,340	\$ 60,804	\$ 91,874	\$ 266,018
Additions	<u>-</u>	<u>2,964</u>	<u>10,410</u>	<u>13,374</u>
Balance at June 30, 2016	<u>\$ 113,340</u>	<u>\$ 63,768</u>	<u>\$ 102,284</u>	<u>\$ 279,392</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2016	\$ 80,755	\$ 38,301	\$ 64,976	\$ 184,032
Additions	<u>2,833</u>	<u>6,833</u>	<u>10,742</u>	<u>20,408</u>
Balance at June 30, 2016	<u>\$ 83,588</u>	<u>\$ 45,134</u>	<u>\$ 75,718</u>	<u>\$ 204,440</u>
Carrying amounts at June 30, 2016	<u>\$ 29,752</u>	<u>\$ 18,634</u>	<u>\$ 26,566</u>	<u>\$ 74,952</u>

14. OTHER CURRENT ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Prepaid expenses	\$ 58,316	\$ 59,891	\$ 46,063
Tax receivable	9,172	22,575	20,565
Prepayments to Suppliers	1,359	3,121	3,198
Others	<u>5,842</u>	<u>5,828</u>	<u>7,451</u>
	<u>\$ 74,689</u>	<u>\$ 91,415</u>	<u>\$ 77,277</u>

15. PROVISIONS

	June 30, 2017	December 31, 2016	June 30, 2016
Sales returns and allowances	\$ 54,286	\$ 55,367	\$ 47,873
Decommissioning cost	<u>63,106</u>	<u>36,837</u>	<u>25,076</u>
	<u>\$ 117,392</u>	<u>\$ 92,204</u>	<u>\$ 72,949</u>
Current portion	\$ 54,286	\$ 55,367	\$ 47,873
Noncurrent portion	<u>63,106</u>	<u>36,837</u>	<u>25,076</u>
	<u>\$ 117,392</u>	<u>\$ 92,204</u>	<u>\$ 72,949</u>

	Sales Returns and Allowances	Decommissioning Cost	Total
<u>Six months ended June 30, 2017</u>			
Balance, beginning of period	\$ 55,367	\$ 36,837	\$ 92,204
Reversal	6,445	26,269	32,714
Payment	<u>(7,526)</u>	<u>-</u>	<u>(7,526)</u>
Balance, end of period	<u>\$ 54,286</u>	<u>\$ 63,106</u>	<u>\$ 117,392</u>
<u>Six months ended June 30, 2016</u>			
Balance, beginning of period	\$ 83,115	\$ 25,076	\$ 108,191
Provision	9,403	-	9,403
Payment	<u>(44,645)</u>	<u>-</u>	<u>(44,645)</u>
Balance, end of period	<u>\$ 47,873</u>	<u>\$ 25,076</u>	<u>\$ 72,949</u>

Provisions for sales returns and allowances are estimated based on historical experience, management judgment, and the varying contractual terms that would significantly affect the returns and allowances, and are recognized as a reduction of revenue in the same period of the related product sales.

Decommissioning cost represents provision for cost of disassembly and removal of leased equipment and restoration of the location. Such amount of provision is measured using the discounted cash flows estimated to settle future obligation. The estimated decommissioning cost is assessed and adjusted reasonably at the end of each reporting period.

16. LONG-TERM BORROWINGS

	June 30, 2017	December 31, 2016	June 30, 2016
Unsecured borrowings:			
Repayable with annual interest rates at 1.09%-1.15% and 1.09%-1.18% in 2017 and 2016, respectively and will redeem in May 2022; acquired bank borrowing in the amount of NT\$410,000 thousand and NT\$290,000 thousand in 2017 and 2016, respectively	\$ 800,000	\$ 390,000	\$ 100,000
Repayable with annual interest rates at 0.96%-1.08% and 0.96%-0.99% in 2017 and 2016, respectively and will redeem in April 2021; acquired bank borrowing in the amount of NT\$300,000 thousand and NT\$400,000 thousand in 2017 and 2016, respectively	700,000	400,000	50,000
Repayable with annual interest rates at 1.06%-1.18% and 1.06%-1.16% in 2017 and 2016, respectively and will redeem in June 2022; acquired bank borrowing in the amount of NT\$247,000 thousand and NT\$300,000 thousand in 2017 and 2016, respectively	647,000	400,000	300,000
Repayable quarterly from June 2020 in 9 installments; with annual interest rates at 1.20% and 1.19%-1.34% in 2017 and 2016; acquired bank borrowing in the amount of NT\$200,000 thousand in 2017	510,000	310,000	310,000
Repayable quarterly from July 2014 in 16 installments; with annual interest rates at 1.05% and 1.05%-1.18% in 2017 and 2016, respectively	75,000	112,500	150,000
Repayable quarterly from October 2014 in 16 installments; with annual interest rates at 1.05% and 1.05%-1.18% in 2017 and 2016, respectively	46,875	65,625	84,375
Repayable quarterly from September 2014 in 16 installments; with annual interest rates at 1.05% and 1.05%-1.11% in 2017 and 2016, respectively	25,000	37,500	50,000
Repayable quarterly from October 2013 in 16 installments; with annual interest rates at 1.05% and 1.05%-1.18% in 2017 and 2016, respectively	3,125	9,375	15,625
			(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
Secured borrowings:			
Repayable with annual interest rates at 0.97%-1.08% and 0.96%-1.11% in 2017 and 2016, respectively, NT\$500,000 thousand redeemed in advance in June 2017 and the rest will redeem in August 2018	\$ -	\$ 500,000	\$ 500,000
	<u>\$ 2,807,000</u>	<u>\$ 2,225,000</u>	<u>\$ 1,560,000</u>
Current portion	\$ 140,625	\$ 146,875	\$ 150,000
Noncurrent portion	<u>2,666,375</u>	<u>2,078,125</u>	<u>1,410,000</u>
	<u>\$ 2,807,000</u>	<u>\$ 2,225,000</u>	<u>\$ 1,560,000</u>
			(Concluded)

Under certain bank loan agreements, the Company has to meet certain financial covenants and criteria per semiannual reviewed financial statements and annual audited financial statements. Such inspection of certain financial covenants and criteria will start for 2017 annual audited financial statements.

Machinery and equipment pledged as collateral for bank borrowings were set out in Note 31.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension plan under the Labor Pension Act (the "Act") is deemed a defined contribution retirement plan. Pursuant to the Act, the Company makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Accordingly, the Company recognized expenses of NT\$13,422 thousand and NT\$13,889 thousand in the statements of comprehensive income for the three months ended June 30, 2017 and 2016, respectively; and NT\$27,529 thousand and NT\$28,691 thousand for the six months ended June 30, 2017 and 2016, respectively.

b. Defined benefit plans

The Company has defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to their respective pension funds (the Fund), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan.

In accordance with Article 5 of the Enforcement Rules of the Labor Pension Acts, the Company stopped contributing pension fund from April 2017.

Employee pension expenses recognized in general and administrative expenses in respect of the Company's defined benefit retirement plans were all NT\$0 for the three months and six months ended June 30, 2017 and 2016, respectively, and were calculated using the actuarially determined pension cost discount rate.

18. EQUITY

a. Share capital

	June 30, 2017	December 31, 2016	June 30, 2016
Authorized shares (in thousands)	300,000	300,000	300,000
Authorized capital	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Issued and paid shares (in thousands)	272,109	269,853	269,195
Issued capital	<u>\$ 2,721,093</u>	<u>\$ 2,698,534</u>	<u>\$ 2,691,948</u>

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

The authorized shares include 12,000 thousand shares allocated for the exercise of employee stock options.

b. Capital surplus

	June 30, 2017	December 31, 2016	June 30, 2016
Additional paid-in capital	\$ 1,604,758	\$ 1,585,470	\$ 1,574,163
Employee restricted stocks	30,648	-	-
Employee stock options	<u>-</u>	<u>7,310</u>	<u>11,224</u>
	<u>\$ 1,635,406</u>	<u>\$ 1,592,780</u>	<u>\$ 1,585,387</u>

Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

The capital surplus arising from employee restricted stocks and employee stock options may not be used for any purpose.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The amendments to the Company's Articles of Incorporation on profits distribution and the employees' compensation policy had been approved by the Company's shareholders in its meeting held on June 14, 2016. For policy about the profit sharing bonus to employees, please refer to Note 27.

Under the dividend policy as set forth in the amended Articles, if there is any profit after annual closing, it should be first deducted for income tax and accumulated deficits. Then appropriate 10% as legal reserve until the accumulated legal reserve equals the Company's paid-in capital, and appropriate (or reverse) the special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. Any remaining balance together with any unappropriated earnings shall be allocated according to the proposal of the board of directors and the resolution of the shareholders' meeting.

The policy on the appropriation of dividends shall take the following factors into account: The Company's capital budget, intermediate and long term operational planning, and financial position. The following principles shall be followed and earnings shall be allocated according to the resolution of the shareholders' meeting:

- 1) The Company shall consider financial, business and operating factors when distributing profits. The profits may be distributed by way of cash dividend and/or stock dividend. However, due to the Company's business growing stage at present, the proportions of dividends that will be distributed depend on future expansion plans and capital budget needs. The proportion of cash dividends shall not be lower than 50% of the total dividends.
- 2) If there is no profit or the distributable profit is far lower than the previous year's amounts distributed, or in consideration of financial, business and operating factors, the appropriation for capital reserve shall be in accordance with relevant laws or regulations or as requested by the authorities in charge.

Any appropriations of the profits are subject to shareholders' approval in the following year.

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity, such as gain/loss from changes in fair value of hedging instruments in cash flow hedges, etc. For the subsequent decrease in the deduction amount to shareholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of 2016 earnings had been approved by the Company's shareholders in its meeting held on June 7, 2017. The Company reversed special reserve in accordance with the relevant regulations in the amount of NT\$1,774 thousand and planned not to distribute dividend.

The appropriations of 2015 earnings had been approved by the Company's shareholders in its meeting held on June 14, 2016. The appropriations and dividends per share were as follows:

	For Fiscal Year 2015	
	Appropriation	Dividends Per Share (NT\$)
Legal reserve	\$ 14,680	
Special reserve	951	
Cash dividends to shareholders	<u>134,438</u>	\$ 0.50
	<u>\$ 150,069</u>	

Under the Integrated Income Tax System that became effective on January 1, 1998, the R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by the Company on earnings generated since January 1, 1998.

d. Others

1) Movement in cash flow hedge was as follows:

	Six Months Ended June 30	
	2017	2016
<u>Cash flow hedge</u>		
Balance, beginning of period	\$ -	\$ (1,774)
Gain (loss) arising on changes in the fair value of hedging instruments	-	(180)
(Gain) loss arising on changes in fair value of hedging instruments reclassified to profit or loss	<u>-</u>	<u>870</u>
Balance, end of period	<u>\$ -</u>	<u>\$ (1,084)</u>

The cash flow hedges reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of the hedging instruments entered into as cash flow hedges. The cumulative gains or losses arising on changes in fair value of the hedging instruments that are recognized and accumulated in cash flow hedges reserve will be reclassified to profit or loss only when the hedge transaction affects profit or loss.

2) Unearned stock-based employee compensation

On June 14, 2016, the shareholder's meeting of the Company approved a restricted stock plan for employees. Please refer to Note 19.

	Six Months Ended June 30	
	2017	2016
Balance, beginning of period	\$ -	\$ -
Issuance of shares	(50,040)	-
Forfeit of shares	6,272	-
Share-based payment expenses recognized	<u>6,155</u>	<u>-</u>
Balance, end of period	<u>\$ (37,613)</u>	<u>\$ -</u>

19. SHARE-BASED PAYMENT

a. Optional exemption from adopting IFRS 2 "Share-based Payment" (IFRS 2)

The Company elected to take the optional exemption from adopting IFRS 2 retrospectively for share-based payment transactions granted and vested before January 1, 2012. Such employee stock option plans are described as follows:

The Company's Employee Stock Option Plans, consisting of the 2007 Plan and 2006 Plan, were approved by the Securities and Futures Bureau (SFB) on June 26, 2007 and July 3, 2006, respectively. The maximum number of stock options authorized to be granted was 6,000 thousand units for both plans, respectively, with each stock option eligible to subscribe for one common stock when exercised. The stock options may be granted to qualified employees of the Company. The stock options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

Information about the Company's employee stock options is described as follows:

	<u>2007 Employee Stock Option Plans</u>		<u>2006 Employee Stock Option Plans</u>	
	Number of Stock Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Stock Options (In Thousands)	Weighted- average Exercise Price (NT\$)
<u>Six months ended June 30, 2017</u>				
Balance, beginning of period	2	\$ 14.80	-	\$ -
Options exercised	<u>(2)</u>	14.80	<u>-</u>	-
Balance, end of period	<u>-</u>	-	<u>-</u>	-
Balance exercisable, end of period	<u>-</u>	-	<u>-</u>	-
<u>Six months ended June 30, 2016</u>				
Balance, beginning of period	7	\$ 14.80	72	\$ 9.00
Options exercised	<u>-</u>	-	<u>(11)</u>	9.00
Balance, end of period	<u>7</u>	14.80	<u>61</u>	8.50
Balance exercisable, end of period	<u>7</u>	14.80	<u>61</u>	8.50

The exercise prices of outstanding stock options have been adjusted to reflect the distribution of earnings by the Company in accordance with the plans.

Information about the Company's outstanding stock options was as follows:

<u>June 30, 2017</u>		<u>December 31, 2016</u>	
Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
\$ -	-	\$ -	-
-	-	14.80	0.50
<u>June 30, 2016</u>			
Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)		
\$ 8.50	0.25		
14.80	1.00		

b. Adoption of IFRS 2

1) Equity-settled share-based compensation

The Company adopted IFRS 2 for the following plans of the share-based payment transactions granted and vested after January 1, 2012. Such employee stock option plans are described as follows:

The Company's Employee Stock Option Plan was approved by the SFB on January 10, 2012 (2011 Plan). The maximum number of stock options authorized to be granted under the 2011 Plan was 6,000 thousand units, with each stock option eligible to subscribe for one common stock when exercised. The stock options may be granted to qualified employees of the Company and an affiliated company. The options of 2011 Plan are valid for five years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

Information about the Company's employee stock options is described as follows:

	2011 Employee Stock Option Plans	
	Number of Stock Options (In Thousands)	Weighted- average Exercise Price (NT\$)
<u>Six months ended June 30, 2017</u>		
Balance, beginning of period	1,034	\$ 22.70
Options exercised	(942)	22.70
Options canceled	<u>(92)</u>	22.70
Balance, end of period	<u><u>-</u></u>	-
Balance exercisable, end of period	<u><u>-</u></u>	-
<u>Six months ended June 30, 2016</u>		
Balance, beginning of period	2,070	\$ 23.20
Options exercised	(308)	23.20
Options canceled	<u>(59)</u>	23.20
Balance, end of period	<u><u>1,703</u></u>	22.70
Balance exercisable, end of period	<u><u>664</u></u>	22.70

The exercise price of outstanding stock options has been adjusted to reflect the distribution of earnings by the Company in accordance with the plan.

Information about the Company's outstanding stock options was as follows:

June 30, 2017		December 31, 2016	
Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
\$ -	-	\$ 22.70	0.46

June 30, 2016	
Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
\$ 22.70	0.96

The aforementioned stock options granted on June 14, 2012 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Stock price on grant date (NT\$/share)	\$ 19.42
Exercise price (NT\$/share)	\$ 22.30
Expected volatility	43.73%
Expected life	3.88 years
Expected dividend yield	-
Risk-free interest rate	0.96%

The stock price on grant date was determined based on the market approach. The expected volatility was calculated based on the historical stock prices of the competitive companies of the Company.

Compensation cost of the above stock options recognized was NT\$0, NT\$329 thousand for the three months ended June 30, 2017 and 2016, respectively; and NT\$0 and NT\$724 thousand for the six months ended June 30, 2017 and 2016, respectively.

2) Cash-settled share-based compensation

Cash-settled share-based compensation plan (Stock Appreciation Rights, SARs) was approved by the Company's Board of Directors on June 14, 2012, and the options may be granted to qualified employees of the Company. The aforementioned SARs are valid for ten years and holders of the SARs could exercise their rights at a cumulative proportion basis after the grant date. The Company shall pay the intrinsic value of the SARs to the employees at the date of exercise.

The Company's SARs plan is described as follows:

Grant date	June 14, 2012
SARs granted (in thousand)	2,000
Valid period	10 years
Current turnover rate	-
Future turnover rate (estimated)	-
Exercise price on grant date (NT\$/share)	\$ 49.4

Information about the Company's SARs plan was as follows:

	Number of SARs (In Thousands)	Weighted- average Exercise Price (NT\$)
<u>Six months ended June 30, 2017</u>		
Balance, beginning of period	<u>1,000</u>	\$ 47.20
Balance, end of period	<u>1,000</u>	47.20
Balance exercisable, end of period	<u>1,000</u>	47.20
<u>Six months ended June 30, 2016</u>		
Balance, beginning of period	<u>1,000</u>	\$ 47.70
Balance, end of period	<u>1,000</u>	47.20
Balance exercisable, end of period	<u>1,000</u>	47.20

The exercise price of outstanding SARs has been adjusted to reflect the distribution of earnings by the Company in accordance with the plan.

The aforementioned SARs were priced using the Black-Scholes pricing model at each balance sheet date, and the inputs to the model were as follows:

	June 30	
	2017	2016
Stock price on measurement date (NT\$/share)	\$ 49.80	\$ 20.90
Exercise price (NT\$/share)	\$ 47.20	\$ 47.20
Expected volatility	47.12%-48.06%	44.44%-47.29%
Expected life	0-1.95 years	0.95-2.95 years
Expected dividend yield	-	-
Risk-free interest rate	0.50%-0.63%	0.38%-0.51%

The expected volatility was calculated based on the historical stock prices of the Company and the competitive companies of the Company.

The Company recognized and reversed total expenses of NT\$2,142 thousand and NT\$2,671 thousand in respect of the SARs for the three months ended June 30, 2017 and 2016, respectively; and NT\$7,877 thousand and NT\$4,443 thousand in respect of the SARs for the six months ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, the Company recognized compensation liabilities of NT\$12,720 thousand and NT\$1,557 thousand, respectively; the total intrinsic value of the vested SARs were NT\$2,600 thousand and NT\$0, respectively; and the weighted-average remaining contractual life of the SARs was 0.25 years and 5.95 years, respectively.

3) Employee Restricted Stock Plans

On June 14, 2016, the shareholder's meeting of the Company approved a restricted stock plan for employees with a total amount of NT\$15,000 thousand, consisting of 1,500 thousand shares with a par value of NT\$10, for consideration of NT\$0 (issued for no consideration). The employee restricted stock plan was approved by the FSC on June 27, 2016.

According to the abovementioned resolution, the Company's Board of Directors had approved to grant the restricted stocks to employees with a total amount of NT\$15,000 thousand, consisting of 1,500 thousand shares with a par value of NT\$10, for consideration of NT\$0 (issued for no consideration) on February 17, 2017. The restricted stocks were granted on February 17, 2017 and issued on March 15, 2017; the value of the stock was based on a fair value of NT\$41.70 per share at the date of grant.

Vesting conditions requires an employee should reach the Company's performance and the individual's performance at the same time. Vesting shares are to be calculated as full one share. Fractional share less than one share shall be rounded-down.

a) The First Year Vesting (One year has elapsed from the time of issuance date)

The Company's Performance EPS (Note1) is positive number, and that equal to or grow more than previous year 10%. An employee who remains employed at the Company after one year has elapsed from the time of vesting, and also never against labor contract and who in the current year performance rating equal to or higher than S, will be eligible for vesting of an installment of 20% of the shares.

b) The Second Year Vesting (Two years have elapsed from the time of issuance date)

The Company's Performance EPS is positive number, and that equal to or grow more than previous year 10%. An employee who remains employed at the Company after two year has elapsed from the time of vesting, and also never against labor contract and who in the current year performance rating equal to or higher than S, will be eligible for vesting of an installment of 20% of the shares.

c) The Third Year Vesting (Three years have elapsed from the time of issuance date)

- i. The Company's Performance EPS is positive number, and that equal to or grow more than previous year 10%. An employee who remains employed at the Company after three year has elapsed from the time of vesting, and also never against labor contract and who in the current year performance rating equal to or higher than S, will be eligible for vesting of an installment of 26.7% of the shares.
- ii. Company's Performance EPS equal to or achieve more than NT\$2. An employee who remains employed at the Company after three year has elapsed from the time of vesting, and also never against labor contract and who in the current year performance rating equal to or higher than S, will be eligible for vesting of more installment of 33.3% of the shares.

Note 1: The Company's Performance EPS: That means Earning per Share in financial statements audited by CPA of the recent year prior to the vesting date.

Note 2: The Company's Performance Rating Rule: O (Outstanding), S (Successful), I (Improvement Needed) and U (Unacceptable).

Restrictions on the rights associated with shares that have not yet vested:

- i. During the vesting period, an employee may not sell, pledge, transfer, give to another person, request the Company to buy back, or otherwise dispose of, new restricted employee shares.
- ii. The shareholder's right due to the new restricted employee shares is executed based on Trust contract signed by employees.
- iii. During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues and such cash dividends and subscription is not required to be deposited in trust and will not be subject to restrictions.

Compensation cost of employee restricted stocks recognized were NT\$3,809 thousand and NT\$6,155 thousand for the three months and six months ended June 30, 2017, respectively.

Movement in employee restricted stocks for the six months ended June 30, 2017 was as follows:

	Number of Shares (In Thousand)
Balance, beginning of period	-
Issuance of shares	1,500
Forfeit of shares	<u>(188)</u>
Balance, end of period	<u><u>1,312</u></u>

20. OPERATING REVENUE

The analysis of the Company's operating revenue was as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Wafer Level Chip Scale Packaging	\$ 381,459	\$ 586,932	\$ 846,244	\$ 1,215,038
Wafer Level Post Passivation Interconnection	330,692	424,221	609,094	841,893
Others	<u>3,687</u>	<u>4,200</u>	<u>10,926</u>	<u>12,583</u>
	<u><u>\$ 715,838</u></u>	<u><u>\$ 1,015,353</u></u>	<u><u>\$ 1,466,264</u></u>	<u><u>\$ 2,069,514</u></u>

21. OTHER OPERATING INCOME AND EXPENSES, NET

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Income (expenses) of leased assets				
Rental income	\$ 27,272	\$ -	\$ 52,954	\$ 251
Depreciation of leased assets	(2,890)	-	(5,005)	-
Relocation of machinery and equipment	-	-	-	(2,310)
Others	<u>(3,708)</u>	<u>-</u>	<u>(6,205)</u>	<u>-</u>
	20,674	-	41,744	(2,059)
Impairment loss on property, plant and equipment	-	(2,124)	(1,199)	(2,124)
Gain on disposal of property, plant and equipment, net	<u>1</u>	<u>677</u>	<u>25</u>	<u>54,134</u>
	<u>\$ 20,675</u>	<u>\$ (1,447)</u>	<u>\$ 40,570</u>	<u>\$ 49,951</u>

22. INTEREST INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Interest income-Bank deposits	<u>\$ 2,018</u>	<u>\$ 686</u>	<u>\$ 4,023</u>	<u>\$ 1,479</u>

23. FINANCE COSTS

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Interest expense				
Bank loans	\$ 8,304	\$ 4,266	\$ 15,885	\$ 8,634
Others	<u>1,281</u>	<u>1,166</u>	<u>2,514</u>	<u>1,983</u>
	9,585	5,432	18,399	10,617
Loss arising on cash flow hedge reclassified from equity to profit or loss	<u>-</u>	<u>476</u>	<u>-</u>	<u>870</u>
	<u>\$ 9,585</u>	<u>\$ 5,908</u>	<u>\$ 18,399</u>	<u>\$ 11,487</u>

24. OTHER GAINS AND LOSSES

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Net (loss) gain arising on financial instruments designated as at FVTPL	\$ (2,330)	\$ (3,300)	\$ 25,751	\$ 11,856
Foreign exchange (loss) gain, net	(451)	1,644	(31,813)	(14,860)
Others	<u>7,399</u>	<u>62</u>	<u>7,585</u>	<u>1,355</u>
	<u>\$ 4,618</u>	<u>\$ (1,594)</u>	<u>\$ 1,523</u>	<u>\$ (1,649)</u>

25. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Current income tax benefit (expense)				
Income tax adjustments on prior years	\$ -	\$ 4,461	\$ -	\$ 4,461
Deferred income tax (expense) benefit				
The origination and reversal of temporary differences	(8,046)	(24,857)	(16,087)	(19,943)
Income tax credits and loss carryforwards	<u>8,046</u>	<u>50,664</u>	<u>43,660</u>	<u>58,448</u>
	<u>-</u>	<u>25,807</u>	<u>27,573</u>	<u>38,505</u>
Income tax benefit recognized in profit	<u>\$ -</u>	<u>\$ 30,268</u>	<u>\$ 27,573</u>	<u>\$ 42,966</u>

b. Integrated income tax information

	June 30, 2017	December 31, 2016	June 30, 2016
Balance of the Imputation Credit Account	<u>\$ 152,045</u>	<u>\$ 151,831</u>	<u>\$ 171,235</u>

Due to the net loss for the year ended December 31, 2016, the Company planned not to distribute accumulated unappropriated retained earnings. Thus tax creditable ratio was not calculated. The actual creditable ratio for distribution of the Company's earnings of 2015 was 12.93%; however, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio according to the revised Article 66 - 6 of the Income Tax Law.

The imputation credit allocated to shareholders is based on its balance as of the date of the dividend distribution. The estimated creditable ratio may change when the actual distribution of the imputation credit is made.

There were no earnings generated prior to December 31, 1997.

c. Income tax examination

The tax authorities have examined income tax returns of the Company through 2014. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

26. LOSS PER SHARE

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Basic and diluted loss per share	\$ <u>(1.33)</u>	\$ <u>(0.58)</u>	\$ <u>(2.25)</u>	\$ <u>(0.81)</u>

Loss per share is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	Loss Per Share (NT\$)
<u>Three months ended June 30, 2017</u>			
Basic and diluted loss per share			
Net loss available to common shareholders	\$ <u>(361,086)</u>	<u>270,706</u>	\$ <u>(1.33)</u>
<u>Three months ended June 30, 2016</u>			
Basic and diluted loss per share			
Net loss available to common shareholders	\$ <u>(155,148)</u>	<u>269,195</u>	\$ <u>(0.58)</u>
<u>Six months ended June 30, 2017</u>			
Basic and diluted loss per share			
Net loss available to common shareholders	\$ <u>(609,250)</u>	<u>270,498</u>	\$ <u>(2.25)</u>
<u>Six months ended June 30, 2016</u>			
Basic and diluted loss per share			
Net loss available to common shareholders	\$ <u>(217,146)</u>	<u>269,060</u>	\$ <u>(0.81)</u>

If the Company offered to settle the obligation by cash or by issuing shares, the profit sharing bonus to employees which will be settled in shares were included in the weighted average number of shares outstanding in the calculation of diluted EPS, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the calculation of diluted EPS until the profit sharing bonus to employees to be settled in the form of common stocks is approved in the following year.

27. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net loss included the following items:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
a. Depreciation of property, plant and equipment				
Recognized in operating costs	\$ 246,417	\$ 303,372	\$ 491,894	\$ 614,786
Recognized in operating expenses	2,647	3,218	5,085	6,313
Recognized in other operating income and expenses	<u>2,890</u>	<u>-</u>	<u>5,005</u>	<u>-</u>
	<u>\$ 251,954</u>	<u>\$ 306,590</u>	<u>\$ 501,984</u>	<u>\$ 621,099</u>
b. Amortization of intangible assets				
Recognized in operating costs	\$ 3,553	\$ 4,202	\$ 7,196	\$ 8,325
Recognized in operating expenses	<u>6,550</u>	<u>6,053</u>	<u>12,986</u>	<u>12,083</u>
	<u>\$ 10,103</u>	<u>\$ 10,255</u>	<u>\$ 20,182</u>	<u>\$ 20,408</u>
c. Research and development costs expensed as incurred	<u>\$ 85,528</u>	<u>\$ 79,037</u>	<u>\$ 157,696</u>	<u>\$ 160,802</u>
d. Employee benefits expenses				
Post-employment benefits (Note 17)				
Defined contribution plans	\$ 13,422	\$ 13,889	\$ 27,529	\$ 28,691
Defined benefit plans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,422</u>	<u>13,889</u>	<u>27,529</u>	<u>28,691</u>
Share-based payments (Note 19)				
Equity-settled	3,809	329	6,155	724
Cash-settled	<u>2,142</u>	<u>(2,671)</u>	<u>7,877</u>	<u>(4,443)</u>
	<u>5,951</u>	<u>(2,342)</u>	<u>14,032</u>	<u>(3,719)</u>
Other employee benefits	<u>354,012</u>	<u>358,792</u>	<u>696,319</u>	<u>718,580</u>
	<u>\$ 373,385</u>	<u>\$ 370,339</u>	<u>\$ 737,880</u>	<u>\$ 743,552</u>
Employee benefits expense summarized by function				
Recognized in operating costs	\$ 288,171	\$ 292,299	\$ 564,492	\$ 583,471
Recognized in operating expenses	<u>85,214</u>	<u>78,040</u>	<u>173,388</u>	<u>160,081</u>
	<u>\$ 373,385</u>	<u>\$ 370,339</u>	<u>\$ 737,880</u>	<u>\$ 743,552</u>

In accordance with the amendments to the Company Act in May 2015 and the amended the Company's Articles of Incorporation approved by the Company's shareholders in its meeting held in June, 2016. If the Company has annual profits, the Company shall allocate profit sharing bonus to employees and compensation to directors not less than 1% and not more than 2% of annual profits, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the compensation to directors. The Company's profit sharing bonus to employees and compensation to directors have to be resolved by a majority vote at a Board of Directors meeting attended by two-thirds of the total number of directors and shall be reported to the shareholders' meeting. However, the Company shall reserve a sufficient profit to offset its accumulated deficits, and then set aside profit sharing bonus to employees and compensation to directors in accordance with the predetermined ratio. The Company also can allocate profit sharing bonus to the employees of an affiliated company upon meeting the conditions set by the Board of directors.

The Company accrued profit sharing bonus to employees and compensation to directors based on a percentage of income before income tax (before profit sharing bonus to employees and compensation to directors during the period under the amended Company Act), which both amounted to NT\$450 thousand (both including NT\$450 thousand compensation to independent directors) for the three months ended June 30, 2017 and 2016, respectively; and both NT\$900 thousand (both including NT\$900 thousand compensation to independent directors) for the six months ended June 30, 2017 and 2016, respectively.

If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The Board of Directors of the Company held a meeting on February 17, 2017 and decided not to grant profit sharing bonus to employees and compensation to directors but approved NT\$1,800 thousand of compensation to independent directors for 2016. The aforementioned approved amount has no difference with the one recognized in the financial statements for the years ended December 31, 2016.

The Board of Directors of the Company held on February 3, 2016 approved the profit sharing bonus to employees and compensation to directors in the amounts of NT\$23,765 thousand (including NT\$1,800 thousand of the compensation to independent directors) in cash for payment in 2015. The aforementioned approved amount has no difference with the one recognized in the financial statements for the years ended December 31, 2015.

The information about the appropriations of the Company's profit sharing bonus to employees, bonus and compensation to directors is available at the Market Observation Post System website.

28. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	June 30, 2017	December 31, 2016	June 30, 2016
<u>Financial assets</u>			
FVTPL			
Held for trading derivatives	\$ 111	\$ -	\$ 2,747
Loans and receivables			
Cash and cash equivalents	1,473,444	1,209,162	803,255
Accounts receivable, net (including related parties)	490,761	551,110	680,422
Other receivables from related parties	11,692	-	-
Other financial assets	3,629	647	697
Refundable deposits	<u>27,551</u>	<u>11,015</u>	<u>11,085</u>
	<u>\$ 2,007,188</u>	<u>\$ 1,771,934</u>	<u>\$ 1,498,206</u>
<u>Financial liabilities</u>			
FVTPL			
Held for trading derivatives	\$ 5,255	\$ 9,534	\$ 327
Derivative financial instruments in designated hedge accounting relationships	-	-	1,084
Measured at amortized cost			
Accounts payable	248,507	216,171	273,428
Payables to contractors and equipment suppliers	173,261	324,456	216,147
Cash dividends payable	-	-	134,438
Accrued expenses and other current liabilities	282,831	271,191	242,611
Long-term borrowings	<u>2,807,000</u>	<u>2,225,000</u>	<u>1,560,000</u>
	<u>\$ 3,516,854</u>	<u>\$ 3,046,352</u>	<u>\$ 2,428,035</u>

b. Financial risk management objectives and policies

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to foreign currency risk, interest rate risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by Board of Directors in accordance with procedures required by relevant regulations and internal controls. During the implementation of such plans, the treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

c. Market risk

The Company is exposed to the market risks arising from changes in foreign exchange rates, interest rates, and utilizes some derivative financial instruments to reduce the related risks.

Foreign currency risk

Most of the Company's operating activities are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments, including currency forward contracts, to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming an unfavorable 10% movement in the levels of foreign exchanges against the New Taiwan dollar, the net loss for the six months ended June 30, 2017 and 2016 would have increased by NT\$1,118 thousand and NT\$730 thousand, respectively, after taking into consideration of the hedging contracts and the hedged items.

Interest rate risk

Variable-rate long-term bank borrowings cause the Company to be exposed to cash flow interest rate risk, but not fair value interest rate risk. Consequently, the Company entered into interest rate swap contracts to mitigate the risk of changes in interest rates on cash flow.

The Company's analysis of sensitivity to interest rate risk is prepared assuming the amount of the variable-rate long-term bank borrowings outstanding at the end of the reporting period was outstanding for the whole period. If interest rates had been 100 basis points (1%) higher and all other variables were held constant, the Company's interest expense, net of income tax, for the six months ended June 30, 2017 and 2016 would increase by NT\$11,649 thousand and NT\$4,399 thousand, respectively.

d. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily accounts receivable, and from investing activities, primarily deposits with banks. As of the balance sheet date, the Company's maximum credit risk exposure is mainly from the carrying amount of financial assets recognized in the balance sheet.

Business related credit risk

The Company has considerable accounts receivable outstanding with its customers worldwide. A substantial majority of the Company's outstanding accounts receivable are not covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on accounts receivable, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

The Company's concentration of credit risk of 74%, 68 % and 76% in total accounts receivables as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively, was related to the Company's two largest customers.

Financial credit risk

The Company regularly monitors and reviews the transaction limit applied to counterparties and adjusts the concentration limit according to market conditions and the credit standing of the counterparties. The Company mitigates its exposure by selecting creditworthy financial institutions.

e. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements. The Company manages its liquidity risk by maintaining adequate cash and banking facilities.

The Company relies on bank borrowings as a significant source of liquidity. As of June 30, 2017, December 31, 2016 and June 30, 2016, the unused financing facilities of the Company amounted to NT\$1,720,365 thousand, NT\$2,377,343 thousand and NT\$3,394,214 thousand, respectively.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principal and interest.

	Less Than 1 Year	2-3 Years	4-5 Years	Total
<u>June 30, 2017</u>				
<u>Non-derivative financial liabilities</u>				
Accounts payable	\$ 248,507	\$ -	\$ -	\$ 248,507
Payables to contractors and equipment suppliers	173,261	-	-	173,261
Accrued expenses and other current liabilities	282,831	-	-	282,831
Long-term borrowings	<u>171,517</u>	<u>126,401</u>	<u>2,642,584</u>	<u>2,940,502</u>
	<u>876,116</u>	<u>126,401</u>	<u>2,642,584</u>	<u>3,645,101</u>
<u>Derivative financial liabilities (assets)</u>				
Forward exchange contracts				
Outflows	579,934	-	-	579,934
Inflows	<u>(574,790)</u>	<u>-</u>	<u>-</u>	<u>(574,790)</u>
	<u>5,144</u>	<u>-</u>	<u>-</u>	<u>5,144</u>
	<u>\$ 881,260</u>	<u>\$ 126,401</u>	<u>\$ 2,642,584</u>	<u>\$ 3,650,245</u>
<u>December 31, 2016</u>				
<u>Non-derivative financial liabilities</u>				
Accounts payable	\$ 216,171	\$ -	\$ -	\$ 216,171
Payables to contractors and equipment suppliers	324,456	-	-	324,456
Accrued expenses and other current liabilities	271,191	-	-	271,191
Long-term borrowings	<u>169,223</u>	<u>1,702,187</u>	<u>404,794</u>	<u>2,276,204</u>
	<u>981,041</u>	<u>1,702,187</u>	<u>404,794</u>	<u>3,088,022</u>

(Continued)

	Less Than 1 Year	2-3 Years	4-5 Years	Total
<u>Derivative financial liabilities (assets)</u>				
Forward exchange contracts				
Outflows	\$ 620,249	\$ -	\$ -	\$ 620,249
Inflows	<u>(610,715)</u>	<u>-</u>	<u>-</u>	<u>(610,715)</u>
	<u>9,534</u>	<u>-</u>	<u>-</u>	<u>9,534</u>
	<u>\$ 990,575</u>	<u>\$ 1,702,187</u>	<u>\$ 404,794</u>	<u>\$ 3,097,556</u>

June 30, 2016

Non-derivative financial liabilities

Accounts payable	\$ 273,428	\$ -	\$ -	\$ 273,428
Payables to contractors and equipment suppliers	216,147	-	-	216,147
Cash dividends payable	134,438	-	-	134,438
Accrued expenses and other current liabilities	242,611	-	-	242,611
Long-term borrowings	<u>165,866</u>	<u>1,379,168</u>	<u>50,862</u>	<u>1,595,896</u>
	<u>1,032,490</u>	<u>1,379,168</u>	<u>50,862</u>	<u>2,462,520</u>

Derivative financial liabilities(assets)

Forward exchange contracts				
Outflows	752,194	-	-	752,194
Inflows	<u>(754,614)</u>	<u>-</u>	<u>-</u>	<u>(754,614)</u>
	<u>(2,420)</u>	<u>-</u>	<u>-</u>	<u>(2,420)</u>
Interest rate swap contracts				
Outflows	2,535	-	-	2,535
Inflows	<u>(1,568)</u>	<u>-</u>	<u>-</u>	<u>(1,568)</u>
	<u>967</u>	<u>-</u>	<u>-</u>	<u>967</u>
	<u>\$ 1,031,037</u>	<u>\$ 1,379,168</u>	<u>\$ 50,862</u>	<u>\$ 2,461,067</u>

(Concluded)

f. Fair value of financial instruments

1) Fair value of financial instruments carried at amortized cost

The Company considers that the carrying amounts of financial assets and financial liabilities carried at amortized cost recognized in the financial statements approximate their fair values.

2) Fair value measurements recognized in the balance sheets

The Company's financial assets and liabilities are measured at fair value. The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are 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); and
- Level 3 inputs are unobservable inputs for the asset or liability.

3) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis:

June 30, 2017				
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial instruments	\$ -	\$ 111	\$ -	\$ 111
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ -	\$ 5,255	\$ -	\$ 5,255
December 31, 2016				
	Level 1	Level 2	Level 3	Total
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ -	\$ 9,534	\$ -	\$ 9,534
June 30, 2016				
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial instruments	\$ -	\$ 2,747	\$ -	\$ 2,747
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ -	\$ 327	\$ -	\$ 327
<u>Hedging derivative financial liabilities</u>				
Interest rate swap contracts	\$ -	\$ 1,084	\$ -	\$ 1,084

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the six months ended June 30, 2017 and 2016, respectively.

There were no purchases and disposals for financial assets on Level 3 for the six months ended June 30, 2017 and 2016, respectively.

Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- Forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps contracts are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

30. RELATED PARTY TRANSACTIONS

Besides as disclosed elsewhere in the other notes, the transactions between the Company and its related parties are summarized as follows:

a. Related party name and categories

Related Party Name	Related Party Categories
Taiwan Semiconductor Manufacturing Company Limited (TSMC)	Investors that have significant influence over the Company
VisEra Technologies Company Ltd. (VisEra)	Other related parties

b. Operating transactions

Operating Revenue, Net				
	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
TSMC	\$ 276,264	\$ 389,866	\$ 508,792	\$ 772,044
VisEra	<u>-</u>	<u>63</u>	<u>-</u>	<u>63</u>
	<u>\$ 276,264</u>	<u>\$ 389,929</u>	<u>\$ 508,792</u>	<u>\$ 772,107</u>
Manufacturing Overhead				
	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
VisEra	<u>\$ 7,630</u>	<u>\$ -</u>	<u>\$ 7,630</u>	<u>\$ 118</u>
Operating Expenses				
	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
VisEra	\$ 547	\$ 490	\$ 547	\$ 961
TSMC	<u>-</u>	<u>19</u>	<u>-</u>	<u>1,332</u>
	<u>\$ 547</u>	<u>\$ 509</u>	<u>\$ 547</u>	<u>\$ 2,293</u>
Other Operating Expenses				
	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
TSMC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,339</u>
Rental Income				
	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
VisEra	\$ 22,500	\$ -	\$ 45,000	\$ 251
TSMC	<u>4,772</u>	<u>-</u>	<u>7,954</u>	<u>-</u>
	<u>\$ 27,272</u>	<u>\$ -</u>	<u>\$ 52,954</u>	<u>\$ 251</u>

The outstanding balances at the end of reporting period are as follows:

Receivables from Related Parties			
	June 30, 2017	December 31, 2016	June 30, 2016
TSMC	\$ 191,928	\$ 123,586	\$ 264,153
VisEra	<u>-</u>	<u>953</u>	<u>-</u>
	<u>\$ 191,928</u>	<u>\$ 124,539</u>	<u>\$ 264,153</u>
Other Receivables from Related Parties			
	June 30, 2017	December 31, 2016	June 30, 2016
TSMC	<u>\$ 11,692</u>	<u>\$ -</u>	<u>\$ -</u>
Other Current Assets			
	June 30, 2017	December 31, 2016	June 30, 2016
TSMC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>
Accrued Expenses and Other Current Liabilities			
	June 30, 2017	December 31, 2016	June 30, 2016
VisEra	\$ 7,752	\$ 532	\$ 362
TSMC	<u>3,182</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,934</u>	<u>\$ 532</u>	<u>\$ 362</u>

The prices and terms of sales to related parties were not significantly different from those of sales to third parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

The Company leased property, plant and equipment to related parties. The lease terms and prices were both determined in accordance with mutual agreements. The rental income was received monthly; the related rental income of leased assets was recognized under other operating income and expenses.

c. Compensation of key management personnel:

The compensation to directors and other key management personnel were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Short-term employee benefits	\$ 5,355	\$ 5,692	\$ 10,870	\$ 13,013
Share-based payments	2,940	(2,947)	9,337	(4,324)
Post-employment benefits	<u>135</u>	<u>153</u>	<u>261</u>	<u>315</u>
	<u>\$ 8,430</u>	<u>\$ 2,898</u>	<u>\$ 20,468</u>	<u>\$ 9,004</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

31. PLEDGED ASSETS

The following assets were provided as collateral for long-term bank borrowings:

	June 30, 2017	December 31, 2016	June 30, 2016
Pledged machinery and equipment	<u>\$ 398,712</u>	<u>\$ 456,261</u>	<u>\$ 513,810</u>

The Company redeemed the secured borrowings in advance in June 2017, and expected to redeem the pledged machinery and equipment in the third quarter of 2017.

32. OPERATING LEASE ARRANGEMENTS

The Company leases several parcels of plants and offices from the Jhongli Industrial Park. These operating leases expire between August 2017 and July 2031. The lease agreement can be renewed upon expiration, and Jhongli Industrial Park can adjust annual rental amounts by lease agreement.

The Company expensed the lease payments as follows:

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	2017	2016	2017	2016
Minimum lease payments	<u>\$ 20,343</u>	<u>\$ 14,626</u>	<u>\$ 40,407</u>	<u>\$ 29,211</u>

Future minimum lease payments under the above non-cancellable operating leases are as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Not later than 1 year	\$ 67,391	\$ 65,036	\$ 52,266
Later than 1 year and not later than 5 years	154,654	174,006	124,371
Later than 5 years	<u>137,397</u>	<u>121,233</u>	<u>105,749</u>
	<u>\$ 359,442</u>	<u>\$ 360,275</u>	<u>\$ 282,386</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingent liabilities and unrecognized commitments of the Company as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

- As of June 30, 2017, December 31, 2016 and June 30, 2016, unused letters of credit for purchases of machinery and equipment amounted to NT\$375 thousand, NT\$397 thousand and NT\$3,526 thousand, respectively.
- The amounts that the Company has committed to purchase property, plant and equipment were NT\$365,304 thousand.

34. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The significant financial assets and financial liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Carrying Amount (In Thousands)
<u>June 30, 2017</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 21,641	30.414	\$ 658,188
JPY	39,338	0.2716	10,684
EUR	50	34.72	1,747
CHF	130	31.74	4,116
<u>Financial liabilities</u>			
Monetary items			
USD	2,938	30.414	89,371
JPY	44,643	0.2716	12,125
EUR	68	34.72	2,377
CHF	139	31.74	4,401
<u>December 31, 2016</u>			
<u>Financial assets</u>			
Monetary items			
USD	21,194	32.199	682,411
JPY	52,078	0.2756	14,353
EUR	283	33.90	9,577
CHF	100	31.53	3,150
<u>Financial liabilities</u>			
Monetary items			
USD	2,060	32.199	66,333
JPY	52,178	0.2756	14,380
EUR	285	33.90	9,672
CHF	100	31.53	3,150
<u>June 30, 2016</u>			
<u>Financial assets</u>			
Monetary items			
USD	26,791	32.283	864,894
JPY	161,681	0.3143	50,816
EUR	310	35.89	11,132
CHF	176	32.95	5,791

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Carrying Amount (In Thousands)
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 3,246	32.283	\$ 104,794
JPY	154,687	0.3143	48,618
EUR	347	35.89	12,440
CHF	176	32.95	5,791
			(Concluded)

Note: Exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged.

The significant (realized and unrealized) foreign exchange gain (loss) was as follows:

Three Months Ended June 30				
2017			2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	30.414	\$ (309)	32.283	\$ 2,012
JPY	0.2716	(69)	0.3143	(397)
EUR	34.72	(52)	35.89	23
CHF	31.74	<u>(21)</u>	32.95	<u>6</u>
		<u>\$ (451)</u>		<u>\$ 1,644</u>
Six Months Ended June 30				
2017			2016	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	30.414	\$ (31,759)	32.283	\$ (13,982)
JPY	0.2716	(75)	0.3143	(530)
EUR	34.72	29	35.89	(319)
CHF	31.74	<u>(8)</u>	32.95	<u>(29)</u>
		<u>\$ (31,813)</u>		<u>\$ (14,860)</u>

35. OPERATING SEGMENT INFORMATION

The Company operates in individual industry on the basis of how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. The basis for the measurement of the operating segment profit (loss), assets and liabilities is the same as that for the preparation of financial statements. Please refer to the financial statements for the related operating segment information.

36. ADDITIONAL DISCLOSURES

a. Significant transactions

- 1) Financing provided to others: None;
- 2) Endorsements/guarantees provided: None;
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures):
Please see Table 1 attached;
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None;
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;
- 9) Information about the derivative instruments transaction: Please see Notes 7 and 8

b. Information on investees: None

c. Information on investments in mainland China: None

TABLE 1

XINTEC INC.

MARKETABLE SECURITIES HELD
JUNE 30, 2017
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2017				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Compositech Ltd.	-	Financial assets measured at cost	587	\$ -	2.67	\$ -	Note 1

Note 1: Compositech Ltd. was delisted in 2002 and the Company had recognized whole impairment loss in the same year.

Note 2: As of June 30, 2017, the above marketable securities had not been pledged or limited by other agreements.

TABLE 2

XINTEC INC.

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2017
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	TSMC	TSMC is equity method investor of the Company	Sales	\$ 508,792	35	30 days after monthly closing	Note 30	Note 30	\$ 191,928	39	-

TABLE 3

XINTEC INC.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Days	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	TSMC	TSMC is equity method investor of the Company	\$ 191,928	57	\$ -	-	\$ 95,789	\$ -