OPTO TECH CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT

ACCOUNTANTS

JUNE 30, 2017 AND 2016

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(17)PWCR 17000896

To the Board of Directors and Stockholders of Opto Tech Corporation

We have reviewed the accompanying consolidated balance sheets of Opto Tech Corporation and its subsidiaries as of June 30, 2017 and 2016 and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the changes in equity and of cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in Notes 4(3)B and 6(6), the amounts and information disclosed in Note 13 of the financial statements of non-substantial consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent accountants. Total assets of these unreviewed subsidiaries (including investments accounted for using the equity method) amounted to $783,365 thousand and $1,169,896 thousand, representing 6.99% and 9.85% of the consolidated total assets, and total liabilities amounted to $276,717 thousand and $422,186 thousand, representing 7.76% and 9.69% of the consolidated total liabilities as of June 30, 2017 and 2016, respectively. Total comprehensive income (including income and loss of the associates accounted for using the equity method) amounted to $14,801 thousand and $147,069 thousand for the three-month periods ended June 30, 2017 and 2016, respectively, and $16,555 thousand and $143,384 thousand for the six-month periods ended June 30, 2017 and 2016, respectively, representing 10.48%, 66.87%, 5.16% and 40.27% of the total comprehensive income, respectively.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of the subsidiaries and investments accounted for using the equity method been reviewed by independent accountants as explained in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Lin, Yu-Kuan Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

August 14, 2017

OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

Assets	Notes	June 30, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%	June 30, 2016 AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	$ 3,638,568	33	$ 3,143,617	29	$ 3,840,490	32
Financial assets at fair value through profit or loss - current	6(2)	491,915	4	491,089	5	627,244	5
Notes receivable, net		23,278	-	25,712	-	12,076	-
Accounts receivable - net	6(4)	1,761,230	16	1,494,723	14	1,652,967	14
Accounts receivable - related parties - net	7	125,017	1	128,348	1	130,219	1
Other receivables		8,187	-	11,383	-	52,114	1
Inventories - net	6(5)	1,136,048	10	1,361,514	13	1,289,014	11
Prepayments		19,447	-	34,056	-	65,805	1
Non-current assets held for sale - net	6(9)(29)	-	-	-	-	113,480	1
Other current assets	8	25,041	-	26,123	-	27,177	-
Current Assets		7,228,731	64	6,716,565	62	7,810,586	66
Non-current assets							
Available-for-sale financial assets - non-current	6(3)	883,175	8	913,351	8	562,108	5
Investments accounted for using equity method	6(6)	4,023	-	1,202	-	292,768	2
Property, plant and equipment - net	6(7) and 8	2,925,585	26	2,985,178	28	3,033,305	25
Intangible assets	6(8)	8,379	-	9,313	-	7,737	-
Deferred tax assets		100,064	1	107,136	1	107,744	1
Other non-current assets	6(10)(28)	59,870	1	72,711	1	65,562	1
Non-current assets		3,981,096	36	4,088,891	38	4,069,224	34
Total assets		$ 11,209,827	100	$ 10,805,456	100	$ 11,879,810	100

(Continued)

OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%	June 30, 2016 AMOUNT	%
Current liabilities							
Short-term loans	6(11)	$ 778,483	7	$ 563,683	5	$ 663,560	6
Financial liabilities at fair value through profit or loss - current	6(2)	1,952	-	1,912	-	-	-
Notes payable		875	-	1,541	-	851	-
Accounts payable		629,303	6	670,212	6	803,058	7
Accounts payable - related parties	7	184,432	2	196,483	2	194,786	2
Other payables	6(12)	1,298,890	12	541,159	5	1,214,747	10
Current income tax liabilities		64,925	-	58,427	1	30,086	-
Provisions for liabilities - current	6(16)	13,271	-	8,705	-	2,432	-
Other current liabilities	6(13)(29)	340,885	3	558,579	5	303,249	2
Current Liabilities		3,313,016	30	2,600,701	24	3,212,769	27
Non-current liabilities							
Long-term loans	6(13), 8 and 9	-	-	-	-	824,875	7
Provisions for liabilities - non-current	6(16)	41,037	-	45,163	1	55,316	1
Deferred tax liabilities		5,977	-	8,434	-	118	-
Other non-current liabilities		204,020	2	237,385	2	261,797	2
Non-current liabilities		251,034	2	290,982	3	1,142,106	10
Total Liabilities		3,564,050	32	2,891,683	27	4,354,875	37
Equity attributable to owners of parent							
Capital	6(17)						
Common stock		5,498,619	49	5,456,621	50	5,456,621	46
Capital Reserve	6(18)						
Capital surplus		663,290	6	639,351	6	640,672	5
Retained Earnings	6(19)						
Legal reserve		536,773	5	451,300	4	451,300	4
Special reserve		59,227	-	-	-	-	-
Unappropriated earnings		990,551	9	1,437,596	13	1,005,172	8
Other Equity Adjustments							
Other equity interest	6(20)	(79,580)	(1)	(47,974)	-	(5,694)	-
Treasury stocks	6(17)	(26,699)	-	(26,699)	-	(26,699)	-
Equity attributable to owners of parent		7,642,181	68	7,910,195	73	7,521,372	63
Non-controlling interest		3,596	-	3,578	-	3,563	-
Total equity		7,645,777	68	7,913,773	73	7,524,935	63
Total liabilities and equity		$ 11,209,827	100	$ 10,805,456	100	$ 11,879,810	100

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

OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(UNAUDITED)

		Three-month periods ended June 30				Six-month periods ended June 30			
		2017		2016		2017		2016	
Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating revenue	7	$ 1,389,069	100	$ 1,400,607	100	$ 2,962,083	100	$ 2,756,817	100
Operating costs	6(5)(24)(25) and 7	(970,261)	(70)	(988,833)	(70)	(2,053,977)	(69)	(1,944,867)	(71)
Gross profit, net		418,808	30	411,774	30	908,106	31	811,950	29
Operating Expenses	6(24)(25)								
Selling expenses		(31,749)	(2)	(61,731)	(4)	(63,665)	(2)	(97,376)	(3)
General and administrative expenses		(121,163)	(9)	(137,148)	(10)	(244,420)	(9)	(269,065)	(10)
Research and development expenses		(72,571)	(5)	(80,602)	(6)	(155,442)	(5)	(157,865)	(6)
Total operating expenses		(225,483)	(16)	(279,481)	(20)	(463,527)	(16)	(524,306)	(19)
Operating income		193,325	14	132,293	10	444,579	15	287,644	10
Non-operating income and expenses									
Other income	6(21)	6,502	-	6,716	-	27,135	1	28,203	1
Other gains and losses	6(22)	7,679	-	164,122	12	(38,154)	(1)	135,893	5
Finance costs	6(23)	(6,232)	-	(9,264)	(1)	(12,276)	(1)	(19,962)	(1)
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(454)	-	8,971	1	2,827	-	12,039	1
Total non-operating income and expenses		7,495	-	170,545	12	(20,468)	(1)	156,173	6
Profit before income tax		200,820	14	302,838	22	424,111	14	443,817	16
Income tax expense	6(26)	(34,349)	(2)	(29,554)	(2)	(71,642)	(2)	(54,438)	(2)
Net income		$ 166,471	12	$ 273,284	20	$ 352,469	12	$ 389,379	14
Other comprehensive income (loss)									
Items that may be reclassified subsequently to profit or loss									
Currency translation differences of foreign operations	6(20)	$ 182	-	($ 441)	-	($ 1,425)	-	($ 613)	-
Unrealized loss on valuation of available-for-sale financial assets	6(3)(20)	(25,649)	(2)	(52,702)	(4)	(30,176)	(1)	(32,588)	(1)
Share of other comprehensive income of associates and joint ventures accounted for using equity method - items that may be reclassified to profit or loss	6(20)	221	-	(204)	-	(6)	-	(145)	-
Other comprehensive loss for the period, net of income tax		($ 25,246)	(2)	($ 53,347)	(4)	($ 31,607)	(1)	($ 33,346)	(1)
Total comprehensive income for the period		$ 141,225	10	$ 219,937	16	$ 320,862	11	$ 356,033	13
Profit attributable to:									
Owners of the parent		$ 166,457	12	$ 273,274	20	$ 352,450	12	$ 389,366	14
Non-controlling interest		14	-	10	-	19	-	13	-
		$ 166,471	12	$ 273,284	20	$ 352,469	12	$ 389,379	14
Total comprehensive income attributable to:									
Owners of the parent		$ 141,210	10	$ 219,927	16	$ 320,844	11	$ 356,020	13
Non-controlling interest		15	-	10	-	18	-	13	-
		$ 141,225	10	$ 219,937	16	$ 320,862	11	$ 356,033	13
Earnings per share									
Profit for the period	6(27)	$ 0.30		$ 0.50		$ 0.65		$ 0.72	
Diluted earnings per share									
Profit for the period	6(27)	$ 0.30		$ 0.50		$ 0.63		$ 0.70	

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

OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent										
				Retained Earnings			Other equity interest					
	Note	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Currency translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total	Non-controlling interest	Total equity
For the six-month period ended June 30, 2016												
Balance at January 1, 2016		$ 5,456,621	$ 641,656	$ 393,962	$ -	$ 1,218,806	$ 4,813	$ 22,839	($ 26,699)	$ 7,711,998	$ 3,550	$ 7,715,548
Distribution of 2015 earnings :												
Legal reserve	6(19)	-	-	57,338	-	(57,338)	-	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	(545,662)	-	-	-	(545,662)	-	(545,662)
Net income for the period		-	-	-	-	389,366	-	-	-	389,366	13	389,379
Other comprehensive loss for the period	6(20)	-	-	-	-	-	(758)	(32,588)	-	(33,346)	-	(33,346)
Disposal of affiliated companies		-	(840)	-	-	-	-	-	-	(840)	-	(840)
Adjustments to net difference of subsidiary book value		-	(144)	-	-	-	-	-	-	(144)	-	(144)
Balance at June 30, 2016		$ 5,456,621	$ 640,672	$ 451,300	$ -	$ 1,005,172	$ 4,055	($ 9,749)	($ 26,699)	$ 7,521,372	$ 3,563	$ 7,524,935
For the six-month period ended June 30, 2017												
Balance at January 1, 2017		$ 5,456,621	$ 639,351	$ 451,300	$ -	$ 1,437,596	$ 3,099	($ 51,073)	($ 26,699)	$ 7,910,195	$ 3,578	$ 7,913,773
Distribution of 2016 earnings :												
Legal reserve	6(19)	-	-	85,473	-	(85,473)	-	-	-	-	-	-
Special reserve	6(19)	-	-	-	59,227	(59,227)	-	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	(654,795)	-	-	-	(654,795)	-	(654,795)
Net income for the period		-	-	-	-	352,450	-	-	-	352,450	19	352,469
Employee options exercised	6(15)	41,998	23,939	-	-	-	-	-	-	65,937	-	65,937
Other comprehensive loss for the period	6(20)	-	-	-	-	-	(1,430)	(30,176)	-	(31,606)	(1)	(31,607)
Balance at June 30, 2017		$ 5,498,619	$ 663,290	$ 536,773	$ 59,227	$ 990,551	$ 1,669	($ 81,249)	($ 26,699)	$ 7,642,181	$ 3,596	$ 7,645,777

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

OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the six-month periods ended June 30 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 424,111	$ 443,817
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(7)(24)	198,137	190,815
Amortization	6(8)(24)	6,383	6,320
Amortization of land use right	6(10)	52	106
(Recovery of) bad debts expense	6(4) and 7	(7,821)	23,543
Net gain on financial assets and liabilities at fair value through profit or loss	6(2)(22)	(786)	(1,782)
Interest expense	6(23)	11,600	19,253
Interest income	6(21)	(6,718)	(9,392)
Dividend income	6(21)	(13,480)	(14,230)
Share of profit of associates accounted for using equity method		(2,827)	(12,039)
Loss on disposal of property, plant and equipment	6(22)	120	483
Gain on disposal of non-current assets held for sale	6(22)	-	(109,939)
Gain on sale of investments	6(22)	-	(49,809)
Reversal of impairment loss on non-financial assets	6(7)(22)	(15)	(2,903)
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Notes receivable - net		2,434	1,330
Accounts receivable - net		(257,174)	(239,701)
Accounts receivable - related parties - net		2,950	(21,639)
Other receivables		3,450	16,908
Inventories - net		225,466	(144,810)
Prepayments		14,609	(15,234)
Other current assets		1,082	(579)
Other non-current assets		9,496	4,487
Changes in operating liabilities			
Notes payable		(666)	632
Accounts payable		(40,909)	191,319
Accounts payable - related parties		(12,051)	(75,674)
Other payables		102,679	117,635
Provisions for liabilities		793	(1,298)
Other current liabilities		(56,788)	29,000
Net defined benefit liability		(34,282)	244
Cash inflow generated from operations		569,845	346,863
Interest received		6,466	9,854
Dividends received		13,480	14,230
Interest paid		(11,342)	(19,990)
Income tax paid		(60,529)	(78,289)
Net cash flows from operating activities		517,920	272,668

(Continued)

OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the six-month periods ended June 30 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets		$ -	$ 63,049
Proceeds from disposal of non-current assets held for sale	6(9)	-	206,812
Acquisition of property, plant and equipment	6(7)	(144,716)	(142,885)
Proceeds from disposal of property, plant and equipment	6(7)	303	3,003
Decrease (increase) in deposits-out		3,182	(13,532)
Acquisition of intangible assets	6(8)	(5,449)	(4,125)
Net cash flows (used in) from investing activities		(146,680)	112,322
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans		1,157,528	1,046,510
Decrease in short-term loans		(944,340)	(1,296,005)
Increase in guarantee deposits		916	1,067
Increase in long-term loans		525,680	1,517,631
Decrease in long-term loans		(686,585)	(1,731,500)
Employee options exercise	6(15)	65,937	-
Net cash flows from (used in) financing activities		119,136	(462,297)
Effect of change in exchange rate		4,575	(2,065)
Net increase (decrease) in cash and cash equivalents		494,951	(79,372)
Cash and cash equivalents at beginning of period		3,143,617	3,919,862
Cash and cash equivalents at end of period		$ 3,638,568	$ 3,840,490

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

OPTO TECH CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,

EXCEPT AS OTHERWISE INDICATED)

(Unaudited)

1. HISTORY AND ORGANIZATION

Opto Tech Corporation (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). The shares of the Company have been traded on the Taiwan Stock Exchange since May 2, 1995. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the manufacture and sales of semiconductor components as well as research and development, design, manufacture and sales of systems products.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on August 14, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

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

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

A. IFRS 9, ‘Financial instruments’

(a) Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

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

B. IFRS 15 ‘Revenue from contracts with customer’

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

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

Step 1: Identify contracts with customer

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

Step 3: Determine the transaction price

Step 4: Allocate the transaction price.

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019

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

IFRS 16, 'Leases'

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2016, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standards 34, "Interim Financial Reporting" as endorsed by the FSC.

B. These consolidated financial statements as of and for the six-month period ended June 30, 2017 should be read together with those as of and for the year ended December 31, 2016.

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2016.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) June 30, 2017	Ownership (%) December 31, 2016	Ownership (%) June 30, 2016	Description
Opto Tech Corp.	Ho Chung Investment Co., Ltd. (Ho Chung Investment)	Investment business	100.00	100.00	100.00	Notes 1 and 5
Opto Tech Corp.	Opto Technology International Group Co., Ltd. (Opto)	Investment business	100.00	100.00	100.00	Notes 2 and 5
Opto Tech Corp.	Jyu Shin Investment Co., Ltd. (Jyu Shin Investment)	Investment business	100.00	100.00	100.00	Note 5
Opto Tech Corp.	Source Ever Limited (Source)	International trading	100.00	100.00	100.00	"
Opto Tech Corp.	Opto Tech (Macao) Co., Ltd. (Opto Macao)	International trading	100.00	100.00	100.00	Notes 3 and 5
Opto	Opto Tech (Cayman) Co., Ltd. (Cayman)	Investment business	100.00	100.00	100.00	Note 5
Opto	Everyung Investment Ltd. (Everyung)	Investment business	50.00	50.00	50.00	Note 5
Jyu Shin Investment	CS Bright Corporation (CSB)	Manufacture and sales of LED and electronic products	99.87	99.87	99.87	"

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) June 30, 2017	December 31, 2016	June 30, 2016	Description
Cayman	Opto Tech (Suzhou) Co., Ltd. (Opto Tech Suzhou)	Research, design and manufacture of LED display, wireless communication equipment and related parts with related techniques and after-sale service	100.00	100.00	100.00	Notes 4 and 5
CSB	Bright Investment International Ltd. (Bright)	Investment business	100.00	100.00	100.00	Note 5
Bright	Everyung Investment Ltd. (Everyung)	Investment business	50.00	50.00	50.00	"
Everyung	Opto Plus Technology Co., Ltd. (Opto Plus)	Manufacture and sales of LED and electronic products	100.00	100.00	100.00	"

Note 1: Ho Chung Investment has been continuously acquiring the Company's common stock amounting to 1,107 thousand shares from 1998 to 2000. It holds about 0.2% of the Company's outstanding common stock.

Note 2: Opto Grand (Cayman) Co., Ltd. (Opto Grand) was dissolved on May, 2016, and the remaining funds were repatriated to Opto Tech Corp. through Opto Technology International Group Co., Ltd. (Opto).

Note 3: The original shares of Opto Macao held by Opto Tech (Cayman) Co., Ltd. were transferred to Opto Tech Corp.

Note 4: On August 11, 2016, the Board of Directors has resolved to liquidate the Company's Mainland China subsidiary, Opto Tech (Suzhou) Co., Ltd. (Opto Tech Suzhou). As of June 30, 2017, the liquidation is still under process.

Note 5: The financial statements of the non-substantial subsidiaries as of and for the six-month periods ended June 30, 2017 and 2016 were unreviewed.

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

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

E. Nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities of the Group：None.

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

(4) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(5) Income tax

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

There has been no significant change as of June 30, 2017. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2016.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand	$ 557	$ 532	$ 542
Checking demand deposits	778,113	838,458	1,048,711
Time deposits	2,219,898	1,603,621	2,166,237
Cash equivalents - Resale bonds	640,000	701,006	625,000
Total	$ 3,638,568	$ 3,143,617	$ 3,840,490

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

B. Cash and cash equivalents amounting to $20,860 were pledged to others as collateral, and were classified as other financial assets. Please refer to Note 8.

(2) Financial assets and financial liabilities at fair value through profit or loss

Items	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets held for trading			
Current items:			
Funds	$ 485,000	$ 485,000	$ 620,000
Valuation adjustment of financial assets held for trading			
Funds	6,915	6,089	6,551
Forward exchange contracts	-	-	693
Total	$ 491,915	$ 491,089	$ 627,244
Financial liabilities held for trading			
Current items:			
Valuation adjustment of financial liabilities held for trading			
Forward exchange contracts	$ 1,952	$ 1,912	$ -

A. The Group recognised net gain(loss) of ($2,794), $856, $786 and $1,782 on financial assets and financial liabilities held for trading for the three-month and six-month periods ended June 30, 2017 and 2016, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:

	June 30, 2017	
Derivative Instruments	Contract Amount (Nominal Principal)	Contract period
Current items:		
Forward exchange contracts	USD $ 8,000 (thousands)	May 18, 2017~ August 22,2017

	December 31, 2016	
Derivative Instruments	Contract Amount (Nominal Principal)	Contract period
Current items:		
Forward exchange contracts	USD $ 7,000 (thousands)	November 6, 2016~ February 21, 2017

	June 30, 2016	
Derivative Instruments	Contract Amount (Nominal Principal)	Contract period
Current items:		
Forward exchange contracts	USD $ 2,000 (thousands)	May 16, 2016~ July 14, 2016

The Group entered into forward exchange contracts to sell USD and buy TWD to hedge exchange rate risk of export proceeds. However, these forward exchange contracts are not accounted for under hedge accounting.

C. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

Items	June 30, 2017	December 31, 2016	June 30, 2016
Non-current items:			
Listed stocks	$ 386,258	$ 386,258	$ -
Unlisted stocks	571,857	571,857	571,857
Subtotal	958,115	958,115	571,857
Valuation adjustment of available-for-sale financial assets	(74,940)	(44,764)	(9,749)
Total	$ 883,175	$ 913,351	$ 562,108

A. The Group recognised $(25,649), ($8,187), $(30,176) and $11,927 in other comprehensive (loss) income and reclassified $0, ($44,515), $0 and ($44,515) from equity to profit (loss) for the three-month and six-month periods ended June 30, 2017 and 2016, respectively.

B. Since July 1, 2016, the Group lost its significant influence over its subsidiary, Viking Tech Corporation. As a result, the Group discontinued accounting the subsidiary using the equity method and reclassified the investment as available-for-sale financial assets. Please refer to Note 6 (6) for details.

(4) Accounts receivable

	June 30, 2017	December 31, 2016	June 30, 2016
Accounts receivable	$ 1,820,960	$ 1,563,786	$ 1,776,623
Less: Allowance for doubtful accounts	(59,730)	(69,063)	(123,656)
	$ 1,761,230	$ 1,494,723	$ 1,652,967

A. The Group's accounts receivable that were neither past due nor impaired had good credit quality.

B. The ageing analysis of accounts receivable that were overdue but not impaired is as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Up to 180 days	$ 108,003	$ 91,849	$ 69,228
181 to 365 days	1,513	1,948	3,565
Over 365 days	10,598	24,066	27,493
	$ 120,114	$ 117,863	$ 100,286

The above ageing analysis was based on past due date.

C. Movement analysis of financial assets that were impaired are as follows:

(a) As of June 30, 2017, December 31, 2016 and June 30, 2016, accounts receivable that had been individual provision impaired were $938, $1,065 and $45,098, respectively.

(b) Movements on the provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	$ 1,065	$ 67,998	$ 69,063
Reversal of impairment	(127)	(8,076)	(8,203)
Effect of exchange rate	-	(1,130)	(1,130)
At June 30	$ 938	$ 58,792	$ 59,730

	2016		
	Individual provision	Group provision	Total
At January 1	$ 46,713	$ 54,398	$ 101,111
Provision for impairment	-	27,481	27,481
Reversal of impairment	(998)	(1,576)	(2,574)
Write-offs during the period	(617)	-	(617)
Effect of exchange rate	-	(1,745)	(1,745)
At June 30	$ 45,098	$ 78,558	$ 123,656

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

(5) Inventories

	June 30, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 425,782	($ 224,943)	$ 200,839
Supplies	220,279	(15,755)	204,524
Work in process	401,280	(52,865)	348,415
Semi-finished goods	137,371	(61,626)	75,745
Finished goods	371,278	(64,753)	306,525
Total	$ 1,555,990	($ 419,942)	$ 1,136,048

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 429,702	($ 218,083)	$ 211,619
Supplies	239,603	(18,425)	221,178
Work in process	492,396	(45,947)	446,449
Semi-finished goods	206,741	(62,369)	144,372
Finished goods	395,726	(57,830)	337,896
Total	$ 1,764,168	($ 402,654)	$ 1,361,514

	June 30, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 467,306	($ 212,843)	$ 254,463
Supplies	228,619	(20,510)	208,109
Work in process	419,829	(13,325)	406,504
Semi-finished goods	180,000	(71,685)	108,315
Finished goods	372,429	(60,806)	311,623
Total	$ 1,668,183	($ 379,169)	$ 1,289,014

The cost of inventories recognised as expense for the period:

	For the three-month periods ended June 30,	
	2017	2016
Cost of goods sold	$ 957,638	$ 1,038,070
Loss on (gain from reversal of) decline in market value	12,623	(49,237)
	$ 970,261	$ 988,833

	For the six-month periods ended June 30,	
	2017	2016
Cost of goods sold	$ 2,034,900	$ 2,036,068
Loss on (gain from reversal of) decline in market value	19,077	(91,201)
	$ 2,053,977	$ 1,944,867

During the three-month and six-month periods ended June 30, 2016, the Group reversed a previous inventory write-down and accounted for as reduction of cost of goods sold because prices of products increased and inventory of low-priced stocks declined.

(6) Investments accounted for using equity method

	2017	2016
At January 1	$ 1,202	$ 432,915
Share of profit of investment accounted for using equity method	2,827	12,039
Earnings distribution of investments accounted for using equity method	-	(37,721)
Reclassification to non-current assets held for sale (Note 6(9))	-	(113,480)
Change in other equity items (Note 6(20))	(6)	(145)
Change in capital surplus	-	(840)
At June 30	$ 4,023	$ 292,768

Associated enterprises	June 30, 2017	December 31, 2016	June 30, 2016
Viking Tech Corporation	$ -	$ -	$ 292,768
VML TECHNOLOGIES B.V.	4,023	1,202	-
	$ 4,023	$ 1,202	$ 292,768

A. The summarized financial information of the associate that is material to the Group is as follows:

	Viking Tech Corporation
	June 30, 2016
Current assets	$ 2,001,544
Non-current assets	1,364,649
Current liabilities	(1,006,097)
Non-current liabilities	(90,813)
Total net assets	$ 2,269,283

	Viking Tech Corporation
	For the three-month periods ended June 30, 2016
Revenue	$ 453,568
Profit for the period from continuing operations	$ 43,782
Other comprehensive loss - net of tax	(1,185)
Total comprehensive income	$ 42,597
Dividends received from associates	$ -

	Viking Tech Corporation
	For the six-month periods ended June 30, 2016
Revenue	$ 855,131
Profit for the period from continuing operations	$ 61,785
Other comprehensive loss - net of tax	(866)
Total comprehensive income	$ 60,919
Dividends received from associates	$ -

B. The Group's investment in Viking Tech Corporation has quoted market price. The fair value of Viking Tech Corporation as of June 30, 2016 was $371,925.

C. The Group invested directly and indirectly through its subsidiaries to Viking Tech Corporation totaling 17.30% of the total ownership, which does not exceed 20%. However, the Group has the highest ownership percentage and is represented by two directors in Viking Tech Corporation. As a result of the significant influence, the Group's investment in Viking Tech Corporation is accounted for using equity method. However, after stock settlement on July 1, 2016, the group's ownership declined to 12.86% and two of the board members resigned on the same day. The investment in the associate was reclassified as available-for-sale financial asset in fair value on July 1, 2016.

D. On September 22, 2015, the Group and GuangDon Fenghua Advanced Technology Holding Co., Ltd. ("Fenghua") have signed a tender offer agreement for Viking Tech Corporation's 20,311 thousand shares held by the Group and Fenghua is expecting to acquire 35%~40% of Viking Tech Corporation's outstanding ordinary shares at a public tender offer price of $29.8 (in dollars) per share.

When Fenghua or designated person proceeds with the public tender offer, the Group's shares in Viking Tech Corporation should be sold under conditions and selling price stated in the tender offer agreement, along with limits allowed by regulations. Agreements between the Group and Fenghua are as follows:

(a) If the amount of shareholders' shares to be sold does not reach the expected acquiring amount during the public tender offer period, the Group does not have any obligation to complete settlement in accordance with the agreement.

(b) If the amount of shareholders' shares to be sold reaches the minimum acquiring amount but not reach the expected acquiring amount, Fenghua will acquire all shares for the amount to be sold.

(c) If the amount of shareholders' shares to be sold exceeds the expected acquiring amount, Fenghua will acquire from each shareholder the amount proportionate to the shareholder's shareholding ratio (that is, the Group will not sell all its shares it intends to sell).

Fenghua has obtained approval from the Investment Commission of the Ministry of Economic Affairs on December 29, 2015. And as of June 22, 2016, the expiration day of tender offer, the number of shares to be sold had exceeded the projected number of shares to be acquired. As a result, the Group sold the shares pro rata to all the offerors amounting to 5,223 thousand shares. The transaction has been completed.

(7) Property, plant and equipment

At January 1, 2017	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
Cost	$ 2,019,203	$ 5,008,102	$ 1,044,489	$ 655,617	$ 10,227	$ 67,582	$ 1,786,569	$ 128,924	$ 10,720,713
Accumulated depreciation	(964,073)	(3,818,898)	(901,013)	(567,712)	(7,389)	(58,322)	(1,409,791)	-	(7,727,198)
Accumulated impairment	(59)	(7,866)	-	-	(63)	(205)	(144)	-	(8,337)
	$ 1,055,071	$ 1,181,338	$ 143,476	$ 87,905	$ 2,775	$ 9,055	$ 376,634	$ 128,924	$ 2,985,178
For the six-month period ended June 30, 2017									
Opening net book amount	$ 1,055,071	$ 1,181,338	$ 143,476	$ 87,905	$ 2,775	$ 9,055	$ 376,634	$ 128,924	$ 2,985,178
Additions	1,385	28,130	11,721	1,296	392	434	5,361	95,997	144,716
Disposals	-	(207)	-	-	(204)	(12)	-	-	(423)
Reclassifications	1,500	43,718	4,625	19,641	585	-	29,737	(99,806)	-
Depreciation expense	(30,627)	(125,482)	(9,605)	(5,149)	(451)	(2,030)	(24,793)	-	(198,137)
Reversal of impairment loss	-	3	-	-	-	12	-	-	15
Net exchange differences	(4,333)	(1,380)	-	-	(25)	(26)	-	-	(5,764)
Closing net book amount	$ 1,022,996	$ 1,126,120	$ 150,217	$ 103,693	$ 3,072	$ 7,433	$ 386,939	$ 125,115	$ 2,925,585
At June 30, 2017									
Cost	$ 2,014,650	$ 5,060,281	$ 1,060,835	$ 676,554	$ 9,123	$ 65,785	$ 1,820,852	$ 125,115	$ 10,833,195
Accumulated depreciation	(991,595)	(3,926,352)	(910,618)	(572,861)	(6,051)	(58,183)	(1,433,786)	-	(7,899,446)
Accumulated impairment	(59)	(7,809)	-	-	-	(169)	(127)	-	(8,164)
	$ 1,022,996	$ 1,126,120	$ 150,217	$ 103,693	$ 3,072	$ 7,433	$ 386,939	$ 125,115	$ 2,925,585

At January 1, 2016	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
Cost	$ 2,143,278	$ 4,744,375	$ 1,046,673	$ 643,988	$ 10,394	$ 79,071	$ 1,774,667	$ 231,135	$ 10,673,581
Accumulated depreciation	(971,351)	(3,608,716)	(905,449)	(559,206)	(6,757)	(64,490)	(1,394,058)	-	(7,510,027)
Accumulated impairment	(59)	(11,495)	(1,510)	-	(63)	(1,480)	(2,188)	-	(16,795)
	$ 1,171,868	$ 1,124,164	$ 139,714	$ 84,782	$ 3,574	$ 13,101	$ 378,421	$ 231,135	$ 3,146,759
For the six-month period ended June 30, 2016									
Opening net book amount	$ 1,171,868	$ 1,124,164	$ 139,714	$ 84,782	$ 3,574	$ 13,101	$ 378,421	$ 231,135	$ 3,146,759
Additions	6,060	25,492	8,719	1,235	-	416	9,841	91,122	142,885
Disposals	-	(2,930)	-	-	-	(158)	(398)	-	(3,486)
Reclassifications	8,210	110,392	1,125	-	236	-	19,246	(139,623)	(414)
Reclassification to non-current assets held for sale	(54,665)	-	(1,243)	-	-	-	(209)	-	(56,117)
Depreciation expense	(32,270)	(120,428)	(7,614)	(4,154)	(613)	(2,015)	(23,721)	-	(190,815)
Reversal of impairment loss	-	823	1,287	-	-	164	629	-	2,903
Net exchange differences	(6,775)	(1,513)	(43)	-	(33)	(24)	(22)	-	(8,410)
Closing net book amount	$ 1,092,428	$ 1,136,000	$ 141,945	$ 81,863	$ 3,164	$ 11,484	$ 383,787	$ 182,634	$ 3,033,305
At June 30, 2016									
Cost	$ 2,030,985	$ 4,848,822	$ 1,041,434	$ 645,224	$ 10,545	$ 69,158	$ 1,785,947	$ 182,634	$ 10,614,749
Accumulated depreciation	(938,498)	(3,704,931)	(899,489)	(563,361)	(7,318)	(57,434)	(1,402,015)	-	(7,573,046)
Accumulated impairment	(59)	(7,891)	-	-	(63)	(240)	(145)	-	(8,398)
	$ 1,092,428	$ 1,136,000	$ 141,945	$ 81,863	$ 3,164	$ 11,484	$ 383,787	$ 182,634	$ 3,033,305

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	For the six-month periods ended June 30,	
	2017	2016
Amount capitalised	$ 116	$ 472
Interest rate	0.17%~0.46%	0.29%~0.64%

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

C. Information about reclassification to non-current assets held for sale is provided in Note 6 (9).

(8) Intangible assets

At January 1, 2017	Software
Cost	$ 33,543
Accumulated amortisation	(24,230)
	$ 9,313
For the six-month period ended June 30, 2017	
Opening net book amount	$ 9,313
Additions	5,449
Amortisation expense	(6,383)
Closing net book amount	$ 8,379
At June 30, 2017	
Cost	$ 25,042
Accumulated amortisation	(16,663)
	$ 8,379

At January 1, 2016	Software
Cost	$ 33,799
Accumulated amortisation	(23,417)
Accumulated impairment	(450)
	$ 9,932
For the six-month period ended June 30, 2016	
Opening net book amount	$ 9,932
Additions	4,125
Amortisation expense	(6,320)
Closing net book amount	$ 7,737
At June 30, 2016	
Cost	$ 26,792
Accumulated amortisation	(19,055)
	$ 7,737

Details of amortisation on intangible assets are as follows:

	For the three-month periods ended June 30,	
	2017	2016
Operating costs	$ 1,201	$ 902
Selling expenses	192	196
General and administration expenses	1,211	1,247
Research and development expenses	695	652
Total	$ 3,299	$ 2,997

	For the six-month periods ended June 30,	
	2017	2016
Operating costs	$ 2,278	$ 1,831
Selling expenses	368	396
General and administration expenses	2,390	2,792
Research and development expenses	1,347	1,301
Total	$ 6,383	$ 6,320

(9) Non-current assets held for sale

	June 30, 2017	December 31, 2016	June 30, 2016
Long-term investment	$ -	$ -	$ 113,480

A. The Group reclassified stocks that will be settled as non-current assets classified as held for sale after disposal of investment accounted for using equity method, Viking Tech Corporation. The transaction was completed in July 2016, and the amount of proceeds from disposal was $155,178 and the profit was $41,698. Please refer to Note 6(6) for details.

B. The Group had resolved to sell the plant and land-use rights of the subsidiary, Opto Tech (Suzhou) Co., Ltd. to a non-related party on February, 2016. The transaction has been completed in June, 2016. Proceeds from disposal is $178,240 with gain on disposal amounting to $109,939.

C. The Group has signed a facility agreement and received the deposits from Raystar Optronics, Inc. in December, 2015. The facilities have been reclassified as disposal group held for sale. The completion date for the transaction was in April, 2016. Proceeds from disposal is $28,572 with no gain or loss on disposal.

(10) Long-term prepaid rents (shown as "Other non-current assets")

	June 30, 2017	December 31, 2016	June 30, 2016
Land-use rights	$ 3,751	$ 3,914	$ 4,164

The Group signed the land-use rights contract in the People's Republic of China. The expiration date of the contract is in year 2053. The entire lease payment had been prepaid when the contract was signed. The amortised expense recognised was $26, $29, $52 and $106 for the three-month and six-month periods ended June 30, 2017 and 2016, respectively.

(11) Short-term borrowings

Type of borrowings	June 30, 2017	December 31, 2016	June 30, 2016
Unsecured bank borrowings	$ 778,483	$ 563,683	$ 663,560
Interest rate range	0.59%~5.80%	0.54%~7.20%	0.54%~7.20%

(12) Other payables

	June 30, 2017	December 31, 2016	June 30, 2016
Salaries and bonus payable	239,463	305,042	258,429
Compensation payable to employee	122,774	-	111,399
Remuneration payable to directors and supervisors	40,925	-	34,104
Dividends payable	654,795	-	545,662
Others	240,933	236,117	265,153
Total	$ 1,298,890	$ 541,159	$ 1,214,747

(13) Long-term borrowings

Type of borrowings	Credit line	Period	Interest rate range	June 30, 2017
Syndicated borrowings with 10 financial institutions including Taiwan Cooperative Bank	$ 2,000,000	2012.12.06~ 2017.12.06	1.9239%~ 2.5370%	$ 258,995
Less: Current portion (shown as “Other non-current liabilities”)				(258,995)
				$ -

Type of borrowings	Credit line	Period	Interest rate range	December 31, 2016
Syndicated borrowings with 10 financial institutions including Taiwan Cooperative Bank	$ 2,000,000	2012.12.06~ 2017.12.06	1.5082%~ 2.2650%	$ 419,900
Less: Current portion (shown as “Other non-current liabilities”)				(419,900)
				$ -

Type of borrowings	Credit line	Period	Interest rate range	June 30, 2016
Syndicated borrowings with 10 financial institutions including Taiwan Cooperative Bank	$ 2,000,000	2012.12.06~ 2017.12.06	1.5082%~ 1.9933%	$ 1,024,875
Less: Current portion (shown as “Other non-current liabilities”)				(200,000)
				$ 824,875

A. Pursuant to the syndicated borrowings facility agreement entered into by the Company with Taiwan Cooperative Bank and 9 other banks, the Company is required to maintain certain financial ratios during the period of the syndicated borrowings facility agreement. Please refer to Note 9.

B. Please refer to Note 8 for details of the collateral.

(14) Pensions

A. (a) The Company and CS Bright Corporation have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and CS Bright Corporation contribute monthly an amount equal to 3.74% and 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. However, in accordance with the letter of New Taipei City government No. 1041242975, the subsidiary - CS Bright Corporation temporarily stopped contributing retirement fund from July 2015 to June 2016. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) For the aforementioned pension plan, the Group recognised pension costs of $3,054, $2,841, $6,109, and $5,681 for the three-month and six-month periods ended June 30, 2017 and 2016, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 amounts to $10,549.

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

(b) The Company's Mainland China subsidiaries, Opto Tech (Suzhou) Co., Ltd. and Opto Plus Technology Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (P.R.C.) are based on certain percentage of employees' monthly salaries and wages. The above Mainland China subsidiaries' contribution percentage for both the six-month periods ended June 30, 2017 and 2016 was 20% and 14%, respectively. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2017 and 2016 were $9,282, $9,022, $19,016 and $18,452, respectively.

(15) Share-based payment

On August 9, 2010, as a result of setting up rules for the employee stock options for the year 2010, the Company issued 15,000 thousands units of employee stock options on August 26, 2010. Each unit could buy one share, and the exercise price is based on the closing price of the Company's common stock quoted in the Taiwan Stock Exchange at the issued date. The exercise price under the stock-based employee compensation plan is based on the closing price of the Company's common stock at the grant date and is subject to adjustments due to changes in the number of common shares and issuance of cash dividends. The vesting period of the Company's employee stock option plan is 7 years. The employees may exercise the stock options in installments within a period of 2 years after the stock options are granted.

A. Details of the employee stock options are set forth below:

	For the six-month periods ended June 30,			
	2017		2016	
Stock options	No. of shares (in thousands)	Weighted-average exercise price (in dollars)	No. of shares (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	10,755	$ 15.7	10,920	$ 17.2
Options exercised	(4,200)	15.7	-	-
Options revoked	(141)	-	(49)	-
Options outstanding at end of period	6,414	15.7	10,871	17.2
Options exercisable at end of period	6,414	15.7	10,849	17.2

B. The weighted-average stock price of stock options at exercise dates for the six-month period ended June 30, 2017 was $16.74.

C. Details of the employee stock options outstanding as of June 30, 2017 and 2016 are set forth below:

Stock options outstanding as at June 30, 2017			Stock options exercisable as at June 30, 2017	
No. of shares (in thousands)	Remaining vesting period (in years)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
6,414	0.5	$ 15.7	6,414	$ 15.7

Stock options outstanding as at June 30, 2016			Stock options exercisable as at June 30, 2016	
No. of shares (in thousands)	Remaining vesting period (in years)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
10,871	1.5	$ 17.2	10,849	$ 17.2

On July 7, 2017, the Board of Directors of the Company approved the issuance of employee stock options authorized in 2010. The exercise price were adjusted from $15.7 (in dollars) to $14.6 (in dollars). On June 24, 2016, the Board of Directors of the Company approved the issuance of employee stock options authorized in 2010. The exercise price were adjusted from $17.2 (in dollars) to $15.7 (in dollars).

(16) Provisions

	Warranty
At January 1, 2017	$ 53,868
Additional provisions	5,206
Used during the period	(4,413)
Exchange differences	(353)
At June 30, 2017	$ 54,308

Analysis of total provisions:

	June 30, 2017	December 31, 2016	June 30, 2016
Current	$ 13,271	$ 8,705	$ 2,432
Non-current	$ 41,037	$ 45,163	$ 55,316

The Group provides warranties on LED products sold. Provision for warranties is estimated based on historical warranty data of LED products.

(17) Share capital

A. As of June 30, 2017, the Company's authorized capital was $10,000,000, consisting of 1,000,000 thousand shares of common stock, and the paid-in capital was $5,498,619, consisting of 549,862 thousand shares of common stock with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares outstanding are as follows:

(In thousands of shares)

	2017	2016
At January 1	544,555	544,555
Employee stock options exercised (Note)	4,200	-
At June 30	548,755	544,555

Note: Amendment process of register was completed on July 19, 2017.

B. The Company resolved a capital reduction of $1,091,562 thousand, representing 109,156 thousand shares of outstanding shares whose ratio is around 20%. This reduction proposal was proposed at the Board of Directors' meeting held on March 24, 2017 and approved by the stockholders' meeting held on June 21, 2017. This proposal was effective after being submited to the FSC.

C. Treasury stock

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		June 30, 2017	
Name of company holding the shares	Reason for reacquisition	Number of Shares (thousand)	Carrying amount
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	1,107	$ 26,699

		December 31, 2016	
Name of company holding the shares	Reason for reacquisition	Number of Shares (thousand)	Carrying amount
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	1,107	$ 26,699

		June 30, 2016	
Name of company holding the shares	Reason for reacquisition	Number of Shares (thousand)	Carrying amount
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	1,107	$ 26,699

(b) The Company's shares held by its subsidiary had no voting rights before being transferred to the third party.

(18) Capital reserve

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

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be distributed as follows:

(a) Offset prior years' operating losses.

(b) 10% of the remaining amount shall be set aside as legal reserve, unless the accumulated legal reserve equals the total capital of the Company.

(c) Special reserve set aside in accordance with relevant laws or regulations or as required for operations.

(d) After allocation of the above, the Board of Directors proposes a dividend distribution plan for approval by resolution at the shareholders' meeting.

B. The Company operates in the high-tech industry and its business life cycle is in the growth stage. In view of its capital expenditure demand and comprehensive financial plan for continuous development, the Company issues both stock and cash dividends. The proportion of dividends to be distributed in stocks and cash is determined based on the Company's rate of growth and capital expenditures. However, the amount of cash dividends shall not be lower than 50% of the dividends distributed.

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

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

E. The appropriation of 2016 and 2015 earnings had been resolved at the stockholders' meeting on June 21, 2017 and June 24, 2016, respectively. Details are summarized below:

	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 85,473	-	$ 57,338	-
Special reserve	59,227	-	-	-
Cash dividends	654,795	$ 1.20	545,662	$ 1.00
Total	$ 799,495		$ 603,000	

The above-mentioned 2016 earnings appropriation as approved by the stockholders were in agreement with those amount approved by the Board of Directors on March 25, 2016.

Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Other equity items

	Currency translation differences of foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Total
At January 1, 2017	$ 3,099	($ 51,073)	($ 47,974)
Available-for-sale financial assets			
Revaluation - Group	-	(30,176)	(30,176)
Currency translation differences:			
-Group	(1,424)	-	(1,424)
-Associates	(6)	-	(6)
At June 30, 2017	$ 1,669	($ 81,249)	($ 79,580)

	Currency translation differences of foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Total
At January 1, 2016	$ 4,813	$ 22,839	$ 27,652
Change in unrealized gain on available-for-sale financial assets - Group	-	11,927	11,927
Reclassification of realized gain on available-for-sale financial assets - Group	-	(44,515)	(44,515)
Currency translation differences:			
-Group	(613)	-	(613)
-Associates	(145)	-	(145)
At June 30, 2016	$ 4,055	($ 9,749)	($ 5,694)

(21) Other income

	For the three-month periods ended June 30,	
	2017	2016
Rental revenue	$ 312	$ 310
Dividend income	-	-
Interest income:		
Interest income from bank deposits	2,931	3,718
Interest income from resale bonds	500	320
Other interest income	344	558
Others	2,415	1,810
Total	$ 6,502	$ 6,716

	For the six-month periods ended June 30,	
	2017	2016
Rental revenue	$ 721	$ 715
Dividend income	13,480	14,230
Interest income:		
Interest income from bank deposits	4,913	8,102
Interest income from resale bonds	1,051	620
Other interest income	754	670
Others	6,216	3,866
Total	$ 27,135	$ 28,203

(22) Other gains and losses

	For the three-month periods ended June 30,	
	2017	2016
Net gain(loss) on financial assets at fair value through profit or loss	($ 2,794)	$ 856
Net currency exchange loss or gain	10,898	4,079
Gain on disposal of non-current assets held for sale	-	109,939
Loss on disposal of property, plant and equipment	(101)	(607)
Gain on disposal of investments	-	49,630
Reversal of impairment loss on financial assets	-	563
Others	(324)	(338)
Total	$ 7,679	$ 164,122

	For the six-month periods ended June 30,	
	2017	2016
Net gain on financial assets at fair value through profit or loss	$ 786	$ 1,782
Net currency exchange loss	(37,135)	(27,492)
Gain on disposal of non-current assets held for sale	-	109,939
Loss on disposal of property, plant and equipment	(120)	(483)
Gain on disposal of investments	-	49,809
Reversal of impairment loss on non-financial assets	15	2,903
Others	(1,700)	(565)
Total	($ 38,154)	$ 135,893

(23) Finance costs

	For the three-month periods ended June 30,	
	2017	2016
Interest expense:		
Bank borrowings	$ 5,948	$ 9,105
Less: capitalisation of qualifying assets	(47)	(181)
	5,901	8,924
Other financial costs	331	340
Total	$ 6,232	$ 9,264

	For the six-month periods ended June 30,	
	2017	2016
Interest expense:		
Bank borrowings	$ 11,716	$ 19,725
Less: capitalisation of qualifying assets	(116)	(472)
	11,600	19,253
Other financial costs	676	709
Total	$ 12,276	$ 19,962

(24) Expenses by nature

	For the three-month periods ended June 30,	
	2017	2016
Employee benefit expense	$ 306,418	$ 323,894
Depreciation on property, plant and equipment	100,363	95,360
Amortisation on intangible assets	3,299	2,997
Total	$ 410,080	$ 422,251

	For the six-month periods ended June 30,	
	2017	2016
Employee benefit expense	$ 639,233	$ 642,048
Depreciation on property, plant and equipment	198,137	190,815
Amortisation on intangible assets	6,383	6,320
Total	$ 843,753	$ 839,183

(25) Employee benefit expense

	For the three-month periods ended June 30,	
	2017	2016
Wages and salaries	$ 266,569	$ 287,240
Labor and health insurance fees	20,638	19,787
Pension costs	12,336	11,863
Other personnel expenses	6,875	5,004
	$ 306,418	$ 323,894

	For the six-month periods ended June 30,	
	2017	2016
Wages and salaries	$ 557,974	$ 567,872
Labor and health insurance fees	42,517	40,565
Pension costs	25,125	24,133
Other personnel expenses	13,617	9,478
	$ 639,233	$ 642,048

A. According to the Articles of Incorporation of the Company, if the Company has profit during the year, the Company shall distribute bonus to the employees that account for 10%~15% and pay remuneration to the directors and supervisors that shall not be higher than 5%, of the total distributed amount. If the Company has an accumulated deficit, earnings should be used to cover losses. Employees' compensation can be distributed in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation.

B. For the three-month and six-month periods ended June 30, 2017 and 2016, employees' compensation was accrued at $37,675, $53,637, $79,541 and $83,101, respectively; directors' and supervisors' remuneration was accrued at $12,552, $20,088, $26,507 and $27,700, respectively. The aforementioned amounts were recognised in salary expense.

   Employees' compensation of $122,774 and directors' and supervisors' remuneration of $40,925 of 2016 as resolved by the stockholders' meeting are the same as the amount recognised in the consolidated financial statements.

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

(26) Income tax

A. Income tax expense

Components of income tax expense:

	For the three-month periods ended June 30,	
	2017	2016
Current tax:		
Current tax on profits for the period	$ 20,957	$ 6,096
Tax on undistributed surplus earnings	2,230	-
Prior year income tax underestimation	520	2,900
Total current tax	23,707	8,996
Deferred tax:		
Origination and reversal of temporary differences	10,642	20,558
Income tax expense	$ 34,349	$ 29,554

	For the six-month periods ended June 30,	
	2017	2016
Current tax:		
Current tax on profits for the period	$ 64,277	$ 32,827
Tax on undistributed surplus earnings	2,230	-
Prepaid and withholding taxes from foreign income which will not be realized	-	487
Prior year income tax underestimation	520	2,900
Total current tax	67,027	36,214
Deferred tax:		
Origination and reversal of temporary differences	4,615	18,224
Income tax expense	$ 71,642	$ 54,438

B. As of June 30, 2017, the Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

	June 30, 2017	December 31, 2016	June 30, 2016
Earnings generated in and after 1998	$ 990,551	$ 1,437,596	$ 1,005,172

D. As of June 30, 2017, December 31, 2016 and June 30, 2016, the balance of the imputation tax credit account was $150,604, $99,728 and $104,953, respectively. The creditable tax rate was estimated to be 10.53% for 2016 and actual creditable tax rate was 8.61% for 2015.

(27) Earnings per share

	For the three-month period ended June 30, 2017		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 166,457	547,913	$ 0.30
Dilutive effect of common stock equivalents:			
Employees' stock option	-	1,635	
Employees' compensation	-	4,507	
Diluted earnings per share			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 166,457	554,055	$ 0.30

	For the three-month period ended June 30, 2016		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 273,274	544,555	$ 0.50
Dilutive effect of common stock equivalents:			
Employees' compensation	-	6,896	
Diluted earnings per share			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 273,274	551,451	$ 0.50

	For the six-month period ended June 30, 2017		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 352,450	546,358	$ 0.65
Dilutive effect of common stock equivalents:			
Employees' stock option	-	2,794	
Employees' compensation	-	7,838	
Diluted earnings per share			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 352,450	556,990	$ 0.63

	For the six-month period ended June 30, 2016		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 389,366	544,555	$ 0.72
Dilutive effect of common stock equivalents:			
Employees' compensation	-	11,210	
Diluted earnings per share			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 389,366	555,765	$ 0.70

For the three-month and six-month period ended June 30, 2017, the employee stock options had dilutive effect and were included in the calculation.

(28) Operating leases

The Company had entered into an agreement to lease land from Hsinchu Science Park for the period from 1997 to 2037, and CS Bright Corporation had entered into an agreement to lease office from a non-related party. For the three-month and six-month periods ended June 30, 2017 and 2016, the Company and CS Bright Corporation together recognised rental expenses of $4,797, $5,141, $9,594 and $9,858, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Not later than 1 year	$ 16,883	$ 18,188	$ 19,160
Later than 1 year but not later than 5 years	69,406	71,425	19,323
Later than 5 years	167,438	178,510	30,941
	$ 253,727	$ 268,123	$ 69,424

(29) Supplemental cash flow information

Non-cash flows from investing and financing activities:

	For the six-month periods ended June 30,	
	2017	2016
Long-term liabilities maturing within one year	$ 258,995	$ 200,000
Distribution of cash dividends (shown as "other payables")	$ 654,795	$ 545,662
Reclassification of investment accounted for under equity method to non-current asset held for sale	$ -	$ 113,480

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Shin-Etsu Opto Electronic Co., Ltd.	The Company is the director of this company; this company is the director of the Company.
Giga Epitaxy Technology Corp.	The Company is the director of this company.
Nichia Taiwan Corp.	This company is the director of the Company.
Nichia Corp.	This company's subsidiary is the director of the Company.
VML TECHNOLOGIES B.V.	This company is an investment of Ho Chung Investment Co., Ltd. accounted for using equity method

(2) Significant transactions and balances with related parties

A. Operating revenue:

	For the three-month periods ended June 30,	
	2017	2016
Sales of goods:		
Associates	$ 1,612	$ 5,378
Other related parties	108,747	120,658
Total	$ 110,359	$ 126,036

	For the six-month periods ended June 30,	
	2017	2016
Sales of goods:		
Associates	$ 35,760	$ 5,456
Other related parties	220,471	232,762
Total	$ 256,231	$ 238,218

The selling prices charged to the above related parties are not materially different from those charged to non-related parties. For the three-month and six-month periods ended June 30, 2017 and 2016, the credit term was 66 ~ 136 days for the related parties and 90 ~ 150 days for the non-related parties for both periods.

B. Purchases:

	For the three-month periods ended June 30,	
	2017	2016
Purchases of goods:		
Associates	$ -	$ 9
Other related parties		
Nichia Taiwan Corp.	55,988	71,610
Others	75,908	49,600
Total	$ 131,896	$ 121,219

	For the six-month periods ended June 30,	
	2017	2016
Purchases of goods:		
Associates	$ -	$ 224
Other related parties		
Nichia Taiwan Corp.	105,428	159,083
Others	143,322	93,890
Total	$ 248,750	$ 253,197

The purchase prices charged by the above related parties were not materially different from those charged by non-related parties. For the six-month periods ended June 30, 2017 and 2016, the credit term was 60 ~ 120 days for the related parties and 90 ~ 120 days for the non-related parties for both periods.

C. Accounts receivable:

	June 30, 2017	December 31, 2016	June 30, 2016
Receivables from related parties:			
Associates	$ 700	$ 11,799	$ -
Other related parties	125,517	117,367	130,219
Less:Allowance for doubtful accounts	(1,200)	(818)	-
Total	$ 125,017	$ 128,348	$ 130,219

D. Accounts payable:

	June 30, 2017	December 31, 2016	June 30, 2016
Payables to related parties:			
Associates	$ -	$ -	$ 14
Other related parties			
Nichia Taiwan Corp.	102,071	147,166	140,737
Others	82,361	49,317	54,035
Total	$ 184,432	$ 196,483	$ 194,786

(3) Key management compensation

	For the three-month periods ended June 30,	
	2017	2016
Salaries and other short-term employee benefits	$ 23,327	$ 28,129
Post-employment benefits	116	138
Total	$ 23,443	$ 28,267

	For the six-month periods ended June 30,	
	2017	2016
Salaries and other short-term employee benefits	$ 50,408	$ 38,391
Post-employment benefits	230	302
Total	$ 50,638	$ 38,693

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value			Purpose of pledge	
Pledged assets	June 30, 2017	December 31, 2016	June 30, 2016	Creditor Bank	Type
Restricted assets-Time deposits, (shown as "other current assets)	$ 20,860	$ 20,860	$ 20,860	Chang Hwa Commercial Bank	Land lease and dormitory lease deposits
Property, plant and equipment	763,560	782,443	801,094	10 financial institutions including Taiwan Cooperative Bank	Long-term borrowings
	$ 784,420	$ 803,303	$ 821,954		

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(A) As of June 30, 2017, the guarantees provided by the Group through banks were as follows:

Guarantor	Nature of Guarantee	Amount
Chang Hwa Commercial Bank	Customs duty	$ 14,000
Chang Hwa Commercial Bank	Warranty	20,860
Mega International Commercial Bank	〃	6,512
Taipei Fubon Commercial Bank	〃	9,143
Taiwan Cooperative Bank	〃	1,768
Taishin International Bank	Borrowing	182,460
		$ 234,743

(B) As of June 30, 2017, the outstanding letters of credit issued for the importation of raw materials and machinery were as follows:

Amount (thousands)	
TWD	15,876
JPY	19,280
USD	691

(C) Operating lease commitments:

See Note 6(28).

(D) Pursuant to the syndicated borrowings facility agreement entered into by the Company with Taiwan Cooperative Bank and 9 other banks, the Company is required to maintain semi-annual current ratio at 100% or above, debt ratio at 150% or below, interest coverage ratio at 300% or above and net value of tangible assets at $5 billion or above. If the Company breaches the above debt covenants, it is required to adjust interest rates as committed in the agreement. If the Company fails to improve its interest rates before examination day, the Company will violate the above debt covenants.

(E) As of June 30, 2017 and 2016, the promissory notes issued by the Company and CS Bright Corporation for loans, performance guarantee for purchases and loans granted for subsidiaries amounted to $6,054,366 and $6,280,846, respectively.

(F) As of June 30, 2017, the capital expenditure contracted but not yet incurred is $12,925.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

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

As of June 30, 2017, December 31, 2016, and June 30, 2016, the gearing ratios were (51.56%), (37.54%) and (40.05%), respectively.

(2) Financial instruments

A. Fair value information of financial instruments

The Group used the book value of financial instruments measured at cost (including notes receivable, accounts receivable, other receivables, short-term borrowings, notes receivable, accounts payable and other payables) as its reasonable fair value. The fair value of long-term borrowings is based on the present value of expected future cash flows. Since long-term borrowings have floating interest rates, the carrying value is equivalent to the fair value. For information of financial instruments measured at fair value, please refer to Note 12(C).

B. Financial risk management policies

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2016.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with regards to the USD and JPY. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. The expired dates of these forward foreign exchange contracts are shorter than 6 months and are not accounted for under hedge accounting. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's

functional currency.

- As the foreign operations are strategic investments, the Company does not hedge for them.

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

	June 30, 2017			For the six-month period ended June 30, 2017 Sensitivity Analysis			
	Foreign currency amount (in thousands)	Exchange rate	Book value (TWD)	Extent of variation	Effect on profit or loss	Effect on other compre-hensive income	Unrealized exchange gain or (loss)
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD : TWD	$ 52,477	30.37	$ 1,593,726	1%	$ 15,937	$ -	($ 890)
JPY : TWD	487,005	0.2696	131,297	1%	1,313	-	(1,038)
CNY : TWD	28,132	4.461	125,497	1%	1,255	-	2,071
USD : CNY (Note)	4,120	6.7811	125,330	1%	1,253	-	(303)
Non-monetary items: None							
Financial liabilities							
Monetary items							
USD : TWD	$ 34,636	30.47	$ 1,055,359	1%	($ 10,554)	$ -	$ 891
JPY : TWD	637,811	0.2736	174,505	1%	(1,745)	-	143
USD : CNY (Note)	2,120	6.7811	64,490	1%	(645)	-	118
Non-monetary items: None							

	December 31, 2016			For the year ended December 31, 2016 Sensitivity Analysis			
	Foreign currency amount (in thousands)	Exchange rate	Book value (TWD)	Extent of variation	Effect on profit or loss	Effect on other compre-hensive income	Unrealized exchange gain or (loss)
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD : TWD	$ 50,476	32.20	$ 1,625,327	1%	$ 16,253	$ -	$ 27,137
JPY : TWD	624,071	0.2736	170,746	1%	1,707	-	(12,031)
CNY : TWD	17,919	4.5920	82,284	1%	823	-	(1,079)
USD : CNY (Note)	1,677	6.9851	54,083	1%	541	-	726
Non-monetary items: None							
Financial liabilities							
Monetary items							
USD : TWD	$ 31,879	32.30	$ 1,029,692	1%	($ 10,297)	$ -	($ 16,605)
JPY : TWD	615,752	0.2776	170,933	1%	(1,709)	-	13,959
USD : CNY (Note)	33	6.9851	1,064	1%	(11)	-	(55)
Non-monetary items: None							

	June 30, 2016			For the six-month period ended June 30, 2016 Sensitivity Analysis			
	Foreign currency amount (in thousands)	Exchange rate	Book value (TWD)	Extent of variation	Effect on profit or loss	Effect on other compre-hensive income	Unrealized exchange gain or (loss)
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD : TWD	$ 54,320	32.225	$ 1,750,462	1%	$ 17,505	$ -	($ 12,269)
JPY : TWD	559,089	0.3123	174,603	1%	1,746	-	8,494
USD : CNY (Note)	1,999	6.6615	64,418	1%	644	-	1,369
Non-monetary items: None							
Financial liabilities							
Monetary items							
USD : TWD	$ 35,932	32.325	$ 1,161,502	1%	($ 11,615)	$ -	$ 8,709
JPY : TWD	585,320	0.3163	185,137	1%	(1,851)	-	(9,455)
USD : CNY (Note)	3,039	6.6615	98,084	1%	(981)	-	(2,250)
Non-monetary items: None							

Note：If the consolidated entities' functional currency is not TWD, the foreign currency denominated assets and liabilities of the consolidated entities should be disclosed. For example, when the functional currency of a subsidiary is CNY, its USD foreign currency positions should also be disclosed.

Price risk

- The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these domestic funds, equity securities of listed company or unlisted company had increased/decreased by 5%, 20% or 10%, respectively, with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2017 and 2016 would have increased/decreased by $24,596 and $31,328, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $116,382 and $56,211 as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- The Group's interest rate risk arises from long-term borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at floating rates. During the six-month periods ended June 30, 2017 and 2016, the Group's borrowings at floating rate were denominated in TWD and USD.

- At June 30, 2017 and 2016, if interest rates on borrowings had been 100 basis point higher/lower with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2017 and 2016 would have been $1,075 and $4,253 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors, the utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as operating activities, including outstanding receivables.

ii. As the counterparties of deposits and other financial instruments are creditworthy banks and financial institutions with good rating, there is no significant doubt arising from default and credit risk.

iii As of June 30, 2017, December 31, 2016, and June 30, 2016, the Group's 10 largest customers accounted for 71%, 70% and 64% of the balance of the Group's accounts receivable, respectively. The centralized credit risk of other accounts receivable is not relatively significant.

iv. Ageing analysis of financial assets that were overdue but not impaired: Please refer to Note 6(4).

v. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial asset in Note 6.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.

ii. The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

Non-derivative financial liabilities：

June 30, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 778,483	$ -	$ -	$ -	$ -
Notes payable	875	-	-	-	-
Accounts payable (including related parties)	813,735	-	-	-	-
Other payables	1,298,890	-	-	-	-
Long-term borrowings (including current portion)	261,511	-	-	-	-

Non-derivative financial liabilities：

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 563,683	$ -	$ -	$ -	$ -
Notes payable	1,541	-	-	-	-
Accounts payable (including related parties)	866,695	-	-	-	-
Other payables	541,159	-	-	-	-
Long-term borrowings (including current portion)	427,279	-	-	-	-

Non-derivative financial liabilities：

June 30, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 663,560	$ -	$ -	$ -	$ -
Notes payable	851	-	-	-	-
Accounts payable (including related parties)	997,844	-	-	-	-
Other payables	1,214,747	-	-	-	-
Long-term borrowings (including current portion)	217,478	831,098	-	-	-

Derivative financial liabilities:

As of June 30, 2017 and December 31, 2016, the periods of derivative financial liabilities are all less than 1 year.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

Level 3: Unobservable inputs for the asset or liability.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at June 30, 2017, December 31, 2016 and June 30, 2016, is as follows:

June 30, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Domestic funds	$ 491,915	$ -	$ -	$ 491,915
Available-for-sale financial assets				
Equity securities	280,641	-	602,534	883,175
Total	$ 772,556	$ -	$ 602,534	$ 1,375,090
Liabilities:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contract	$ -	$ 1,952	$ -	$ 1,952

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Domestic funds	$ 491,089	$ -	$ -	$ 491,089
Available-for-sale financial assets				
Equity securities	310,817	-	602,534	913,351
Total	$ 801,906	$ -	$ 602,534	$ 1,404,440
Liabilities:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contract	$ -	$ 1,912	$ -	$ 1,912

June 30, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Domestic funds	$ 626,551	$ -	$ -	$ 626,551
Forward exchange contracts	-	693	-	693
Available-for-sale financial assets				
Equity securities	-	-	562,108	562,108
Non-recurring fair value measurements				
Non-current assets held for sale (Note)	113,480	-	-	113,480
Total	$ 740,031	$ 693	$ 562,108	$ 1,302,832

Note: Under IFRS 5, assets held for sale must be measured at fair value less costs to sell when the fair value less the cost to sell is lower than the carrying amount.

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

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are composed of: listed shares using closing price and open-end fund using net asset value at balance sheet date.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

(c) When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. Forward exchange contracts are usually valued based on the current forward exchange rate.

(d) The market approach is used by the Group to measure its assets held for disposal, which is calculates the ratio of recent identical or similar transaction price to sales as an observable input to project the fair value of the disposal group.

(e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group’s financial and non-financial instruments.

Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. For the six-month periods ended June 30, 2017 and 2016, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 financial instruments of equity securities for the six-month periods ended June 30, 2017 and 2016.

	2017	2016
At January 1 (June 30)	$ 602,534	$ 562,108

Note: Recorded as unrealised valuation gain or loss of available-for-sale financial assets.

F. For the six-month periods ended June 30, 2017 and 2016, there was no transfer into or out from Level 3.

G. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions and reviewing periodically.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at June 30, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	$ 602,534	Market comparable companies	Price to earnings ratio multiple	0.59-0.79	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	27.9%~30.6%	The higher the discount for lack of marketability, the lower the fair value.

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	$ 602,534	Market comparable companies	Price to earnings ratio multiple	0.59-0.79	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	27.9%~30.6%	The higher the discount for lack of marketability, the lower the fair value.

	Fair value at June 30, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	$ 562,108	Market comparable companies	Price to earnings ratio multiple	0.62~1.12	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	18%~37%	The higher the discount for lack of marketability, the lower the fair value.
		Discounted Cash flow	Weighted average cost of capital	10.74%	The higher the weighted average cost of capital, the lower the fair value.
			Discount for lack of volatility	36.00%	The higher the discount for lack of marketability, the lower the fair value.

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference measurements. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			June 30, 2017			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount of lack of volatility	±5%	$ -	$ -	$ 9,307	($ 9,307)

			June 30, 2016			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount of lack of volatility	±5%	$ -	$ -	$ 13,764	($ 13,764)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

There was no significant change in the reporting period. Please refer to Note 14 in the consolidated financial statements for the year ended December 31, 2016.

(2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	For the three-month period ended June 30, 2017				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	$ 1,088,030	$ 208,148	$ 86,809	$ 6,082	$ 1,389,069
Segment income (loss)	$ 192,232	($ 4,060)	$ 14,073	($ 1,425)	$ 200,820

	For the three-month period ended June 30, 2016				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	$ 1,099,394	$ 201,648	$ 99,565	$ -	$ 1,400,607
Segment income (loss)	$ 191,712	$ 53,754	($ 8,299)	$ 65,671	$ 302,838

	For the six-month period ended June 30, 2017				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	$ 2,108,338	$ 680,378	$ 162,447	$ 10,920	$ 2,962,083
Segment income (loss)	$ 374,242	$ 63,392	$ 17,727	($ 31,250)	$ 424,111

	For the six-month period ended June 30, 2016				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	$ 2,073,221	$ 510,534	$ 173,062	$ -	$ 2,756,817
Segment income (loss)	$ 344,170	$ 70,106	($ 21,225)	$ 50,766	$ 443,817

(3) Reconciliation for segment income (loss)

A. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

B. A reconciliation of reportable segment income or loss to the income (loss) before tax from continuing operations is measured in a manner consistent with that in the statement of comprehensive income.

Opto Tech Corporation and subsidiaries

Loans to others

For the six-month period ended June 30, 2017

Table 1

Expressed in thousands of TWD

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the six-month period ended June 30, 2017	Balance at June 30, 2017	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 4、5)	Remark
0	Opto Tech Corp.	Opto Tech (Suzhou) Co., Ltd.	Other receivables-Related Parties	Yes	$ 306,054	$ 75,925	$ 66,814	2.06294%	2	$ -	Pay debt	$ -	None	$ -	$ 764,218	$ 3,056,872	
1	CS Bright Corp.	Opto Plus Technology Co., Ltd.	Other receivables-Related Parties	Yes	38,171	33,857	33,857	-	1	187,582	None	-	None	-	187,582	24,614	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is “0”.

(2)The subsidiaries are numbered in order starting from “1”.

Note 2: Relationship with the borrower is classified into the following categories:

(1)The borrower having business relationship is numbered as “1”.

(2) The borrower having the needs of short-term financing is numbered as “2”.

Note 3: Limit on loans granted to a single party, which has the needs of short-term financing with the Company should not exceed 10% of the Company’s latest net asset value. Besides, limit on loans granted to a single party, which has business relationship with the subsidiaries should not exceed total amount that the two sides trade in the recent year.

Note 4: Total amount of loans of the Company should not exceed 40% of the net value of the Company’s latest net asset value, and total amount of loans of the subsidiaries should not exceed 20% of the net values of the subsidiaries’ latest net asset values.

Note 5: At first, the amount of loans which CS Bright Corp. (the indirect subsidiary of Opto Tech Corp.) granted to Opto Plus (the indirect subsidiary of Opto Tech Corp.) did not exceed the ceiling on total loans granted. However, due to disadvantageous operating conditions and decreasing net asset value of CS Bright Corp., the loans granted have exceeded the limit.

Opto Tech Corporation and subsidiaries

Provision of endorsements and guarantees to others

For the six-month period ended June 30, 2017

Table 2

Expressed in thousands of TWD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2017	Outstanding endorsement/ guarantee amount at June 30, 2017	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Remark
0	Opto Tech Corp.	CS Bright Corp.	3	$ 1,528,436	$ 79,690	$ 69,141	$ 35,000	$ -	0.90%	$ 3,821,091	Y	N	N	-
0	〃	Opto Plus Technology Co., Ltd.	3	1,528,436	193,800	182,280	152,651	-	2.39%	3,821,091	Y	N	Y	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is “0”.

(2)The subsidiaries are numbered in order starting from “1”.

Note 2: Relationship with the endorser/guarantor is classified into the following categories:

(1) Having business relationship.

(2) The Company owns more than 50% voting shares of the endorsed/guaranteed company.

(3) The Company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorsed/guaranteed company directly or indirectly owns more than 50% voting shares of the endorser/guarantor.

(5) Mutual guarantees in the same trade due to construction undertaking pursuant to the contracts.

(6) Due to joint venture, each shareholder provides guarantees for the company in proportion to its ownership.

Note 3: Under the Company’s “Procedures for Provision of Endorsements and Guarantees”, the Company’s total guarantees and endorsements to others should not exceed 50% of the Company’s net asset value, and total guarantees and endorsements provided for a single party should not exceed 20% of the Company’s net asset value. The calculation is shown below:

(1) $7,642,181 thousand dollars × 20% ＝ $1,528,436 thousand dollars

(2) $7,642,181 thousand dollars × 50% ＝ $3,821,091 thousand dollars

Opto Tech Corporation and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

June 30, 2017

Table 3

Expressed in thousands of TWD

					As of June 30, 2017				
Securities held by	Type of marketable securities	Name of marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Remark
Opto Tech Corp.	Stock	AXT, Inc.	None.	Available-for-sale financial assets - non-current	124,100	$ -	-	$ -	Note
〃	〃	Nichia Corp.	This company is the parent company of Nichia Taiwan Corp.	〃	10,000	416,362	0.45	416,362	None
〃	〃	Viking Tech Corporation.	None.	〃	6,826,994	126,982	5.82	126,982	None
〃	〃	Lu Zhu Development Co., Ltd.	None.	〃	12,551,625	126,779	6.38	126,779	None
〃	〃	Giga Epitaxy Technology Corp.	The Company is the director of this company.	〃	13,794,000	33,889	19.00	33,889	None
〃	〃	Shin-Etsu Opto Electronic Co., Ltd.	The Company is the director of this company.	〃	2,000,000	25,504	10.00	25,504	None
〃	〃	Top Increasing Technology Co., Ltd.	None.	〃	10,000,000	-	16.67	-	None
〃	〃	Action Media Technologies, Inc.	None.	〃	75,000	-	1.96	-	None
Ho Chung Investment Co., Ltd.	〃	Opto Tech Corp.	Parent company	Financial assets at fair value through profit or loss - current	1,107,276	19,543	0.20	19,543	None
〃	〃	Viking Tech Corporation	None.	Available-for-sale financial assets - non-current	2,392,120	44,493	2.04	44,493	None
Jyu Shin Investment Co., Ltd (Jyu Shin investment)	〃	Viking Tech Corporation	None.	〃	5,869,120	109,166	5.00	109,166	None
Opto Tech (Suzhou) Co., Ltd.	Others	Jin Misa Technology Co., Ltd.	None.	〃	-	-	15.00	-	None
Opto Tech Corp.	Fund	Yuanta Wan Tai Money Market fund	None.	Financial assets at fair value through profit or loss - current	5,398,741	81,166	None	81,166	None
〃	〃	Mega Diamond Money Market fund	None.	〃	7,346,301	91,378	None	91,378	None
〃	〃	Franklin Templeton Sinoam Money Market fund	None.	〃	4,448,043	45,597	None	45,597	None
〃	〃	Yuanta De-Bao Moneyh Market fund	None.	〃	5,933,683	70,776	None	70,776	None
〃	〃	Capital Money Market fund	None.	〃	635,397	10,172	None	10,172	None
〃	〃	UPAMC James Bond Money Market fund	None.	〃	1,224,826	20,314	None	20,314	None
〃	〃	Taishin 1699 Money Market fund	None.	〃	3,788,555	50,844	None	50,844	None
〃	〃	Taiwan Money Market fund	None.	〃	5,355,704	81,275	None	81,275	None
〃	〃	FSITC Money Market fund	None.	〃	170,700	30,218	None	30,218	None
〃	〃	Jih Sun Money Market fund	None.	〃	692,329	10,175	None	10,175	None

Note : The 124,000 shares of AXT, Inc. which are owned by the Company, are preferred stocks.

Opto Tech Corporation and subsidiaries

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

For the six-month periods ended June 30, 2017

Table 4

Expressed in thousands of TWD

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Remark
Opto Tech Corp.	Shin-Etsu Opto Electronic Co., Ltd.	The company is the director of this company.	Sales	220,115	(7.85%)	90 days	The unit prices are equivalent to third parties.	-	113,067	6.14%	-
〃	Nichia Taiwan Corp.	The company is the director of this company.	Purchases	105,428	9.05%	120 days	"	-	102,071	(13.27%)	-
Opto Plus Technology Co., Ltd.	CS Bright Corp.	The company is the indirect subsidiary of this company.	Sales	100,993	(77.69%)	90 days	"	-	57,769	82.71%	-

Opto Tech Corporation and subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

June 30, 2017

Table 5

Expressed in thousands of TWD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2017	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Opto Tech Corp.	Shin-Etsu Opto Electronic Co., Ltd.	The company is the director of this company.	$ 113,067	4.40	$ 5,673	-	$ 36,591	$ 1,135

Opto Tech Corporation and subsidiaries
Significant inter-company transactions during the reporting periods
For the six-month period ended June 30, 2017

Table 6

Expressed in thousands of TWD

				Transaction			
Number	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
1	Opto Tech Corporation	Opto Tech (Suzhou) Co. Ltd.	1	Other receivable-related party	$ 66,814	-	0.60%
2	CS Bright Corp.	Opto Plus Technology Co., Ltd.	3	Accounts receivable	62,243	Note 4	0.56%
2	CS Bright Corp.	Opto Plus Technology Co., Ltd.	3	Other receivable-related party	33,857	-	0.30%
3	Opto Plus Technology Co., Ltd.	CS Bright Corp.	3	Sales	100,993	Note 4	3.41%
3	Opto Plus Technology Co., Ltd.	CS Bright Corp.	3	Accounts receivable	57,769	Note 4	0.52%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1)Parent company is “0”.
(2)The subsidiaries are numbered in order starting from “1”.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1)Parent company to subsidiary.
(2)Subsidiary to parent company.
(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The unit sales prices are equivalent to third parties. The credit term was 30~85 days for the related parties.

Note 5: The disclosure standard requires above $10,000 thousand for the transaction amount. Only assets and revenue are disclosed, related transactions are not disclosed.

Opto Tech Corporation and subsidiaries

Information on investees

For the six-month period ended June 30, 2017

Table 7

Expressed in thousands of TWD

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as of June 30, 2017	Initial investment amount: Balance as of December 31, 2016	Shares held as at June 30, 2017: Number of shares	Shares held as at June 30, 2017: Ownership (%)	Shares held as at June 30, 2017: Book value	Net income (loss) of the investee	Investment income (loss) recognized by investor	Remark
Opto Tech Corp.	Opto Technology International Group Co., Ltd.	Cayman Islands	Holding Company	$ 443,110	$ 443,110	14,000,000	100.00	($ 7,835)	($ 811)	($ 811)	Subsidiary of the Company
Opto Tech Corp.	Ho Chung Investment Co., Ltd.	Taiwan	Investment business	310,300	310,300	6,494,000	100.00	161,542	7,187	3,090	Subsidiary of the Company
Opto Tech Corp.	Jyu Shin Investment Co., Ltd.	Taiwan	Investment business	125,687	125,687	12,568,706	100.00	261,890	14,939	14,939	Subsidiary of the Company
Opto Tech Corp.	Source Ever Limited	B.V. I.	International trading	5,725	5,725	200,001	100.00	1,816	(131)	(131)	Subsidiary of the Company
Opto Tech Corp.	Opto Tech (Macao) Co., Ltd.	Macao	International trading	4,096	4,096	-	100.00	15,787	(1,473)	(1,473)	Subsidiary of the Company
Ho Chung Investment Co., Ltd.	VML TECHNOLOGIES B.V.	Netherlands	Manufacture and Design of system products	37,436	37,436	6,000	25.00	4,023	11,306	2,827	Investment accounted for using equity method
Jyu Shin Investment Co., Ltd.	CS Bright Corporation	Taiwan	Manufacture and Sales of Displays, SMD Lamps and other LED related products	50,170	50,170	4,993,562	99.87	119,473	14,915	14,896	Indirect subsidiary of the Company
CS Bright Corporation	Bright Investment International Ltd.	B.V. I.	Investment business	171,332	171,332	5,100,000	100.00	888	2,532	6,846	Indirect subsidairy
Bright Investment International Ltd.	Everyung Investment Ltd.	Samoa	Investment business	168,421	168,421	5,000,000	50.00	33,934	5,624	2,809	Indirect subsidairy
Opto Technology International Group Co., Ltd.	Opto Tech (Cayman) Co., Ltd.	Cayman Islands	Holding Company	294,360	294,360	9,000,000	100.00	(46,281)	(3,318)	(3,318)	Indirect subsidairy
Opto Technology International Group Co., Ltd.	Everyung Investment Ltd.	Samoa	Investment business	148,910	148,910	5,000,000	50.00	33,934	5,624	2,812	Indirect subsidairy

Opto Tech Corporation and subsidiaries

Information on investments in Mainland China

For the six-month period ended June 30, 2017

Table 8

Expressed in thousands of TWD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance to Mainland China as of January 1, 2017	Amount remitted to Mainland China during the period	Amount remitted back to Taiwan during the period	Accumulated amount of remittance to Mainland China as of June 30, 2017	Net income of investee as of June 30, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2017 (Note 2)	Book value of investments in Mainland China as of June 30, 2017	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2017	Remark
Opto Tech (Suzhou) Co., Ltd.	Research, Design and Manufacture of LED Display, Wireless Communication Equipment and related parts	$ 294,708	(2)	$ 294,708	$ -	$ -	$ 294,708	($ 2,825)	100.00%	($ 2,825)	($ 54,916)	$ -	
Opto Plus Technology Co., Ltd.	Manufacture and Sales of LED and Electronic products	317,341	(2)	317,341	-	-	317,341	5,624	99.94%	5,621	67,868	-	

Note 1: The investment methods are classified into three categories as follows:

(1) Directly investing in the investee company in Mainland China. (Opto Tech (Cayman) Co., Ltd. invests Opto Tech (Suzhou) Co., Ltd. and Everyung Investment Ltd. invests Opto plus Technology Co., Ltd.)

(2) Through investing in an existing company in the third area, which then invested in the investee company in Mainland China.

(3) Others.

Note 2: The investment income or loss was recognised by indirect weighted ownership based on the financial statements of these investees which were not reviewed by the independent accountants of the parent company for the corresponding periods.

Investments in Mainland China for the six-month period ended June 30, 2017:

Name of company	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Opto Tech Corp.	$ 612,049	$ 612,557	$ 4,585,309

Opto Tech Corporation and its subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the six-month period ended June 30, 2017

Table 9

Expressed in thousands of TWD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at June 30, 2017	%	Balance at June 30, 2017	Purpose	Maximum balance during the six month period ended June 30, 2017	Balance at June 30, 2017	Interest rate	Interest during the six-month period ended June 30, 2017	
Opto Tech (Suzhou) Co., Ltd.	$ -	-	$ -	-	$ -	-	$ -	-	$ 306,054	$ 75,925	2.06294%	$ 901	None
Opto Plus Technology Co., Ltd.	5,012	0.17	-	-	3,725	0.20	182,280	Guarantee of bank line of credit	38,171	33,857	-	-	None