OPTO TECH CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT

ACCOUNTANTS

MARCH 31, 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 17000139

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 March 31, 2017 and 2016 and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-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 $786,059 thousand and $1,921,997 thousand, representing 7.24% and 16.16% of the consolidated total assets, and total liabilities amounted to $280,379 thousand and $687,651 thousand, representing 10.21% and 17.02% of the consolidated total liabilities as of March 31, 2017 and 2016, respectively. Total comprehensive (loss) income (including income and loss of the associates accounted for using the equity method) amounted to $1,754 thousand and ($3,685) thousand for the three-month periods ended March 31, 2017 and 2016, respectively, representing 0.98% and (2.71%) of the total comprehensive income (loss), 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

May 11, 2017

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

OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2017 and 2016 are reviewed, not audited)

		March 31, 2017		December 31, 2016		March 31, 2016	
Assets	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	$ 3,320,264	31	$ 3,143,617	29	$ 4,015,700	34
Financial assets at fair value through	6(2)						
profit or loss - current		492,758	5	491,089	5	626,388	5
Notes receivable, net		19,119	-	25,712	-	9,520	-
Accounts receivable - net	6(4)	1,653,076	15	1,494,723	14	1,446,187	12
Accounts receivable - related parties	7						
- net		132,140	1	128,348	1	124,207	1
Other receivables		10,247	-	11,383	-	12,459	-
Inventories - net	6(5)	1,142,233	11	1,361,514	13	1,170,993	10
Prepayments		23,324	-	34,056	-	45,480	1
Non-current assets held for sale - net	6(9)	-	-	-	-	96,453	1
Other current assets	8	25,217	-	26,123	-	27,673	-
Current Assets		6,818,378	63	6,716,565	62	7,575,060	64
Non-current assets							
Available-for-sale financial assets -	6(3)						
non-current		908,824	8	913,351	8	626,798	5
Investments accounted for using	6(6)						
equity method		4,256	-	1,202	-	436,042	4
Property, plant and equipment - net	6(7) and 8	2,948,175	27	2,985,178	28	3,061,975	26
Intangible assets	6(8)	10,575	-	9,313	-	9,232	-
Deferred tax assets		111,253	1	107,136	1	128,240	1
Other non-current assets	6(10)(27)	57,223	1	72,711	1	53,689	-
Non-current assets		4,040,306	37	4,088,891	38	4,315,976	36
Total assets		$ 10,858,684	100	$ 10,805,456	100	$ 11,891,036	100

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OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2017 and 2016 are reviewed, not audited)

		March 31, 2017		December 31, 2016		March 31, 2016	
Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
Short-term loans	6(11)	$ 595,285	6	$ 563,683	5	$ 655,236	5
Financial liabilities at fair value through profit or loss - current	6(2)	-	-	1,912	-	-	-
Notes payable		2,015	-	1,541	-	2,592	-
Accounts payable		593,984	5	670,212	6	611,884	5
Accounts payable - related parties	7	196,131	2	196,483	2	228,292	2
Other payables		594,983	5	541,159	5	550,017	5
Current income tax liabilities		97,741	1	58,427	1	96,269	1
Provisions for liabilities - current	6(15)	11,096	-	8,705	-	8,837	-
Other current liabilities	6(12)(28)	402,431	4	558,579	5	600,663	5
Current Liabilities		2,493,666	23	2,600,701	24	2,753,790	23
Non-current liabilities							
Long-term loans	6(12), 8 and 9	-	-	-	-	975,173	8
Provisions for liabilities - non-current	6(15)	42,417	-	45,163	1	49,742	1
Deferred tax liabilities		6,525	-	8,434	-	56	-
Other non-current liabilities		202,946	2	237,385	2	260,631	2
Non-current liabilities		251,888	2	290,982	3	1,285,602	11
Total Liabilities		2,745,554	25	2,891,683	27	4,039,392	34
Equity attributable to owners of parent							
Capital	6(16)						
Common stock		5,469,181	50	5,456,621	50	5,456,621	46
Capital Reserve	6(17)						
Capital surplus		646,511	6	639,351	6	641,656	6
Retained Earnings	6(18)						
Legal reserve		451,300	4	451,300	4	393,962	3
Unappropriated earnings		1,623,589	15	1,437,596	13	1,334,898	11
Other Equity Adjustments							
Other equity interest	6(19)	(54,333)	-	(47,974)	-	47,653	-
Treasury stocks	6(16)	(26,699)	-	(26,699)	-	(26,699)	-
Equity attributable to owners of parent		8,109,549	75	7,910,195	73	7,848,091	66
Non-controlling interest		3,581	-	3,578	-	3,553	-
Total equity		8,113,130	75	7,913,773	73	7,851,644	66
Total liabilities and equity		$ 10,858,684	100	$ 10,805,456	100	$ 11,891,036	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 for earnings per share amounts)
(Unaudited)

		Three months ended March 31			
		2017		2016	
Items	Notes	AMOUNT	%	AMOUNT	%
Operating revenue	7	$ 1,573,014	100	$ 1,356,210	100
Operating costs	6(5)(23)(24) and 7	(1,083,716)	(69)	(956,034)	(70)
Gross profit, net		489,298	31	400,176	30
Operating Expenses	6(23)(24)				
Selling expenses		(31,916)	(2)	(35,645)	(2)
General and administrative expenses		(123,257)	(8)	(131,917)	(10)
Research and development expenses		(82,871)	(5)	(77,263)	(6)
Total operating expenses		(238,044)	(15)	(244,825)	(18)
Operating income		251,254	16	155,351	12
Non-operating income and expenses					
Other income	6(20)	20,633	1	21,487	2
Other gains and losses	6(21)	(45,833)	(3)	(28,229)	(2)
Finance costs	6(22)	(6,044)	-	(10,698)	(1)
Share of profit of associates and joint ventures accounted for using equity method	6(6)	3,281	-	3,068	-
Total non-operating income and expenses		(27,963)	(2)	(14,372)	(1)
Profit before income tax		223,291	14	140,979	11
Income tax expense	6(25)	(37,293)	(2)	(24,884)	(2)
Net income		$ 185,998	12	$ 116,095	9
Other comprehensive income (loss)					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences of foreign operations	6(19)	($ 1,607)	-	($ 172)	-
Unrealized (loss) gain on valuation of available-for-sale financial assets	6(3)(19)	(4,527)	(1)	20,114	1
Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method - items that may be reclassified to profit or loss	6(19)	(227)	-	59	-
Other comprehensive (loss) income for the period, net of income tax		($ 6,361)	(1)	$ 20,001	1
Total comprehensive income for the period		$ 179,637	11	$ 136,096	10
Profit attributable to:					
Owners of the parent		$ 185,993	12	$ 116,092	9
Non-controlling interest		5	-	3	-
		$ 185,998	12	$ 116,095	9
Total comprehensive income attributable to:					
Owners of the parent		$ 179,634	11	$ 136,093	10
Non-controlling interest		3	-	3	-
		$ 179,637	11	$ 136,096	10
Earnings per share					
Profit for the period	6(26)	$ 0.34		$ 0.21	
Diluted earnings per share					
Profit for the period	6(26)	$ 0.34		$ 0.21	

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	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
Three-month period ended March 31, 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
Net income for the period		-	-	-	116,092	-	-	-	116,092	3	116,095
Other comprehensive (loss) income for the period	6(19)	-	-	-	-	(113)	20,114	-	20,001	-	20,001
Balance at March 31, 2016		$5,456,621	$ 641,656	$ 393,962	$ 1,334,898	$ 4,700	$ 42,953	($ 26,699)	$7,848,091	$ 3,553	$7,851,644
Three-month period ended March 31, 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
Employee options exercised	6(14)	12,560	7,160	-	-	-	-	-	19,720	-	19,720
Net income for the period		-	-	-	185,993	-	-	-	185,993	5	185,998
Other comprehensive loss for the period	6(19)	-	-	-	-	(1,832)	(4,527)	-	(6,359)	(2)	(6,361)
Balance at March 31, 2017		$5,469,181	$ 646,511	$ 451,300	$ 1,623,589	$ 1,267	($ 55,600)	($ 26,699)	$8,109,549	$ 3,581	$8,113,130

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	Three-month periods ended March 31 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 223,291	$ 140,979
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(7)(23)	97,774	95,455
Amortization	6(8)(23)	3,084	3,323
Amortization of land use right	6(10)	26	77
Recovery of bad debts expense	6(4) and 7	(1,248)	(1,566)
Net gain on financial assets and liabilities at fair value through profit or loss	6(2)(21)	(3,580)	(926)
Interest expense	6(22)	5,699	10,329
Interest income	6(20)	(2,943)	(4,796)
Dividend income	6(20)	(13,480)	(14,230)
Share of profit of associates accounted for using equity method		(3,281)	(3,068)
Loss (gain) on disposal of property, plant and equipment	6(21)	19	(124)
Gain on sale of investments	6(21)	-	(179)
Reversal of impairment loss on non-financial assets	6(7)(21)	(15)	(2,340)
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Notes receivable - net		6,593	3,886
Accounts receivable - net		(156,058)	(9,395)
Accounts receivable - related parties - net		(2,974)	(15,627)
Other receivables		1,223	19,271
Inventories - net		219,281	(26,789)
Prepayments		10,732	5,091
Other current assets		906	(1,075)
Other non-current assets		7,488	5,807
Changes in operating liabilities			
Notes payable		474	2,373
Accounts payable		(76,228)	145
Accounts payable - related parties		(352)	(42,168)
Other payables		53,583	(1,715)
Provisions for liabilities		207	(873)
Other current liabilities		(40,048)	326,414
Net defined benefit liability		(34,668)	142
Cash inflow generated from operations		295,505	488,421
Interest received		2,856	4,829
Dividends received		13,480	14,230
Interest paid		(5,459)	(10,784)
Income tax paid		(4,005)	(3,110)
Net cash flows from operating activities		302,377	493,586

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

	Notes	Three-month periods ended March 31 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets		$ -	$ 179
Acquisition of property, plant and equipment	6(7)	(69,999)	(70,184)
Proceeds from disposal of property, plant and equipment	6(7)	215	3,154
Decrease (increase) in deposits-out		7,974	(3,626)
Acquisition of intangible assets	6(8)	(4,346)	(2,623)
Net cash flows used in investing activities		(66,156)	(73,100)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans		936,649	645,636
Decrease in short-term loans		(894,267)	(906,818)
Increase in long-term loans		242,640	737,711
Decrease in long-term loans		(358,740)	(801,281)
Increase in guarantee deposits		229	2
Employee options exercise	6(14)	19,720	-
Net cash flows used in financing activities		(53,769)	(324,750)
Effect of change in exchange rate		(5,805)	102
Net increase in cash and cash equivalents		176,647	95,838
Cash and cash equivalents at beginning of period		3,143,617	3,919,862
Cash and cash equivalents at end of period		$ 3,320,264	$ 4,015,700

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 May 11, 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 issued in the IFRSs, 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 operating result 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

None.

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 operating result based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, ‘Financial instruments’

(a) 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 customers"

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

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

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 license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. IFRS 16, 'Leases'

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

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 Standards as endorsed by the FSC.

B. The consolidated financial statements are to be read in conjunction with the consolidated financial statements 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 (%) March 31, 2017	Ownership (%) December 31, 2016	Ownership (%) March 31, 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	-	Notes 3 and 5
Opto	Opto Tech (Cayman) Co., Ltd. (Cayman)	Investment business	100.00	100.00	100.00	Note 5
Opto	Opto Grand (Cayman) Co., Ltd. (Opto Grand)	Investment business	-	-	100.00	Notes 2 and 5
Opto	Everyung Investment Ltd. (Everyung)	Investment business	50.00	50.00	50.00	Note 5
Jyu Shin Investment Co., Ltd.	CS Bright Corporation (CSB)	Manufacture and sales of LED and electronic products	99.87	99.87	99.87	"
Cayman	Opto Tech (Macao) Co., Ltd. (Opto Macao)	International trading	-	-	100.00	Notes 3 and 5
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	100.00	100.00	100.00	Notes 4 and 5

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) March 31, 2017	Ownership (%) December 31, 2016	Ownership (%) March 31, 2016	Description
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 March 31, 2017, the liquidation is still under process.

Note 5: The financial statements of the non-substantial subsidiaries as of and for the three-month periods ended March 31, 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 have been no significant change as of March 31, 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

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand	$ 519	$ 532	$ 548
Checking demand deposits	768,964	838,458	1,161,015
Time deposits	1,779,381	1,603,621	2,634,137
Cash equivalents -Resale bonds	771,400	701,006	220,000
Total	$ 3,320,264	$ 3,143,617	$ 4,015,700

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	March 31, 2017	December 31, 2016	March 31, 2016
Current items:			
Financial assets held for trading			
Funds	$ 485,000	$ 485,000	$ 620,000
Valuation adjustment of financial assets held for trading			
Funds	6,478	6,089	6,062
Forward exchange contracts	1,271	-	326
Total	$ 492,749	$ 491,089	$ 626,388
Valuation adjustment of financial liabilities held for trading			
Forward exchange contracts	$ -	$ 1,912	$ -

A. The Group recognised net gain of $3,580 and $926 on financial assets held for trading for the three-month periods ended March 31, 2017 and 2016, respectively.

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

Derivative Instruments	March 31, 2017 Contract Amount (Nominal Principal)	Contract period
Current items:		
Forward exchange contracts	USD $ 3,000 (thousands)	March 1, 2017~ April 18, 2017

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

Derivative Instruments	March 31, 2016 Contract Amount (Nominal Principal)	Contract period
Current items:		
Forward exchange contracts	USD $ 1,000 (thousands)	March 25, 2016~ April 26, 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	March 31, 2017	December 31, 2016	March 31, 2016
Non-current items:			
Listed stocks	$ 386,258	$ 386,258	$ 11,988
Unlisted stocks	571,857	571,857	571,857
Subtotal	958,115	958,115	583,845
Valuation adjustment of available-for-sale financial assets	(49,291)	(44,764)	42,953
Total	$ 908,824	$ 913,351	$ 626,798

A. The Group recognised ($4,527) and $20,114 in other comprehensive income (loss) for the three-month periods ended March 31, 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

	March 31, 2017	December 31, 2016	March 31, 2016
Accounts receivable	$ 1,719,844	$ 1,563,786	$ 1,546,318
Less: Allowance for doubtful accounts	(66,768)	(69,063)	(100,131)
	$ 1,653,076	$ 1,494,723	$ 1,446,187

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:

	March 31, 2017	December 31, 2016	March 31, 2016
Up to 180 days	$ 81,789	$ 91,849	$ 79,783
181 to 365 days	1,260	1,948	13,066
Over 365 days	9,569	24,066	46,135
	$ 92,618	$ 117,863	$ 138,984

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 March 31, 2017, December 31, 2016 and March 31, 2016, accounts receivable that had been individual provision impaired were $939, $1,065 and $45,040 respectively.

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

	March 31, 2017		
	Individual provision	Group provision	Total
At January 1	$ 1,065	$ 67,998	$ 69,063
Reversal of impairment	(126)	(304)	(430)
Effect of exchange rate	-	(1,865)	(1,865)
At March 31	$ 939	$ 65,829	$ 66,768

	March 31, 2016		
	Individual provision	Group provision	Total
At January 1	$ 46,713	$ 54,398	$ 101,111
Provision for impairment	-	103	103
Reversal of impairment	-	(305)	(305)
Write-offs during the period	(617)	-	(617)
Effect of exchange rate	(1,056)	895	(161)
At March 31	$ 45,040	$ 55,091	$ 100,131

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

(5) Inventories

	March 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 406,801	($ 225,473)	$ 181,328
Supplies	216,438	(16,252)	200,186
Work in process	413,814	(46,225)	367,589
Semi-finished goods	134,862	(60,576)	74,286
Finished goods	376,595	(57,751)	318,844
Total	$ 1,548,510	($ 406,277)	$ 1,142,233

	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

	March 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 516,927	($ 248,025)	$ 268,902
Supplies	199,853	(22,031)	177,822
Work in process	325,304	(16,519)	308,785
Semi-finished goods	208,908	(87,438)	121,470
Finished goods	350,238	(56,224)	294,014
Total	$ 1,601,230	($ 430,237)	$ 1,170,993

The cost of inventories recognised as expense for the period:

	For the three-month periods ended March 31,	
	2017	2016
Cost of goods sold	$ 1,077,262	$ 997,998
(Reversal of) Loss on decline in market value	6,454	(41,964)
	$ 1,083,716	$ 956,034

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	3,281	3,068
Change in other equity items (Note 6(19))	(227)	59
At March 31	$ 4,256	$ 436,042

Associated enterprises	March 31, 2017	December 31, 2016	March 31, 2016
Viking Tech Corporation	$ -	$ -	$ 436,042
VML TECHNOLOGIES B.V.	4,256	1,202	-
	$ 4,256	$ 1,202	$ 436,042

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

	Viking Tech Corporation
	March 31, 2016
Current assets	$ 1,898,701
Non-current assets	1,384,033
Current liabilities	(669,718)
Non-current liabilities	(92,978)
Total net assets	$ 2,520,038

	Viking Tech Corporation
	For the three-month periods ended March 31, 2016
Revenue	$ 401,563
Profit for the period from continuing operations	$ 18,003
Other comprehensive income - net of tax	319
Total comprehensive income	$ 18,322
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 March 31, 2016 was $508,796.

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	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 three-month period ended March 31, 2017	Buildings	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
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	1,260	14,782	8,222	195	220	385	2,950	41,985	69,999
Disposals	-	(22)	-	-	(201)	(11)	-	-	(234)
Reclassifications	1,500	37,194	3,424	329	-	-	25,445	(67,892)	-
Depreciation expense	(15,333)	(62,106)	(4,632)	(2,476)	(232)	(1,007)	(11,988)	-	(97,774)
Reversal of impairment loss	-	3	-	-	-	12	-	-	15
Net exchange differences	(6,832)	(2,111)	-	-	(36)	(29)	(1)	-	(9,009)
Closing net book amount	$ 1,035,666	$ 1,169,078	$ 150,490	$ 85,953	$ 2,526	$ 8,405	$ 393,040	$ 103,017	$ 2,948,175

At March 31, 2017	Buildings	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
Cost	$ 2,010,038	$ 5,049,956	$ 1,056,135	$ 656,141	$ 10,036	$ 67,139	$ 1,814,953	$ 103,017	$ 10,767,415
Accumulated depreciation	(974,313)	(3,873,069)	(905,645)	(570,188)	(7,447)	(58,564)	(1,421,772)	-	(7,810,998)
Accumulated impairment	(59)	(7,809)	-	-	(63)	(170)	(141)	-	(8,242)
	$ 1,035,666	$ 1,169,078	$ 150,490	$ 85,953	$ 2,526	$ 8,405	$ 393,040	$ 103,017	$ 2,948,175

At January 1, 2016	Buildings	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 three-month period ended March 31, 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	1,450	14,455	3,616	902	-	132	5,953	43,676	70,184
Disposals	-	(2,966)	-	-	-	(43)	(21)	-	(3,030)
Reclassifications	8,210	75,664	1,125	-	236	-	19,246	(104,481)	-
Reclassification to non-current assets held for sale	(56,098)	-	(1,275)	-	-	-	(199)	-	(57,572)
Depreciation expense	(16,595)	(60,087)	(3,717)	(2,063)	(265)	(1,050)	(11,678)	-	(95,455)
Reversal of impairment loss	-	784	1,290	-	-	43	223	-	2,340
Net exchange differences	(1,007)	(217)	(14)	-	(51)	42	(4)	-	(1,251)
Closing net book amount	$ 1,107,828	$ 1,151,797	$ 140,739	$ 83,621	$ 3,494	$ 12,225	$ 391,941	$ 170,330	$ 3,061,975
At March 31, 2016									
Cost	$ 2,033,559	$ 4,825,305	$ 1,038,591	$ 644,890	$ 10,617	$ 76,426	$ 1,795,894	$ 170,330	$ 10,595,612
Accumulated depreciation	(925,672)	(3,663,258)	(897,626)	(561,269)	(7,060)	(62,977)	(1,402,030)	-	(7,519,892)
Accumulated impairment	(59)	(10,250)	(226)	-	(63)	(1,224)	(1,923)	-	(13,745)
	$ 1,107,828	$ 1,151,797	$ 140,739	$ 83,621	$ 3,494	$ 12,225	$ 391,941	$ 170,330	$ 3,061,975

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 three-month periods ended March 31,	
	2017	2016
Amount capitalised	$ 69	$ 291
Interest rate	0.21%~0.27%	0.54%~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 three-month period ended March 31, 2017	
Opening net book amount	$ 9,313
Additions	4,346
Amortisation expense	(3,084)
Closing net book amount	$ 10,575
At March 31, 2017	
Cost	$ 23,939
Accumulated amortisation	(13,364)
	$ 10,575

At January 1, 2016	Software
Cost	$ 33,799
Accumulated amortisation	(23,417)
Accumulated impairment	(450)
	$ 9,932
For the three-month period ended March 31, 2016	
Opening net book amount	$ 9,932
Additions	2,623
Amortisation expense	(3,323)
Closing net book amount	$ 9,232
At March 31, 2016	
Cost	$ 26,363
Accumulated amortisation	(16,683)
Accumulated impairment	(448)
	$ 9,232

Details of amortisation on intangible assets are as follows:

	For the three-month periods ended March 31, 2017	2016
Operating costs	$ 1,077	$ 929
Selling expenses	176	200
General and administration expenses	1,179	1,545
Research and development expenses	652	649
Total	$ 3,084	$ 3,323

(9) Non-current assets held for sale

	March 31, 2017	December 31, 2016	March 31, 2016
Buildings	$ -	$ -	$ 57,572
Machinery	-	-	28,572
Land-use rights	-	-	10,309
	$ -	$ -	$ 96,453

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")

	March 31, 2017	December 31, 2016	March 31, 2016
Land-use rights	$ 3,711	$ 3,914	$ 4,302

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 and $77 for the three-month periods ended March 31, 2017 and 2016, respectively.

(11) Short-term loans

Type of loans	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured bank loans	$ 595,285	$ 563,683	$ 655,236
Interest rate range	0.59%~7.20%	0.54%~7.20%	0.58%~7.20%

(12) Long-term loans

Type of loans	Credit line	Period	Interest rate range	March 31, 2017
Syndicated loans with 10 financial institutions including Taiwan Cooperative Bank	$ 2,000,000	2012.12.06~ 2017.12.06	1.9239%~ 2.5370%	$ 303,800
Less: Current portion (shown as "Other non-current liabilities")				(303,800)
				$ -

Type of loans	Credit line	Period	Interest rate range	December 31, 2016
Syndicated loans 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 loans	Credit line	Period	Interest rate range	March 31, 2016
Syndicated loans with 10 financial institutions including Taiwan Cooperative Bank	$ 2,000,000	2012.12.06~ 2017.12.06	1.5082%~ 1.9166%	$ 1,175,173
Less: Current portion (shown as "Other non-current liabilities")				(200,000)
				$ 975,173

A. Pursuant to the syndicated loan 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 loan facility agreement. Please refer to Note 9.

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

(13) 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 $3,055, and $2,840 for the three-month periods ended March 31, 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 three-month periods ended March 31, 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 periods ended March 31, 2017 and 2016 were $9,734 and $9,430, respectively.

(14) <u>Share-based payment</u>

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:

Stock options	For the three-month periods ended March 31, 2017 No. of shares (in thousands)	2017 Weighted-average exercise price (in dollars)	2016 No. of shares (in thousands)	2016 Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	10,755	$ 15.7	10,920	$ 17.2
Options exercised	(1,256)	15.7	-	-
Options revoked	(127)	-	(35)	-
Options outstanding at end of period	9,372	15.7	10,885	17.2
Options exercisable at end of period	9,370	15.7	10,863	17.2

B. Details of the employee stock options outstanding as of March 31, 2017 and 2016 are set forth below:

Stock options outstanding as at March 31, 2017 No. of shares (in thousands)	Stock options outstanding as at March 31, 2017 Remaining vesting period (in years)	Stock options outstanding as at March 31, 2017 Exercise price (in dollars)	Stock options exercisable as at March 31, 2017 No. of shares (in thousands)	Stock options exercisable as at March 31, 2017 Exercise price (in dollars)
9,372	0.75	$ 15.7	9,370	$ 15.7

Stock options outstanding as at March 31, 2016 No. of shares (in thousands)	Stock options outstanding as at March 31, 2016 Remaining vesting period (in years)	Stock options outstanding as at March 31, 2016 Exercise price (in dollars)	Stock options exercisable as at March 31, 2016 No. of shares (in thousands)	Stock options exercisable as at March 31, 2016 Exercise price (in dollars)
10,885	1.75	$ 17.2	10,863	$ 17.2

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). On July 2, 2015, the Board of Directors of the Company approved the issuance of employee stock options authorized in 2010. The exercise price were adjusted from $18.4 (in dollars) to $17.2 (in dollars).

(15) Provisions

	Warranty
At January 1, 2017	$ 53,868
Additional provisions	2,884
Used during the period	(2,678)
Exchange differences	(561)
At March 31, 2017	$ 53,513

Analysis of total provisions:

	March 31, 2017	December 31, 2016	March 31, 2016
Current	$ 11,096	$ 8,705	$ 8,837
Non-current	$ 42,417	$ 45,163	$ 49,742

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

(16) Share capital

A. As of March 31, 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 $5,469,181, consisting of 546,918 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)	1,256	-
At March 31	545,811	544,555

Note: Still under amendment process of register.

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 waiting for the shareholders' meeting approval of the proposal.

C. Treasury stock

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

		March 31, 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

Name of company holding the shares	Reason for reacquisition	December 31, 2016 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

Name of company holding the shares	Reason for reacquisition	March 31, 2016 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.

(17) 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.

(18) 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. 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 Board of Directors' meeting on March 24, 2017 and the stockholders' meeting on 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 will be resolved in the shareholders' meeting in 2017.

(19) 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	-	(4,527)	(4,527)
Currency translation differences:			
-Group	(1,605)	-	(1,605)
-Associates	(227)	-	(227)
At March 31, 2017	$ 1,267	($ 55,600)	($ 54,333)

	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
Available-for-sale financial assets Revaluation-Group	-	20,114	20,114
Currency translation differences:			
-Group	(172)	-	(172)
-Associates	59	-	59
At March 31, 2016	$ 4,700	$ 42,953	$ 47,653

(20) Other income

	For the three-month periods ended March 31,	
	2017	2016
Rental revenue	$ 409	$ 405
Dividend income	13,480	14,230
Interest income:		
Interest income from bank deposits	1,982	4,384
Interest income from resale bonds	551	300
Other interest income	410	112
Others	3,801	2,056
Total	$ 20,633	$ 21,487

(21) Other gains and losses

	For the three-month periods ended March 31,	
	2017	2016
Net gain on financial assets at fair value through profit or loss	$ 3,580	$ 926
Net currency exchange loss	(48,033)	(31,571)
(Loss) gain on disposal of property, plant and equipment	(19)	124
Gain on disposal of investments	-	179
Reversal of impairment loss on non-financial assets	15	2,340
Others	(1,376)	(227)
Total	($ 45,833)	($ 28,229)

(22) Finance costs

	For the three-month periods ended March 31,	
	2017	2016
Interest expense:		
Bank loans	$ 5,768	$ 10,620
Less: capitalisation of qualifying assets	(69)	(291)
	5,699	10,329
Other financial costs	345	369
Total	$ 6,044	$ 10,698

(23) Expenses by nature

	For the three-month periods ended March 31,	
	2017	2016
Employee benefit expense	$ 332,815	$ 319,323
Depreciation on property, plant and equipment	97,774	95,455
Amortisation on intangible assets	3,084	3,323
Total	$ 433,673	$ 418,101

(24) Employee benefit expense

	For the three-month periods ended March 31,	
	2017	2016
Wages and salaries	$ 291,405	$ 280,632
Labor and health insurance fees	21,879	20,778
Pension costs	12,789	12,270
Other personnel expenses	6,742	5,643
	$ 332,815	$ 319,323

A. According to the Articles of Incorporation of the Company amended in June 24, 2016 by the shareholders' meeting, 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 periods ended March 31, 2017 and 2016, employees' compensation was accrued at $41,866 and $29,464, respectively; directors' and supervisors' remuneration was accrued at $13,955 and $7,612, respectively. The aforementioned amounts were recognised in salary expense.

Employees' bonus $122,774 and directors' and supervisors' remuneration $40,925 of 2016 as resolved by the Board of Directors 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.

(25) Income tax

A. Income tax expense

Components of income tax expense:

	For the three-month periods ended March 31,	
	2017	2016
Current tax:		
Current tax on profits for the period	$ 43,320	$ 26,731
Prepaid and withholding taxes from foreign income which will not be realized	-	487
Total current tax	43,320	27,218
Deferred tax:		
Origination and reversal of temporary differences	(6,027)	(2,334)
Income tax expense	$ 37,293	$ 24,884

B. As of March 31, 2017, the Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

	March 31, 2017	December 31, 2016	March 31, 2016
Earnings generated in and after 1998	$ 1,623,589	$ 1,437,596	$ 1,334,898

D. As of March 31, 2017, December 31, 2016 and March 31, 2016, the balance of the imputation tax credit account was $102,286, $99,719 and $29,892, respectively. The creditable tax rate was estimated to be 6.94% for 2016 and actual creditable tax rate was 8.61% for 2015.

(26) Earnings per share

	For the three-month period ended March 31, 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	$ 185,993	544,804	$ 0.34
Dilutive effect of common stock equivalents:			
Employees' stock option	-	1,007	
Employees' compensation	-	9,032	
Diluted earnings per share			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 185,993	554,843	$ 0.34

For the three-month period ended March 31, 2017, 1,256 thouthand of the employee stock warrants transferred to common stock are included in the calculation of basic earnings per share. The unexercised employee stock warrants had anti-dilutive effect and were not included in the calculation.

	For the three-month period ended March 31, 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	$ 116,092	544,555	$ 0.21
Dilutive effect of common stock equivalents:			
Employees' compensation	-	11,187	
Diluted earnings per share			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 116,092	555,742	$ 0.21

For the three-month period ended March 31, 2016, the employee stock warrants had anti-dilutive effect and were not included in the calculation.

(27) 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 periods ended March 31, 2017 and 2016, the Company and CS Bright Corporation together recognised rental expenses of $4,797 and $4,717, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Not later than 1 year	$ 17,638	$ 18,188	$ 18,228
Later than 1 year but not later than 5 years	71,425	71,425	22,112
Later than 5 years	175,739	178,510	29,771
	$ 264,802	$ 268,123	$ 70,111

(28) Supplemental cash flow information

Non-cash flows from investing and financing activities:

	For the three-month periods ended March 31, 2017	2016
Long-term liabilities maturing within one year	$ 303,800	$ 200,000
Property, plant and equipment reclassified as non-current assets held for sale	$ -	$ 57,572
Long-term prepaid rents (shown as "Other non-current assets")	$ -	$ 10,309

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Shin-Etsu Opto Electronic Co., Ltd.	The Company is the director of this 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 is the parent company of Nichia Taiwan Corp.
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 March 31, 2017	2016
Sales of goods:		
Associates	$ 34,148	$ 78
Other related parties	111,724	112,104
Total	$ 145,872	$ 112,182

The selling prices charged to the above related parties are not materially different from those charged to non-related parties. For the three-month periods ended March 31, 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 March 31,	
	2017	2016
Purchases of goods:		
Associates	$ -	$ 215
Other related parties		
Nichia Taiwan Corp.	49,440	87,473
Others	67,414	44,290
Total	$ 116,854	$ 131,978

The purchase prices charged by the above related parties were not materially different from those charged by non-related parties. For the three-month periods ended March 31, 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:

	March 31, 2017	December 31, 2016	March 31, 2016
Receivables from related parties:			
Associates	$ 2,751	$ 11,799	$ -
Other related parties	129,389	117,367	124,207
Less:Allowance for doubtful accounts	-	(818)	-
Total	$ 132,140	$ 128,348	$ 124,207

D. Accounts payable:

	March 31, 2017	December 31, 2016	March 31, 2016
Payables to related parties:			
Associates	$ -	$ -	$ 840
Other related parties			
Nichia Taiwan Corp.	124,937	147,166	174,045
Others	71,194	49,317	53,407
Total	$ 196,131	$ 196,483	$ 228,292

(3) Key management compensation

	For the three-month periods ended March 31,	
	2017	2016
Salaries and other short-term employee benefits	$ 27,081	$ 26,660
Post-employment benefits	114	186
Total	$ 27,195	$ 26,846

8. PLEDGED ASSETS

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

	Book value			Purpose of pledge	
Pledged assets	March 31, 2017	December 31, 2016	March 31, 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	773,163	782,443	807,763	Taiwan Cooperative Bank and 9 other banks	Long-term loans
	$ 794,023	$ 803,303	$ 828,623		

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(A) As of March 31, 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
Mega International Commercial Bank	〃	3,542
Taipei Fubon Commercial Bank	〃	7,665
Taiwan Cooperative Bank	〃	1,768
		$ 26,975

(B) As of March 31, 2017, the outstanding letters of credit issued for the importation of raw materials and machinery were as follows:

	Amount (thousands)
TWD	22,414
JPY	11,035
USD	667

(C) Operating lease commitments:

See Note 6(27).

(D) Pursuant to the syndicated loan 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 March 31, 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 $6,349,710 and $6,289,879, respectively.

(F) As of March 31, 2017, the capital expenditure contracted but not yet incurred is $19,207.

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 March 31, 2017, December 31, 2016, and March 31, 2016, the gearing ratios were (42.54%), (37.54)% and (38.57%), 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 loans, notes receivable, accounts payable and other payables) as its reasonable fair value. The fair value of long-term loans is based on the present value of expected future cash flows. Since long-term loans 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:

	March 31, 2017			For the three-month period ended March 31, 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	$ 50,070	30.28	$ 1,516,120	1%	$ 15,161	$ -	($ 47,660)
JPY : TWD	445,035	0.2693	119,848	1%	1,198	-	(3,284)
CNY : TWD	18,890	4.382	82,776	1%	828	-	(2,866)
USD : CNY (Note)	1,603	6.8822	48,619	1%	486	-	(1,770)
Non-monetary items: None							
Financial liabilities							
Monetary items							
USD : TWD	$ 29,118	30.28	$ 884,605	1%	($ 8,846)	$ -	$ 27,443
JPY : TWD	529,102	0.2733	144,604	1%	(1,446)	-	2,817
USD : CNY (Note)	25	6.8822	758	1%	(8)	-	(919)
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							

	March 31, 2016			For the three-month period ended March 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	$ 67,566	32.135	$ 2,171,233	1%	$ 21,712	$ -	($ 35,788)
JPY : TWD	617,443	0.2843	175,539	1%	1,755	-	(2,059)
USD : CNY (Note)	818	6.4733	26,327	1%	263	-	329
Non-monetary items: None							
Financial liabilities							
Monetary items							
USD : TWD	$ 29,380	32.235	$ 947,064	1%	($ 9,471)	$ -	$ 18,959
JPY : TWD	668,080	0.2883	192,607	1%	(1,926)	-	(5,825)
USD : CNY (Note)	3,028	6.4733	97,456	1%	(975)	-	341
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 three-month periods ended March 31, 2017 and 2016 would have increased/decreased by $24,574 and $31,303, 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 $121,512 and $69,149 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 loans. Loans 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 three-month periods ended March 31, 2017 and 2016, the Group's loans at floating rate were denominated in TWD and USD.

- At March 31, 2017 and 2016, if interest rates on loans had been 100 basis point higher/lower with all other variables held constant, post-tax profit for the three-month periods ended March 31, 2017 and 2016 would have been $630 and $2,438 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate loans.

(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 March 31, 2017, December 31, 2016, and March 31, 2016, the Group's 10 largest customers accounted for 75%, 70% and 63% 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：

March 31, 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 loans	$ 595,285	$ -	$ -	$ -	$ -
Notes payable	2,015	-	-	-	-
Accounts payable (including related parties)	790,115	-	-	-	-
Other payables	594,983	-	-	-	-
Long-term loans (including current portion)	308,441	-	-	-	-

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 loans	$ 563,683	$ -	$ -	$ -	$ -
Notes payable	1,541	-	-	-	-
Accounts payable (including related parties)	866,695	-	-	-	-
Other payables	541,159	-	-	-	-
Long-term loans (including current portion)	427,279	-	-	-	-

Non-derivative financial liabilities：

March 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 loans	$ 655,236	$ -	$ -	$ -	$ -
Notes payable	2,592	-	-	-	-
Accounts payable (including related parties)	840,176	-	-	-	-
Other payables	550,017	-	-	-	-
Long-term loans (including current portion)	219,656	986,450	-	-	-

Derivative financial liabilities:

As of 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 March 31, 2017, December 31, 2016 and March 31, 2016, is as follows:

March 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Domestic funds	$ 491,487	$ -	$ -	$ 491,487
Forward exchange contract	-	1,271	-	1,271
Available-for-sale financial assets				
Equity securities	306,290	-	602,534	908,824
Total	$ 797,777	$ 1,271	$ 602,534	$ 1,401,582

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

March 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	$ 626,062	$ -	$ -	$ 626,062
Forward exchange contracts	-	326	-	326
Available-for-sale financial assets				
Equity securities	64,690	-	562,108	626,798
Non-recurring fair value measurements				
Non-current assets held for sale (Note)	96,453	-	-	96,453
Total	$ 787,205	$ 326	$ 562,108	$ 1,349,639

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 three-month periods ended March 31, 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 three-month periods ended March 31, 2017 and 2016.

	2017	2016
At January 1 (March 31)	$ 602,534	$ 562,108

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

F. For the three-month periods ended March 31, 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 March 31, 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 March 31, 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:

			March 31, 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)

			March 31, 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 6.

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 5.

(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 March 31, 2017				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	$ 1,020,308	$ 472,230	$ 75,638	$ 4,838	$ 1,573,014
Segment income (loss)	$ 182,010	$ 67,452	$ 3,654	($ 29,825)	$ 223,291

	For the three-month period ended March 31, 2016				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	$ 973,827	$ 308,886	$ 73,497	$ -	$ 1,356,210
Segment income (loss)	$ 152,458	$ 16,352	($ 12,926)	($ 14,905)	$ 140,979

(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.