SERCOMM CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
FOR THE THREE-MONTH PERIODS ENDED
31 MARCH 2017 AND 2016

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

SERCOMM CORPORATION AND SUBSIDIARIES

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REVIEW REPORT OF INDEPENDENT AUDITORS

English Translation of a Report Originally Issued in Chinese

To Sercomm Corporation

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

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

As described in Note 4.3 to the consolidated financial statements, the financial statements of certain subsidiaries were not reviewed. Our review insofar as it relates to the total assets amounted to NT$399,266 thousand and NT$425,584 thousand, which represented 2% and 2% of total consolidated assets; the total liabilities amounted to NT$34,691 thousand and NT$116,177 thousand, which represented 0% and 1% of total consolidated liabilities as of 31 March 2017 and 2016, respectively; and the total comprehensive income amounted to NT$(57,305) thousand and NT$(45,734) thousand, which represented (51)% and (37)% of consolidated total comprehensive income for the three-month periods ended 31 March 2017 and 2016, was based on the unreviewed financial statements. Additionally, as described in Note 13 to the consolidated financial statements, the related information of subsidiaries and investees was not reviewed.

Based on our reviews, except for the adjustments to the consolidated financial statements that we might have become aware of had it not been for the situation described above, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34, "Interim Financial Reporting", as recognized by the Financial Supervisory Commission of the Republic of China.

Ernst & Young

4 May 2017
Taipei, Taiwan
Republic of China

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SERCOMM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 March 2017, 31 December 2016 and 31 March 2016 (31 March 2017 and 2016 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

		As of					
		31 March 2017		31 December 2016		31 March 2016	
Assets	Notes	Amount	%	Amount	%	Amount	%
Current assets							
Cash and cash equivalents	4 and 6	$5,372,392	24	$5,721,341	24	$6,828,519	31
Current financial assets at fair value through profit or loss	4, 5 and 6	-	-	-	-	928	-
Current derivative financial assets for hedging	4, 5 and 6	210,409	1	341,619	2	151,070	1
Notes receivable, net	4 and 6	945,846	4	1,265,211	5	1,844,730	8
Accounts receivable, net	4 and 6	4,964,405	22	5,858,630	25	3,083,245	14
Other receivables, net	6	256,673	1	481,667	2	345,287	2
Inventories, manufacturing business	4, 5 and 6	5,912,364	27	5,506,969	23	5,031,506	23
Prepayments		249,917	1	206,664	1	220,313	1
Other current assets	7	151,989	1	89,917	-	20,056	-
Total current assets		18,063,995	81	19,472,018	82	17,525,654	80
Non-current assets							
Non-current financial assets at fair value through profit or loss	4, 5 and 6	11,955	-	-	-	-	-
Non-current available-for-sale financial assets	4, 5 and 6	61,342	-	60,523	-	57,653	-
Non-current financial assets measured at cost	4 and 6	63,375	-	63,375	-	63,375	-
Property, plant and equipment	4 and 6	3,220,327	15	3,265,690	14	3,421,693	16
Intangible assets	4, 5 and 6	285,716	1	285,607	1	297,820	1
Deferred tax assets		305,951	1	309,244	1	272,596	1
Prepayments for business facilities	8	61,782	-	33,287	-	22,893	-
Guarantee deposits paid	6 and 9	34,821	-	25,718	-	22,983	-
Other non-current financial assets		165,719	1	165,219	1	163,719	1
Long-term prepaid rents		88,423	1	94,022	1	103,362	1
Other non-current assets		3,839	-	4,350	-	1,954	-
Total non-current assets		4,303,250	19	4,307,035	18	4,428,048	20
Total assets		$22,367,245	100	$23,779,053	100	$21,953,702	100

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SERCOMM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 March 2017, 31 December 2016 and 31 March 2016 (31 March 2017 and 2016 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

		As of					
		31 March 2017		31 December 2016		31 March 2016	
Liabilities and Equity	Notes	Amount	%	Amount	%	Amount	%
Current liabilities							
Short-term borrowings	6	$2,011,351	9	$2,135,317	9	$2,354,911	11
Current financial liabilities at fair value through profit or loss	4, 5 and 6	1,392	-	457	-	5,760	-
Current derivative financial liabilities for hedging	4, 5 and 6	-	-	-	-	143,037	1
Notes payable		16,537	-	-	-	-	-
Accounts payable		9,149,960	41	10,004,704	42	8,810,692	40
Other payables		2,914,205	13	3,159,598	13	2,589,746	12
Current tax liabilities	4, 5 and 6	283,118	1	305,442	1	255,447	1
Current provisions	4, 5 and 6	161,749	1	168,739	1	110,360	-
Bonds payable, current portion	4 and 6	-	-	-	-	199	-
Current lease obligations payable	4 and 6	16,764	-	13,378	-	13,179	-
Other current liabilities	9	314,289	2	353,950	2	310,709	1
Total current liabilities		14,869,365	67	16,141,585	68	14,594,040	66
Non-current liabilities							
Deferred tax liabilities	4, 5 and 6	62,635	-	92,709	-	29,964	-
Non-current lease obligations payable	4 and 6	125,083	1	128,469	1	138,990	1
Net defined benefit liabilities noncurrent	4, 5 and 6	52,129	-	52,943	-	48,875	-
Guarantee deposits received		5,868	-	6,279	-	10,012	-
Total non-current liabilities		245,715	1	280,400	1	227,841	1
Total liabilities		15,115,080	68	16,421,985	69	14,821,881	67
Equity attributable to owners of parent	4 and 6						
Share capital							
Ordinary share		2,429,198	11	2,429,198	10	2,411,278	11
Advance receipts for share capital		-	-	-	-	17,859	-
Total capital stock		2,429,198	11	2,429,198	10	2,429,137	11
Capital surplus							
Additional paid-in capital arising from ordinary share		123,521	1	123,521	1	123,521	1
Additional paid-in capital arising from bond conversion		1,382,485	6	1,382,485	6	1,382,328	6
Changes in subsidiaries' ownership		8,137	-	8,137	-	-	-
Employee share options		84,487	-	77,495	-	51,353	-
Share options		-	-	-	-	19	-
Restricted stocks to employees		25,934	-	25,934	-	25,934	-
Total capital surplus		1,624,564	7	1,617,572	7	1,583,155	7
Retained earnings							
Legal reserve		748,231	3	748,231	3	617,780	3
Special reserve		131,678	1	131,678	-	131,678	1
Unappropriated retained earnings		2,507,112	11	2,278,306	10	2,170,121	10
Total retained earnings		3,387,021	15	3,158,215	13	2,919,579	14
Other equity interest		(187,685)	(1)	153,979	1	196,428	1
Non-controlling interest	6	(933)	-	(1,896)	-	3,522	-
Total equity		7,252,165	32	7,357,068	31	7,131,821	33
Total liabilities and equity		$22,367,245	100	$23,779,053	100	$21,953,702	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SERCOMM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Expressed in Thousands of New Taiwan Dollars Except Earnings Per Share Information)

		For the three-month periods ended 31 March			
		2017		2016	
	Note	Amount	%	Amount	%
Operating revenues	4, 5 and 6	$8,328,114	100	$8,809,588	100
Operating costs	6	(7,239,183)	(87)	(7,572,967)	(86)
Gross profit from operations		1,088,931	13	1,236,621	14
Operating expenses	5, 6,7 and 9				
Selling expenses		(247,558)	(3)	(267,449)	(3)
Administrative expenses		(196,433)	(2)	(218,837)	(2)
Research and development expenses		(376,258)	(5)	(401,845)	(5)
Total operating expenses		(820,249)	(10)	(888,131)	(10)
Net operating income		268,682	3	348,490	4
Non-operating income and expenses	6				
Other income		22,709	-	20,102	-
Other gains and losses		5,560	-	8,385	-
Finance costs		(13,545)	-	(26,095)	-
Total non-operating income and expenses		14,724	-	2,392	-
Income before tax		283,406	3	350,882	4
Income tax expenses	4, 5 and 6	(53,730)	-	(63,613)	-
Net Income		229,676	3	287,269	4
Other comprehensive income(loss)	4 and 6				
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(245,949)	(3)	(88,582)	(1)
Unrealized gain(loss) on available-for-sale financial assets		819	-	(2,144)	-
Loss on effective portion of cash flow hedges		(131,211)	(1)	(58,816)	(1)
Income tax relating to components of other comprehensive income		34,770	-	(12,726)	-
Other comprehensive income (loss), net of tax		(341,571)	(4)	(162,268)	(2)
Total comprehensive income		$(111,895)	(1)	$125,001	2
Net income attributable to :					
Owners of parent		$228,806		$282,186	
Non-controlling interests		870		5,083	
		$229,676		$287,269	
Comprehensive income attributable to:					
Owners of parent		$(112,858)		$120,047	
Non-controlling interests		963		4,954	
		$(111,895)		$125,001	
Earnings per share(NT$)	4 and 6				
Basic earnings per share		$0.94		$1.17	
Diluted earnings per share		$0.92		$1.14	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SERCOMM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(Expressed in Thousands of New Taiwan Dollars)

	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT											
	Share capital			Retained earnings			Other equity interest					
	Ordinary share	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total equity attributable to owners of parent	Non-Controlling interest	Total Equity
Balance as of 1 January 2016	$2,411,278	$2,358	$1,529,471	$617,780	$131,678	$1,887,935	$229,165	$12,353	$117,049	$6,939,067	$(1,432)	$6,937,635
Net income for the three-month ended 31 March 2016	-	-	-	-	-	282,186	-	-	-	282,186	5,083	287,269
Other comprehensive loss, net of tax for the three-month ended 31 March 2016	-	-	-	-	-	-	(88,453)	(2,144)	(71,542)	(162,139)	(129)	(162,268)
Total comprehensive income	-	-	-	-	-	282,186	(88,453)	(2,144)	(71,542)	120,047	4,954	125,001
Conversion of convertible bonds	-	15,501	43,396	-	-	-	-	-	-	58,897	-	58,897
Compensation cost arising from employee stock options	-	-	10,288	-	-	-	-	-	-	10,288	-	10,288
Balance as of 31 March 2016	$2,411,278	$17,859	$1,583,155	$617,780	$131,678	$2,170,121	$140,712	$10,209	$45,507	$7,128,299	$3,522	$7,131,821
Balance as of 1 January 2017	$2,429,198	$-	$1,617,572	$748,231	$131,678	$2,278,306	$(159,161)	$13,079	$300,061	$7,358,964	$(1,896)	$7,357,068
Net income for the three-month ended 31 March 2017	-	-	-	-	-	228,806	-	-	-	228,806	870	229,676
Other comprehensive gain (loss), net of tax for the three-month ended 31 March 2017	-	-	-	-	-	-	(233,578)	819	(108,905)	(341,664)	93	(341,571)
Total comprehensive income	-	-	-	-	-	228,806	(233,578)	819	(108,905)	(112,858)	963	(111,895)
Compensation cost arising from employee stock options	-	-	6,992	-	-	-	-	-	-	6,992	-	6,992
Balance as of 31 March 2017	$2,429,198	$-	$1,624,564	$748,231	$131,678	$2,507,112	$(392,739)	$13,898	$191,156	$7,253,098	$(933)	$7,252,165

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SERCOMM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three-month periods ended 31 March 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	For the three-month periods ended 31 March	
	2017	2016
Cash flows from operating activities:		
Net income before tax	$283,406	$350,882
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation expense	110,722	108,776
Amortization expense	17,859	19,622
Net loss on financial assets/liabilities at fair value through profit or loss	1,352	11,805
Interest expense	13,545	25,825
Amortization of discount on bonds payable	-	270
Interest income	(16,181)	(15,143)
Compensation cost arising from share-based payment plans	6,992	10,288
Loss on disposal of property, plant and equipment	1	-
Changes in operating assets and liabilities:		
Current financial assets at fair value through profit or loss	-	594
Notes receivable, net	319,365	652,627
Accounts receivable, net	894,289	947,760
Inventories	(405,395)	337,445
Other receivables, net	225,251	5,527
Prepayments	(37,654)	(70,072)
Other current assets	(62,072)	9,919
Current financial liabilities at fair value through profit or loss	(417)	(6,328)
Notes payable	16,537	(18,940)
Accounts payable	(854,744)	(419,852)
Other payables	(244,086)	(116,843)
Current provisions	(2,137)	43,621
Other current liabilities	(40,362)	39,219
Net defined benefit liabilities	(814)	(412)
Cash inflow generated from operations	225,457	1,916,590
Interest received	15,424	3,207
Interest paid	(14,151)	(26,455)
Income taxes paid	(68,066)	(16,604)
Net cash provided by operating activities	158,664	1,876,738

	For the three-month periods ended 31 March	
	2017	2016
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(11,955)	-
Acquisition of property, plant and equipment	(136,009)	(185,475)
Proceeds from disposal of property, plant and equipment	52	69
Increase in refundable deposits	(8,592)	-
Decrease in refundable deposits	-	6,985
Acquisition of intangible assets	(22,042)	(12,491)
Decrease in other non-current assets	-	3,619
Increase in prepayments for business facilities	(47,909)	-
Decrease in prepayments for business facilities	-	109,008
Net cash flows used in investing activities	(226,455)	(78,285)
Cash flows from financing activities:		
Decrease in short-term loans	(123,966)	(277,587)
Decrease in guarantee deposits received	(411)	(741)
Decrease in lease payable	-	(3,836)
Net cash flows used in financing activities	(124,377)	(282,164)
Effect of exchange rate changes on cash and cash equivalents	(156,781)	(52,428)
Net (decrease) increase in cash and cash equivalents	(348,949)	1,463,861
Cash and cash equivalents at beginning of period	5,721,341	5,364,658
Cash and cash equivalents at end of period	$5,372,392	$6,828,519

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

<u>English Translation of Financial Statements Originally Issued in Chinese</u>

SERCOMM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Three-Month Periods Ended 31 March 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

1. History and organization

Sercomm Corporation ("the Company") was incorporated on 29 July 1992 under the laws of the Republic of China (R.O.C.). The Company is a worldwide manufacturer of broadband and wireless networking equipment which engages mainly in the software and firmware development of broadband networking.

The Company's common shares were traded on the Taipei Exchange of the R.O.C. in May 1999, and its shares were publicly listed and traded on the Taiwan Stock Exchange (TSE) in December 2007. The Company's registered office and the main business location are at 8F, No.3-1, Park St., Nangang Dist., Taipei City, Taiwan (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries ("the Group") were authorized for issue in accordance with a resolution of the Board of Directors' meeting on 4 May 2017.

3. Newly issued or revised standards and interpretations

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

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

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

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

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

(b) *IFRS 9"Financial Instruments"*

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

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

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

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

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

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

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures,* in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(d) *IFRS 16"Leases"*

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

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

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

(f) *Disclosure Initiative — Amendment to IAS 7 "Statement of Cash Flows":*

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

(g) *IFRS 15 "Revenue from Contracts with Customers" — Clarifications to IFRS 15*

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

(h) *IFRS 2 "Shared-Based Payment" — Amendments to IFRS 2*

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

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

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

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

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

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

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

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

IFRS 12 "Disclosure of Interests in Other Entities"

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

IAS 28"Investments in Associates and Joint Ventures"

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

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

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a)~(h) and (l), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

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

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

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

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Group’s voting rights and potential voting rights

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

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

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

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

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

English Translation of Financial Statements Originally Issued in Chinese

SERCOMM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

The consolidated entities are listed as follows:

			Percentage of ownership (%)			
Investor	Subsidiary	Main businesses	31 March 2017	31 December 2016	31 March 2016	Note
The Company	Sercomm USA Inc. (Note b)	Sales of IT products	100%	100%	100%	a
The Company	Sercomm Trading Co. Ltd.	Investment holding and international trading	100%	100%	100%	
The Company	Shukuan Investment Ltd.	Investment activity	100%	100%	100%	a
The Company	Sercomm France SARL	Sales of IT products	100%	100%	100%	a
The Company	Sercomm Deutschland GmbH	Sales of IT products	100%	100%	100%	a
The Company	Sercomm Japan Corp.	Sales of IT products	100%	100%	100%	a
The Company	Sercomm Russia Limited Liability Company	Sales of IT products	100%	100%	100%	a
Sercomm Trading Co. Ltd.	Zealous Investments Ltd.	Investment holding and international trading	100%	100%	100%	
Sercomm Trading Co. Ltd.	Smart Trade Inc.	Investment holding and international trading	100%	100%	100%	
Zealous Investments Ltd.	Sernet Technology (Suzhou) Limited	Manufacture of routers, communication products, Wlan products; sales and after-sales service	100%	100%	100%	
Zealous Investments Ltd.	Hawxeye Inc. (Note c and d)	Provide computer learning technology on video object analysis embedded on IP camera	56%	28%	40%	a
Smart Trade Inc.	Dwnet Technology (Suzhou) Limited	Manufacture of routers, communication products, Wlan products; sales and after-sales service	100%	100%	100%	
Sercomm France SARL	Sercomm Italia SRL	Sales of IT products	100%	100%	100%	a
Sernet Technology (Suzhou)Limited	Suzhou Hua-Yi Communications Co., Ltd.	Manufacture of routers, communication products, Wlan products; R&D center of software; sales and after-sales service	100%	100%	100%	a
Sernet Technology (Suzhou) Limited	Suzhou Femtel Communications Co., Ltd.	Manufacture of communication products; R&D center of software; sales and after-sales service	100%	100%	100%	a
Sercomm USA Inc. (Note b)	Hawxeye Inc. (Note c and d)	Provide computer learning technology on video object analysis embedded on IP camera	-	28%	40%	a
Suzhou Femtel Communications Co., Ltd.	Nanjing Femtel Communications Co., Ltd.	Sale of communication products; R&D center of software; after-sales service	100%	100%	100%	a

Note a: This is an immaterial subsidiary for which the consolidated financial statements are not reviewed by the company's independent auditors.

Note b: Senslinq Inc. was renamed to Sercomm USA Inc. in May 2016.

Note c: Hawxeye Inc. issued new shares on 1 November 2016, however the Group did not purchase any of the new shares, consequently the ownership interest in Hawxeye Inc. was reduced from 80% to 56%.

Note d: For the purpose of reorganization, the 28% ownership of Hawxeye Inc. which was previously owned by Sercomm USA Inc., was transferred to Zealous Investment Ltd. in March 2017.

The financial statements of some of the consolidated subsidiaries listed above were not reviewed by auditors. As of 31 March 2017 and 2016, the related assets of the subsidiaries which were unreviewed by auditors amounted to NT$399,266 thousand and NT$425,584 thousand, respectively, and the related liabilities amounted to NT$34,691 thousand and NT$116,177 thousand, respectively. The comprehensive income of these subsidiaries amounted to NT$(57,305) thousand and NT$(45,734) thousand for the three-month periods ended 31 March 2017 and 2016, respectively.

(4) The same accounting policies have been applied in the Group's consolidated financial statements for the three-month period ended 31 March 2017 as those applied in the Group's consolidated financial statements for the year ended 31 December 2016. For the summary of other significant accounting policies, please refer to the Group's consolidated financial statements for the year ended 31 December 2016.

5. Significant accounting judgements, estimates and assumptions

The same significant accounting judgments, estimates and assumptions have been applied in the Group's consolidated financial statements for the three-month period ended 31 March 2017 as those applied in the Group's consolidated financial statements for the year ended 31 December 2016. For significant accounting judgments, estimates and assumptions, please refer to the Group's consolidated financial statements for the year ended 31 December 2016.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As at		
	31 March 2017	31 December 2016	31 March 2016
Cash on hand	$2,370	$2,775	$1,950
Checking accounts and demand deposits	1,462,996	1,761,408	3,075,142
Time deposits	3,719,945	3,898,143	3,533,073
Cash equivalents-Bank's acceptance bill	187,081	59,015	218,354
Total	$5,372,392	$5,721,341	$6,828,519

The Cash equivalents is Bank's acceptance bill that have maturity within 3 months.

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

Financial assets at fair value through profit or loss:

	As at		
	31 March 2017	31 December 2016	31 March 2016
Designated financial assets at fair value through profit or loss:			
Convertible bonds	$11,955	$-	$-
Held for trading:			
Derivatives not designated as hedging instruments			
Forward foreign exchange contracts	-	-	928
Total	$11,955	$-	$928
Current	$-	$-	$928
Noncurrent	11,955	-	-
Total	$11,955	$-	$928

Financial liabilities at fair value through profit or loss:

	As at		
	31 March 2017	31 December 2016	31 March 2016
Held for trading:			
Derivatives not designated as hedging instruments			
Forward foreign exchange contracts	$1,392	$457	$5,760

(a) The Group entered into forward exchange contracts to sell various forward foreign currencies to hedge exchange rate risk of export proceeds. However, these forward exchange contracts are not accounted for under hedge accounting.

(b) The unexpired contracts are as follows:

	As at 31 March 2017		
	Currency	Contract Period	Contract Amount
Forward foreign exchange contracts	Buy USD/Sell RUB	2017.02.14-2017.05.16	USD 1,320 thousand

	As at 31 December 2016		
	Currency	Contract Period	Contract Amount
Forward foreign exchange contracts	Buy USD/Sell RUB	2016.12.12-2017.02.10	USD 920 thousand

	As at 31 March 2016		
	Currency	Contract Period	Contract Amount
Forward foreign exchange contracts	Sell EUR/Buy NTD	2015.12.31-2016.06.22	EUR 7,180 thousand
Forward foreign exchange contracts	Buy USD/Sell RUB	2016.03.10-2016.05.25	USD 510 thousand
Forward foreign exchange contracts	Buy USD/Sell RMB	2015.08.17-2016.08.05	USD 10,618 thousand

(c) For the three-month periods ended 31 March 2017 and 2016, the Group recognized a gain (loss) of financial assets or liabilities at fair value through profit or (loss) of NT$(1,352) thousand and NT$(11,805) thousand, respectively.

(d) Financial assets held for trading were not pledged.

(3) Non-current available-for-sale financial assets

	As at		
	31 March 2017	31 December 2016	31 March 2016
Stocks	$47,444	$47,444	$47,444
Valuation adjustments	13,898	13,079	10,209
Net	$61,342	$60,523	$57,653

Available-for-sale financial assets were not pledged.

(4) Non-current financial assets measured at cost

	As at		
	31 March 2017	31 December 2016	31 March 2016
Available-for-sale financial assets			
Stocks	$63,375	$63,375	$63,375
Less: Accumulated impairment	-	-	-
Total	$63,375	$63,375	$63,375

The fair value of the above investments in unlisted entities are not reliably measurable as the variability in the range of reasonable fair value measurements is significant for the instrument and the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value. Therefore these investments are measured at cost.

The financial assets measured at cost were not pledged.

(5) Notes receivable

	As at		
	31 March 2017	31 December 2016	31 March 2016
Notes receivable arising from operating activities	$945,846	$1,265,211	$1,844,730
Less: allowance for doubtful debts	-	-	-
Total	$945,846	$1,265,211	$1,844,730

Notes receivable were not pledged.

As of 31 March 2016, the discounted notes receivable were NT$492,014 thousand, and have been deducted from the balance of notes receivable.

(6) Accounts receivable

	As at		
	31 March 2017	31 December 2016	31 March 2016
Accounts receivable	$4,972,366	$5,866,655	$3,091,363
Less: allowance for doubtful debts	(7,961)	(8,025)	(8,118)
Total	$4,964,405	$5,858,630	$3,083,245

Accounts receivable were not pledged.

Accounts receivable are generally on 30-210 day terms. The movements in the provision for impairment of accounts receivable are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As at 1 January 2017	$-	$8,025	$8,025
Charge/reversal for the current period	-	-	-
Write off	-	-	-
Exchange differences	-	(64)	(64)
As at 31 March 2017	$-	$7,961	$7,961
As at 1 January 2016	$-	$8,855	$8,855
Charge/reversal for the current period	-	(710)	(710)
Write off	-	-	-
Exchange differences	-	(27)	(27)
As at 31 March 2016	$-	$8,118	$8,118

Ageing analysis of accounts receivable that are past due as at the end of the reporting period but not impaired is as follows:

	Neither past due nor	Past due but not impaired				
As at	impaired	<=30 days	31~90 days	91~180 days	181~360 days	Total
31 March 2017	$4,573,108	$264,139	$87,676	$18,467	$21,015	$4,964,405
31 December 2016	5,514,824	302,638	18,029	17,017	6,122	5,858,630
31 March 2016	2,854,049	189,913	30,567	5,310	3,406	3,083,245

The Group entered into accounts receivable factoring agreements (without recourse) with several financial institutes in Taiwan. Under the agreements, the Group has surrendered control over the receivable to the factors. The factors had fully paid out the sales proceeds and assumed substantially all risks of collection as receivable were transferred.

As of 31 March 2017, 31 December 2016 and 31 March 2016, trade receivables derecognized were as follows:

As at 31 March 2017

The Factor (Transferee)	Interest rate	Trade receivables derecognized (USD$'000)	Cash withdrawn (USD$'000)	Unutilized (USD$'000)	Credit line ($'000)
DBS Bank (Taiwan)	1.40~1.80	$24,333	$(21,113)	$3,220	USD 72,000
TaiShin Bank	-	164	-	164	USD 1,000
Total		$24,497	$(21,113)	$3,384	

As at 31 December 2016

The Factor (Transferee)	Interest rate	Trade receivables derecognized (USD$'000)	Cash withdrawn (USD$'000)	Unutilized (USD$'000)	Credit line ($'000)
DBS Bank (Taiwan)	1.06~1.90	$30,790	$(26,000)	$4,790	USD 72,000
TaiShin Bank	-	2	-	2	USD 1,000
Total		$30,792	$(26,000)	$4,792	

As at 31 March 2016

The Factor (Transferee)	Interest rate	Trade receivables derecognized (USD$'000)	Cash withdrawn (USD$'000)	Unutilized (USD$'000)	Credit line ($'000)
DBS Bank (Taiwan)	1.16~1.24	$41,340	$(36,078)	$5,262	USD 72,000
BNP Paribas (Taiwan)	0.71~0.75	3,878	(3,512)	366	EUR 30,000
TaiShin Bank	-	165	-	165	USD 1,000
Total		$45,383	$(39,590)	$5,793	

The details of accounts receivable derecognized as follows:

	As at		
The Factor (Transferee)	31 March 2017	31 December 2016	31 March 2016
DBS Bank (Taiwan)	$97,694	$154,602	$169,874
TaiShin Bank	4,963	75	5,330
BNP Paribas (Taiwan)	-	-	11,779
Total	$102,657	$154,677	$186,983

(7) Inventories

	As at		
	31 March 2017	31 December 2016	31 March 2016
Raw materials and supplies	$2,475,584	$2,149,248	$1,751,972
Work in progress	882,873	576,645	834,967
Finished goods	2,553,907	2,781,076	2,444,567
Total	$5,912,364	$5,506,969	$5,031,506

The cost of inventories recognized in expenses amounts to NT$7,239,183 thousand and NT$7,572,967 thousand for the three-month periods ended 31 March 2017 and 2016, including the write-down of inventories of NT$14,970 thousand and NT$20,903 thousand, respectively.

No inventories were pledged.

(8) Other financial assets

	As at		
	31 March 2017	31 December 2016	31 March 2016
Trust asset	$165,719	$165,219	$163,719

Description of the trust assets, please refer to Note 9.

No other financial assets were pledged.

(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Research and development equipment	Office and other equipment	Leased assets	Construction in progress	Total
Cost:								
As at 1 January 2017	$433,008	$1,388,124	$2,122,715	$607,103	$429,420	$290,341	$6,982	$5,277,693
Additions	-	-	80,184	27,701	28,124	-	-	136,009
Disposals	-	-	(943)	-	(1,328)	-	-	(2,271)
Reclassifications	-	-	378	-	18,571	-	(5,340)	13,609
Exchange differences	-	(41,812)	(96,327)	(16,449)	(3,838)	-	(365)	(158,791)
As at 31 March 2017	$433,008	$1,346,312	$2,106,007	$618,355	$470,949	$290,341	$1,277	$5,266,249
As at 1 January 2016	$382,089	$1,399,574	$2,141,447	$548,559	$336,961	$290,341	$2,606	$5,101,577
Additions	50,919	64,707	27,926	19,495	13,695	-	8,733	185,475
Disposals	-	-	(2,824)	-	(1,925)	-	-	(4,749)
Transfers	-	853	-	-	9,228	-	-	10,081
Exchange differences	-	(17,346)	(37,312)	(5,406)	(1,079)	-	(51)	(61,194)
As at 31 March 2016	$433,008	$1,447,788	$2,129,237	$562,648	$356,880	$290,341	$11,288	$5,231,190
Depreciation and impairment:								
As at 1 January 2017	$-	$199,735	$1,141,772	$387,402	$227,528	$55,566	$-	$2,012,003
Depreciation	-	8,147	67,444	19,194	14,898	1,039	-	110,722
Disposals	-	-	(891)	-	(1,327)	-	-	(2,218)
Reclassifications	-	-	-	-	589	-	-	589
Exchange differences	-	(7,835)	(53,381)	(11,110)	(2,848)	-	-	(75,174)
As at 31 March 2017	$-	$200,047	$1,154,944	$395,486	$238,840	$56,605	$-	$2,045,922
As at 1 January 2016	$-	$178,120	$968,517	$342,510	$180,416	$51,411	$-	$1,720,974
Depreciation	-	8,636	70,193	17,628	11,280	1,039	-	108,776
Disposals	-	-	(2,755)	-	(1,925)	-	-	(4,680)
Transfers	-	853	-	-	9,606	-	-	10,459
Exchange differences	-	(2,875)	(18,368)	(3,966)	(823)	-	-	(26,032)
As at 31 March 2016	$-	$184,734	$1,017,587	$356,172	$198,554	$52,450	$-	$1,809,497
Net carrying amount as at:								
31 March 2017	$433,008	$1,146,265	$951,063	$222,869	$232,109	$233,736	$1,277	$3,220,327
31 December 2016	$433,008	$1,188,389	$980,943	$219,701	$201,892	$234,775	$6,982	$3,265,690
31 March 2016	$433,008	$1,263,054	$1,111,650	$206,476	$158,326	$237,891	$11,288	$3,421,693

The Company rented the Nankang Software Industrial Park office by capital lease, please refer to Note 6.(15).

No property, plant and equipment were pledged.

(10) Intangible assets

	Computer software	Development costs	Goodwill	Total
Cost:				
As at 1 January 2017	$327,513	$198,071	$49,715	$575,299
Addition-internal development	-	7,430	-	7,430
Addition-acquired separately	15,077	-	-	15,077
Exchange differences	(3,686)	-	(2,600)	(6,286)
As at 31 March 2017	$338,904	$205,501	$47,115	$591,520
As at 1 January 2016	$293,239	$165,585	$54,502	$513,326
Addition-internal development	-	4,883	-	4,883
Addition-acquired separately	7,608	-	-	7,608
Disposals	(248)	-	-	(248)
Exchange differences	(1,416)	-	(1,078)	(2,494)
As at 31 March 2016	$299,183	$170,468	$53,424	$523,075
Amortization and impairment:				
As at 1 January 2017	$162,242	$127,450	$-	$289,692
Amortization	13,386	4,473	-	17,859
Exchange differences	(1,747)	-	-	(1,747)
As at 31 March 2017	$173,881	$131,923	$-	$305,804
As at 1 January 2016	$114,704	$91,601	$-	$206,305
Amortization	11,764	7,858	-	19,622
Disposals	(248)	-	-	(248)
Exchange differences	(424)	-	-	(424)
As at 31 March 2016	$125,796	$99,459	$-	$225,255
Net carrying amount as at:				
31 March 2017	$165,023	$73,578	$47,115	$285,716
31 December 2016	$165,271	$70,621	$49,715	$285,607
31 March 2016	$173,387	$71,009	$53,424	$297,820

Amortization expense of intangible assets under the statement of comprehensive income:

	For the three-month periods ended 31 December	
	2017	2016
Operating costs	$5,135	$5,724
Operating expenses	$12,724	$13,898

(11) Short-term borrowings

	As at		
	31 March 2017	31 December 2016	31 March 2016
Unsecured bank loans	$2,011,351	$2,135,317	$2,354,911
Interest Rates (%)	0.47~3.80	0.47~3.97	0.9512~1.860

The Group's unused short-term lines of credits amounted to NT$8,309,402 thousand, NT$8,898,813 thousand and NT$7,546,171 thousand, as at 31 March 2017, 31 December 2016 and 31 March 2016, respectively.

(12) Current derivative financial assets (liabilities) for hedging

The balance for the periods as follows:

	As at		
	31 March 2017	31 December 2016	31 March 2016
Derivative financial assets for hedging	$210,409	$341,619	$151,070
Derivative financial liabilities for hedging	-	-	(143,037)
Total	$210,409	$341,619	$8,033

(a) The Group entered into the foreign currency option contracts and foreign currency forward contracts primarily for the purpose of hedging highly probable forecast transactions denominated in foreign currency, which are expected to occur during the next 12 months. Amounts accumulated in "other comprehensive income" as of 31 March 2017 are reclassified into profit or loss in the periods when the hedged asset acquired or the hedged liability assumed affects profit or loss. The Group has assessed that the effect of profit or loss arising from ineffective cash flow hedge was insignificant as the Group was mostly effective in executing the hedge transactions for the three-month periods ended 31 March 2017 and 2016. The Group entered into derivative financial instruments contracts with financial institutions with good credit quality. The maximum exposure to credit risk at the balance sheet date is the carrying amount of the derivative financial instruments for hedging.

(b) Cash flow hedges

	Hedged item	Derivative instruments designated as hedges	Fair value of derivative instruments designated as hedges	Period of anticipated cash flow	Period of gain (loss) expected to be recognized in statements of comprehensive income
2017/3/31	Expected transactions	Forward foreign exchange contracts	$210,409	2017/04~2017/12	2017/04~2017/12
2016/12/31	Expected transactions	Forward foreign exchange contracts	$341,619	2017/01~2017/12	2017/01~2017/12
2016/3/31	Expected transactions	Forward foreign exchange contracts	$151,070	2016/04~2017/05	2016/04~2017/05
	Expected transactions	Forward foreign exchange contracts	(143,037)	2016/04~2017/03	2016/04~2017/03

Amounts accumulated in "other comprehensive income" as of 31 March 2017 and 2016 are reclassified into profit or loss in the periods when the hedged asset acquired or the hedged liability assumed affects profit or loss. The amounts transferred from other comprehensive income to profit or loss for the three-month periods ended 31 March 2017 and 2016 were NT$78,984 thousand and NT$26,387 thousand, respectively.

(c) The unexpired contracts are as follow:

	As at 31 March 2017		
	Currency	Expected Cash Flow Period	Nominal Amount
Forward foreign exchange contracts	Sell EUR/Buy USD	2017.04.13-2017.12.22	EUR 119,000 thousand

	As at 31 December 2016		
	Currency	Expected Cash Flow Period	Nominal Amount
Forward foreign exchange contracts	Sell EUR/Buy USD	2017.01.13-2017.12.22	EUR 119,000 thousand

	As at 31 March 2016		
	Currency	Expected Cash Flow Period	Nominal Amount
Forward foreign exchange contracts	Sell EUR/Buy USD	2016.04.18-2017.05.22	EUR 106,000 thousand
Forward foreign exchange contracts	Sell USD/Buy RMB	2016.07.05-2016.12.19	USD 155,000 thousand
Forward foreign exchange contracts	Sell RMB/Buy USD	2016.07.06-2016.12.20	USD 171,000 thousand

(13) Current provisions

	Maintenance warranties	Sales returns and allowances	Total
As at 1 January 2017	$9,554	$159,185	$168,739
Arising during the period	108	27,597	27,705
Utilized	(118)	(29,724)	(29,842)
Exchange difference	(73)	(4,780)	(4,853)
As at 31 March 2017	$9,471	$152,278	$161,749
As at 1 January 2016	$9,823	$58,345	$68,168
Arising during the period	72	50,325	50,397
Utilized	(252)	(6,525)	(6,777)
Exchange difference	(30)	(1,398)	(1,428)
As at 31 March 2016	$9,613	$100,747	$110,360

Maintenance warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgment and other known factors.

Sales returns and allowances

A provision has been recognized for sales returns and allowances based on past experience and other known factors. The provision is recognized and the corresponding entry is made against operating revenue at the time of sales.

(14) Bonds payable

A. The Group's bonds payable are as follows:

	As at		
	31 March 2017	31 December 2016	31 March 2016
The fourth domestic unsecured convertible bonds payable	$-	$-	$200
Less: discounts on bonds payable	-	-	(1)
Subtotal	-	-	199
Less: current portion (Note 1)	-	-	(199)
Net	$-	$-	$-
Equity instruments (Note 2)	$-	$-	$19

Note 1: According to the issued clause of unsecured convertible bonds payable, bonds holders could exercise put option, the Group reclassified bonds payable due within one year to current liabilities.

Note 2: Conversion option value, which is recorded as additional paid-in capital-option.

B. The Company's Board of Directors resolved on 17 June 2011 to issue the fourth domestic unsecured convertible bonds, which were issued on 30 August 2011. The terms and conditions of the bonds are as follows:

Fourth domestic unsecured convertible bond:

(a) Issue Amount: NT$600,000 thousand, each with a face value of NT$100 thousand, issued based on 100% of par value.

(b) Annual coupon rate:0%.

(c) Issuing period: from 30 August 2011 to 30 August 2016.

(d) Conversion method:

i. Conversion period: The bondholder may, on the following day when reaching one full month from the bond issuing date and ten days prior to maturity, except for the closed period, at any time request the Company to convert the bonds into the Company's common stocks in accordance with this measure.

ii. Conversion price and adjustments: With the convertible bonds' conversion price set at NT$40.76 per share at the time of issue, and following the issue of the convertible bonds, the conversion price is to be adjusted in accordance with stipulations set by the convertible bonds' issuing provisions, when the Company increased the common stocks (except when the Company reissues or stages a private solicitation of common stocks with convertible rights or staging for an exchange of the common stocks through share pledging of a variety of marketable securities, or when the Company increases the common stocks already issued or solicited, including but not limited to capital reinvestment, earnings converting to capital reinvestment, capital reserve converting to capital reinvestment, employee bonuses converting to capital reinvestment, merger or new share issue by an invested entity, stock division and cash capital reinvestment for participating in offshore depository certificates and the like through solicitation issue or private solicitation), or when the common stock cash dividends of a given year against the ratio of the current price per share exceed 1.5%, or when the Company converts at a conversion price lower than the going price per share for a variety of marketable securities through share pledging reissue or private solicitation of common stocks with convertible rights or share pledging right, or when the Company reduces the common stocks in a capital reduction due to cancellation of the common stocks held in vault.

As of 31 March 2016, the conversion price was adjusted to NT$32.95.

(e) The Company's call option:

Under the following circumstances, effective from 1 year after the issuance until 40 days prior to maturity, the Company may recall the convertible bonds at par value per year:

i. The closing price of the Company's common stocks exceeds 30% of the last adjusted conversion price at the time for 30 consecutive business days.

ii. The balance of the Company's total outstanding bonds currently in circulation falls lower than 10% of the par value.

(f) Bondholder's put option:

During the 40-day period prior to reaching three years after issuance, bondholders may notify the Company's stockholders' service entity in writing to request that the Company buy back the convertible bonds at the par value.

C. The bonds already exchanged amount to NT$600,000 thousand, NT$600,000 thousand and NT$599,800 thousand as at 31 March 2017, 31 December 2016 and 31 March 2016, respectively.

(15) Lease payable

The Group signed a contract with Industrial Development Bureau, Ministry of Economic Affairs to lease an office space in Nankang Software Industrial Park on 15 August 2003. These capital lase expire on various dates from August 2003 to August 2023. The annual lease payment is adjusted according to Industrial Development Bureau's prescribed rental rate yearly. The prescribed rental rate is adjusted annually based on the interest rate of long-term loan and annual base on Consumer Price Index. In addition, the Group has bargain purchase option within the lease term. Future minimum lease payments under financial lease together with the present value of the net minimum lease payments are as follows:

	As at					
	31 March 2017		31 December 2016		31 March 2016	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Not later than one year	$20,373	$16,764	$16,298	$13,378	$16,298	$13,179
Later than one year and not later than five years	65,193	56,543	65,193	56,261	65,193	55,425
Later than five years	79,771	68,540	83,846	72,208	96,069	83,565
Total minimum lease payments	165,337	141,847	165,337	141,847	177,560	152,169
Less:finance charges on finance lease	(23,490)	-	(23,490)	-	(25,391)	-
Present value of minimum lease payments	$141,847	$141,847	$141,847	$141,847	$152,169	$152,169
Current		$16,764		$13,378		$13,179
Non-current		125,083		128,469		$138,990

(16) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the three-month periods ended 31 March 2017 and 2016 were NT$57,810 thousand and NT$61,632 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

Expenses under the defined benefits plan for the three-month periods ended 31 March 2017 and 2016 were NT$296 thousand and NT$318 thousand, respectively.

(17) Equities

(a) Ordinary share

The Company's authorized capital was NT$2,500,000 thousand as at 31 March 2017, 31 December 2016 and 31 March 2016. The Company's issued capital was NT$2,429,198 thousand, NT$2,429,198 thousand and NT$2,411,278 thousand as at 31 March 2017, 31 December 2016 and 31 March 2016, respectively, each at a par value of NT$10. The Company has issued 242,920 thousand, 242,920 thousand and 241,128 thousand common shares as at 31 March 2017, 31 December 2016 and 31 March 2016, respectively.

The fourth and fifth issue of domestic unsecured convertible bonds of the Company had been converted by bond holders into 1,550 thousand ordinary shares during the three-month period ended 31 March 2016. As a result, the capital increased by NT$15,501 thousand. As of 31 March 2016, there are still 1,786 thousand ordinary shares amounting to NT$17,859 thousand that have not been approved by the relevant authority which was accounted for as advanced receipts for ordinary shares.

(b) Capital surplus

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

(c) Retained earnings and dividend policies

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

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy for dividend distribution should reflect factors such as current and future investment environment, fund requirements, domestic and international competition and capital budgets, as well as the benefit of stockholders, share bonus equilibrium, and long-term financial planning etc. It could be paid in cash or the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

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

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

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

As of 1 January 2017 and 2016, special reserve set aside for the first-time adoption of TIFRS both amount to NT$131,678 thousand. Furthermore, the Company did not reverse special reserve to retained earnings during the three-month periods ended 31 March 2017 and 2016 as results of the use, disposal or reclassification of related assets.

The distributions of each dividend, employee bonus and directors' remuneration for 2016 and 2015 were approved through the Board of Directors' meeting and the stockholders' meeting held on 27 March 2017 and 15 June 2016, respectively. The details of distribution are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2016	2015	2016	2015
Legal reserve	$146,165	$130,451		
Common stock-cash dividend	1,020,263	936,322	$4.20	$4.00

Please refer to Note 6.(21) for further details on employees' compensation and remuneration to directors and supervisors.

(d) Non-controlling interests

	For the three-month periods ended 31 March	
	2017	2016
Beginning Balance	$(1,896)	$(1,432)
Net income (loss) attributable to non-controlling interests	870	5,083
Other comprehensive income attributable to non-controlling interests:		
Exchange differences on translation of foreign operations	93	(129)
Ending Balance	$(933)	$3,522

(18) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

(a) Share-based payment plan for employees of the parent entity

On 25 May 2015 the Company was authorized by the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan, to issue employee stock options with a total number of 100,000 units. Each unit entitles an optionee to subscribe to 100 share of the Company's common stock. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company. An optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the date of grant.

The fair value of the share options is estimated at the grant date using a binomial option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The exercise price of the option was set at the closing price of the subsidiary's common share on the grant date. The contractual term of each option granted is ten years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these employee share options.

The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted (units)	Exercise price of share options (NT$) (Note)
27 May 2015	100,000	57.6

Note: The exercise prices have been adjusted to reflect the change of outstanding shares (i.e. the share issued for cash, the appropriation of earnings, issuance of new shares in connection with merger, or issuance of new shares of other companies) in accordance with the plan.

The compensation cost was recognized under the fair value method and the Black-Scholes Option pricing model was used to estimate the fair value of options granted. Assumptions used in calculating the fair value are disclosed as follows:

	Factors
Expected dividends yields	4.79%
Expected volatility	27.79%
Risk-free interest rate	1.17%~1.31%
Weighted-average expected life	6.375 years

The expected life of the share options is based on historical date and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table contains further details on the aforementioned share-based payment plan:

	For the three-month periods ended 31 March			
	2017		2016	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)
Outstanding at beginning of period	100,000	57.6	100,000	60.60
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	100,000	57.6	100,000	60.60
Exercisable at end of period	-		-	
Weighted-average fair value of options granted during the period (NTD)	$-		$-	

The number of options outstanding was as follows:

		31 March 2017 Outstanding Stock Options		31 March 2016 Outstanding Stock Options	
Authorization date	Range of exercise price (NTD)	Option (units)	Weighted-average remaining contractual life (years)	Option (units)	Weighted-average remaining contractual life (years)
2015.05.27	57.60	100,000	4.625	100,000	5.625

(b) The expenses recognized for share-based payment plans for the three-month periods ended 31 March 2017 and 2016 were NT$6,992 thousand and NT$10,288 thousand, respectively.

(19) Operating revenue

	For the three-month periods ended 31 March	
	2017	2016
Sale of goods	$8,455,288	$8,929,565
Less: Sales returns, discounts and allowances	(128,813)	(120,150)
Other operating revenues	1,639	173
Total	$8,328,114	$8,809,588

(20)Operating leases

Operating lease commitments - Group as lessee

The Group has entered into commercial leases on certain building and items of machinery. These leases have an average life of one to five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 March 2017, 31 December 2016 and 31 March 2016 are as follows:

	As at		
	31 March 2017	31 December 2016	31 March 2016
Not later than one year	$27,168	$27,808	$5,402
Later than one year and not later than five years	106,321	103,352	24,460
Later than five years	4,995	9,578	832
Total	$138,484	$140,738	$30,694

The expenses recognized for operating leases are as follows:

	For the three-month periods ended 31 March	
	2017	2016
Future minimum rentals payable	$20,061	$15,746

(21)Summary statement of employee benefits, depreciation and amortization expenses by function during the three-month periods ended 31 March 2017 and 2016:

	For the three-month periods ended 31 March					
	2017			2016		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$192,824	$408,464	$601,288	$193,989	$485,400	$679,389
Labor and health insurance	7,220	20,472	27,692	6,963	20,856	27,819
Pension	25,446	32,660	58,106	29,617	32,333	61,950
Other employee benefits expense	16,560	23,983	40,543	20,559	19,979	40,538
Depreciation	75,435	35,287	110,722	55,531	53,245	108,776
Amortization	5,135	12,724	17,859	5,724	13,898	19,622

According to the Articles of Incorporation, 12%-18% of profit of the current year is distributable as employees' compensation and no higher than 2.5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the three-month period ended 31 March 2017, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the three-month period ended 31 March 2017 to be 15% of profit of the current three-month period and 2% of profit of the current three-month period, respectively, recognized as employee benefits expense.

Based on the profit of the three-month period ended 31 March 2016, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the three-month period ended 31 March 2016 to be 15% of profit of the current three-month period and 1.5% of profit of the current three-month period, respectively, recognized as employee benefits expense.

A resolution was passed at a Board of Directors meeting held on 27 March 2017 to distribute NT$299,638 thousand and NT$40,362 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2016, respectively. No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended 31 December 2016.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended 31 December 2015.

(22) Non-operating income and expenses

(a) Other income

	For the three-month periods ended 31 March	
	2017	2016
Interest income	$16,181	$15,143
Rental income	391	324
Others	6,137	4,635
Total	$22,709	$20,102

(b) Other gains and losses

	For the three-month periods ended 31 March	
	2017	2016
Loss on disposal of property, plant and equipment	$(1)	$-
Foreign exchange gain, net	7,348	20,536
Loss on financial assets at fair value through profit or loss	(1,352)	(11,805)
Other	(435)	(346)
Total	$5,560	$8,385

(c) Finance costs

	For the three-month periods ended 31 March	
	2017	2016
Interest on borrowings from bank	$12,844	$16,812
Interest on finance lease	701	770
Interest on notes discounted	-	8,243
Interest on bonds payable	-	270
Total	$13,545	$26,095

(23) Components of other comprehensive income

For the three-month period ended 31 March 2017

	Arising during the period	Transferred to the carrying amount of hedged items	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	$(245,949)	$-	$(245,949)	$12,464	$(233,485)
Unrealized gains (losses) from available-for-sale financial assets	819	-	819	-	819
Gains (losses) on effect portion of cash flow hedges	(52,227)	(78,984)	(131,211)	22,306	(108,905)
Total of other comprehensive income	$(297,357)	$(78,984)	$(376,341)	$34,770	$(341,571)

For the three-month period ended 31 March 2016

	Arising during the period	Transferred to the carrying amount of hedged items	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	$(88,582)	$-	$(88,582)	$-	$(88,582)
Unrealized gains (losses) from available-for-sale financial assets	(2,144)	-	(2,144)	-	(2,144)
Gains (losses) on effect portion of cash flow hedges	(32,429)	(26,387)	(58,816)	(12,726)	(71,542)
Total of other comprehensive income	$(123,155)	$(26,387)	$(149,542)	$(12,726)	$(162,268)

(24) Income tax

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

Income tax expense (income) recognized in profit or loss

	For the three-month periods ended 31 March	
	2017	2016
Current income tax expenses (income):		
Current income tax charge	$53,870	$78,521
Adjustments in respect of current income tax of prior periods	(2,545)	10,049
Deferred tax expenses (income):		
Deferred tax expenses (income) relating to origination and reversal of temporary differences	2,405	(26,783)
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	-	1,826
Total income tax expenses	$53,730	$63,613

Income tax relating to components of other comprehensive income

	For the three-month periods ended 31 March	
	2017	2016
Deferred tax expense (income):		
Exchange differences resulting from translating the financial statement of a foreign operation	$(12,464)	$-
Gains (losses) on effect portion of cash flow hedges	(22,306)	$12,726
Income tax relating to components of other comprehensive income	$(34,770)	$12,726

B. Imputation credit information

	As at		
	31 March 2017	31 December 2016	31 March 2016
Balances of imputation credit amounts	$182,340	$182,340	$165,893

The expected creditable ratio for 2016 and the actual creditable ratio for 2015 were 16.82% and 11.84%, respectively.

The Company's earnings generated in the year ended 31 March 1997 and prior years have been fully appropriated.

C. The assessment of income tax returns

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

	The assessment of income tax returns
The Company	Assessed and approved up to 2013
Subsidiary-Shukuan Investment Ltd.	Assessed and approved up to 2014

(25) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the three-month period ended 31 March attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the three-month period ended 31 March plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the three-month periods ended 31 March	
	2017	2016
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$228,806	$282,186
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	242,920	241,827
Basic earnings per share (NT$)	$0.94	$1.17
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$228,806	$282,186
Add: Interest expense from convertible bonds (in thousand NT$)	-	270
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$228,806	$282,456
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	242,920	241,827
Effect of dilution:		
Employee bonus-stock (in thousands)	4,199	3,028
Employee stock options (in thousands)	2,789	2,316
Convertible bonds (in thousands)	-	1,093
Weighted average number of ordinary shares outstanding after dilution (in thousands)	249,908	248,264
Diluted earnings per share (NT$)	$0.92	$1.14

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

(26) Changes in parent's interest in subsidiaries

Acquisition of new shares in a subsidiary not in proportionate to ownership interest

Hawxeye Inc. issued new shares on 1 November 2016, however the Group did not purchase any of the new shares, consequently the ownership interest in Hawxeye Inc. was reduced to 56%. The Group received additional cash from issuing new shares in the amount of NT$13,863 thousand. The carrying amount of Hawxeye Inc.'s net assets (excluding goodwill on the original acquisition) was NT$12,100 thousand. The following is a schedule of interest reduced in Hawxeye Inc. including increase in the Company's non-controlling interest:

Additional cash received from the issuance of new shares	$(13,863)
Increase in non-control interest	5,726
Difference recognized in capital surplus within equity	$(8,137)

7. Related party transactions

Key management personnel compensation

	For the three-month periods ended 31 December	
	2017	2016
Short-term employee benefits	$28,590	$33,649
Post-employment benefits	478	503
Share-based Payment	6,992	10,288
Total	$36,060	$44,440

8. Assets pledged as security

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

	Carrying amount			
Assets pledged for security	31 March 2017	31 December 2016	31 March 2016	Secured liabilities
Guarantee deposits paid fixed-term deposit and cash	$8,068	$6,498	$2,592	Custom duty guarantee and performance guarantee

9. Commitments and contingencies

(1) The Company signed an agreement with an overseas customer. The agreement provided that the overseas customer was required to pay a fee according to the License Royalty Rate prescribed in the agreement and the Company shall be liable for any third party infringement claims. The amount received as calculated by the License Royalty Rate has been deposited in trust fund set up by the Company. As at 31 March 2017, the Company recognized the trust fund as other financial assets-noncurrent and other current liabilities amounting to NT$165,719 thousand (including interest revenue of NT$8,011 thousand) and NT$157,708 thousand, respectively.

(2) As at 31 March 2017, the amounts of Performance Letter of Guarantee issued by bank for the purpose of the research project of Industrial Development Bureau, Ministry of Economic Affairs and shipment guarantee were NT$43,484 thousand and EUR 2,500 thousand.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Other

(1) Categories of financial instruments

	As at		
	31 March 2017	31 December 2016	31 March 2016
Financial assets			
Financial assets at fair value through profit or loss:			
Designated financial assets at fair value through profit or loss	$11,955	$-	$-
Held for trading	-	-	928
Subtotal	11,955	-	928

	As at		
	31 March 2017	31 December 2016	31 March 2016
Available-for-sale financial assets			
Measured at fair value	61,342	60,523	57,653
Measured at cost	63,375	63,375	63,375
Subtotal	124,717	123,898	121,028
Loans and receivables:			
Cash and cash equivalents (exclude cash on hand)	5,370,022	5,718,566	6,826,569
Notes receivable, net	945,846	1,265,211	1,844,730
Accounts receivable, net	4,964,405	5,858,630	3,083,245
Other receivables	256,673	481,667	345,287
Other financial assets	165,719	165,219	163,719
Guarantee deposits paid	34,821	25,718	22,983
Subtotal	11,737,486	13,515,011	12,286,533
Derivative financial assets for hedging	210,409	341,619	151,070
Total	$12,084,567	$13,980,528	$12,559,559

	As at		
	31 March 2017	31 December 2016	31 March 2016
Financial liabilities			
Financial liabilities at fair value through profit or loss:			
Held for trading	$1,392	$457	$5,760
Financial liabilities at amortized cost:			
Short-term borrowings	2,011,351	2,135,317	2,354,911
Notes payable	16,537	-	-
Accounts payable	9,149,960	10,004,704	8,810,692
Other payables	2,914,205	3,159,598	2,589,746
Lease obligations payable	141,847	141,847	152,169
Bonds payable	-	-	199
Guarantee deposits received	5,868	6,279	10,012
Subtotal	14,239,768	15,447,745	13,917,729
Derivative financial liabilities for hedging	-	-	143,037
Total	$14,241,160	$15,448,202	$14,066,526

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items, derivatives financial instrument and hedge activities denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analyses is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the three-month periods ended 31 March 2017 and 2016 is increased/decreased by NT$607 thousand and decreased/increased NT$2,389 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the three-month periods ended 31 March 2017 and 2016 to increase/decrease by NT$90 thousand and decrease/increase by NT$187 thousand, respectively.

Commodity price risk

The Group's commodity price risk is caused by the fluctuation of foreign currency rate arising from taking overseas orders. Due to the volatile fluctuation of the currency rate, the Board of Directors has developed strategies for lowering commodity price risk. The Group uses forward foreign exchange contracts, forward foreign option contracts and range forward foreign exchange contracts to hedge aforementioned risk of currency rate based on the forecast of the future requirement of orders, which the Group expects highly possible to take. Hedge accounting applies to these financial assets.

After the Group considers the effect of hedge accounting, a change of 1% in currency rate in a reporting period could cause the equity for the three-month periods ended 31 March 2017 and 2016 to increase/decrease by NT$2,104 thousand and increase/decrease by NT$80 thousand, respectively.

Equity price risk

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

An increase/decrease of 1% in the value of the equity securities classified as available-for-sale would only impact equity but would not have an effect on profit or loss. For the three-month periods ended 31 March 2017 and 2016, an increase/decrease of 1% in the price of the equity securities classified as available-for-sale could cause the equity to increase/decrease by NT$374 thousand and increase/decrease NT$291 thousand, respectively.

(4) Credit risk management

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

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

As of 31 March 2017, 31 December 2016 and 31 March 2016, accounts receivables from top ten customers represent 66%, 68% and 79% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

(5) Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 March 2017					
Short-term borrowings	$2,015,317	$-	$-	$-	$2,015,317
Accounts payable	9,149,960	-	-	-	9,149,960
Other payables	2,914,205	-	-	-	2,914,205
Lease obligations payable	20,373	32,597	32,596	79,771	165,337
As at 31 December 2016					
Short-term borrowings	$2,140,591	$-	$-	$-	$2,140,591
Accounts payable	10,004,704	-	-	-	10,004,704
Other payables	3,159,598	-	-	-	3,159,598
Lease obligations payable	16,298	32,597	32,596	83,846	165,337
As at 31 March 2016					
Short-term borrowings	$2,358,530	$-	$-	$-	$2,358,530
Accounts payable	8,810,692	-	-	-	8,810,692
Other payables	2,589,746	-	-	-	2,589,746
Bonds payable	199	-	-	-	199
Lease obligations payable	16,298	32,596	32,597	96,069	177,560

Derivative financial instruments

	Less than 1 year
As at 31 March 2017	
Inflows	$-
Outflows	(1,392)
Net	$(1,392)

	Less than 1 year
As at 31 December 2016	
Inflows	$-
Outflows	(457)
Net	$(457)

	Less than 1 year
As at 31 March 2016	
Inflows	$-
Outflows	(148,797)
Net	$(148,797)

The table above contains the undiscounted net cash flows of derivative financial instruments.

(6) Fair values of financial instruments

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

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

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

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

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

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

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

B. Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, accounts receivables, accounts payable and other current liabilities whose carrying amount approximate their fair value, the fair value of the Group’s financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount as at		
	31 March 2017	31 December 2016	31 March 2016
Financial liabilities:			
Lease obligations payable	$141,847	$141,847	$152,169
Bonds payable	-	-	199

	Fair value as at		
	31 March 2017	31 December 2016	31 March 2016
Financial liabilities:			
Lease obligations payable	$165,337	$165,337	$177,560
Bonds payable	-	-	410

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Group.

(7) Derivative financial instruments

The Group has entered into forward foreign exchange contracts, which are not applicable to hedge accounting, for the purpose of managing transaction risk due to changes in foreign currencies. Please refer to Note 6.(2).

The Group has entered into forward foreign exchange contracts, foreign currency option contract and range forward foreign exchange contracts, which are applicable to hedge accounting, for the purpose of hedging future cash flow fluctuations and risk due to changes in foreign currencies. Please refer to Note 6.(12).

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

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

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

	As at 31 March 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Convertible bonds	$-	$-	$11,955	$11,955
Derivative financial assets for hedging:				
Forward foreign exchange contracts	-	210,409	-	210,409
Available-for-sale financial assets:				
Stock	37,261	-	24,081	61,342
Financial liabilities:				
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	1,392	-	1,392

	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets for hedging:				
Forward foreign exchange contracts	$-	$341,619	$-	$341,619
Available-for-sale financial assets:				
Stock	34,851	-	25,672	60,523
Financial liabilities:				
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	457	-	457

	As at 31 March 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Forward foreign exchange contracts	$-	$928	$-	$928
Derivative financial assets for hedging:				
Forward foreign exchange contracts	-	151,070	-	151,070
Available-for-sale financial assets:				
Stock	30,074	-	27,579	57,653
Financial liabilities:				
Financial liabilities at fair value through profit or loss:				
Forward foreign exchange contracts	-	5,760	-	5,760
Derivative financial liabilities for hedging:				
Forward foreign exchange contracts	-	143,037	-	143,037

Transfers between Level 1 and Level 2 during the period

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

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

Reconciliation of financial assets measured at fair value of Level 3:

	Convertible bonds	Stock of available-for-sale
Beginning balances as at 1 January 2017	$-	$25,672
Total gains and losses recognized for the three-month period ended 31 March 2017:		
Recognized in OCI (presented in "Unrealized gains (losses) from available-for-sale financial assets")	-	(1,591)
Acquisition for the three month period ended 31 March 2017	11,955	-
Ending balances as at 31 March 2017	$11,955	$24,081

	Stock of available-for-sale
Beginning balances as at 1 January 2016	$27,687
Total gains and losses recognized for the three-month period ended 31 March 2016:	
Recognized in OCI (presented in "Unrealized gains (losses) from available-for-sale financial assets")	(108)
Ending balances as at 31 March 2016	$27,579

Information on significant unobservable inputs to valuation

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

As at 31 March 2017

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets					
Available-for-sale:					
Stocks	Market approach	discount for lack of marketability	15%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	5% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT$1,417 thousand

As at 31 December 2016

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets					
Available-for-sale:					
Stocks	Market approach	discount for lack of marketability	15%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	5% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT$1,510 thousand

As at 31 March 2016

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets					
Available-for-sale:					
Stocks	Market approach	discount for lack of marketability	15%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	5% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT$1,622 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Financial and Accounting Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

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

	Level 1	Level 2	Level 3	Total
As at 31 March 2017				
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Lease obligations payables	$-	$-	$165,337	$165,337
As at 31 December 2016				
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Lease obligations payables	$-	$-	$165,337	$165,337
As at 31 March 2016				
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Lease obligations payables	$-	$-	$177,560	$177,560
Bonds payables	410	-	-	410

(9) Significant assets and liabilities denominated in foreign currencies

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

(Unit: Foreign currency: thousands, NTD: thousands)

	As at 31 March 2017			
	Foreign currencies		Exchange rate	NTD
Financial assets-monetary items				
Cash and cash equivalents	RMB	$254,727	4.4019	$1,121,285
Cash and cash equivalents	USD	123,463	30.3360	3,745,381
Notes receivable	RMB	214,870	4.4019	945,846
Accounts receivable	USD	102,613	30.3360	3,112,859
Accounts receivable	RMB	352,796	4.4019	1,552,973
Other receivables	USD	4,251	30.3360	128,957
Financial liabilities-monetary items				
Short term borrowings	USD	40,000	30.3360	1,200,601
Short term borrowings	EUR	25,000	32.4322	810,750
Accounts payable	RMB	670,314	4.4019	2,950,653
Accounts payable	USD	196,220	30.3360	5,952,539
Other payables	RMB	156,631	4.4019	689,475

	As at 31 December 2016			
	Foreign currencies		Exchange rate	NTD
Financial assets-monetary items				
Cash and cash equivalents	RMB	$225,652	4.6448	$1,048,108
Cash and cash equivalents	USD	117,494	32.2790	3,792,576
Notes receivable	RMB	272,156	4.6448	1,264,108
Accounts receivable	USD	93,639	32.2790	3,022,582
Accounts receivable	EUR	20,965	33.9172	711,085
Accounts receivable	RMB	446,026	4.6448	2,071,698
Other receivables	USD	5,592	32.2790	180,516
Other receivables	RMB	35,140	4.6448	163,219
Financial liabilities-monetary items				
Short term borrowings	USD	37,500	32.2790	1,210,463
Short term borrowings	EUR	25,000	33.9172	847,500
Accounts payable	RMB	1,778,826	4.6448	8,308,731
Accounts payable	USD	42,466	32.2790	1,370,762
Other payables	RMB	178,656	4.6448	829,821

	As at 31 March 2016			
	Foreign currencies		Exchange rate	NTD
Financial assets-monetary items				
Cash and cash equivalents	RMB	$296,131	4.9913	$1,478,092
Cash and cash equivalents	USD	143,517	32.2820	4,633,016
Notes receivable	RMB	369,586	4.9913	1,844,730
Accounts receivable	USD	46,422	32.2820	1,498,601
Accounts receivable	RMB	299,259	4.9913	1,493,706
Other receivables	USD	6,355	32.2820	205,168
Financial liabilities-monetary items				
Short term borrowings	USD	52,000	32.2820	1,678,664
Short term borrowings	RMB	45,492	4.9913	227,064
Accounts payable	RMB	527,688	4.9913	2,633,781
Accounts payable	USD	184,749	32.2820	5,964,056
Other payables	RMB	135,989	4.9913	678,769

It is not applicable to disclose the exchange gains or losses for each functional currency due to the fact that the functional currencies used by the Group's entities are diverse. The Group's gain and loss of foreign currency exchange on monetary financial assets and liabilities for the three-month periods ended 31 March 2017 and 2016 were gain of NT$7,348 thousand and gain of NT$20,536 thousand, respectively.

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

(10) Capital management

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

13. Additional disclosure

(1) Information at significant transactions

A. Lending funds to others: Refer to Attachment 1.

B. Providing endorsements or guarantees for others: Refer to Attachment 2.

C. Holding of securities at the end of the period: Refer to Attachment 3.

D. Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more: None.

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

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

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more: Refer to Attachment 4.

H. Accounts receivable from related parties reaching NT$100 million or 20 percent of paid-in capital or more: Refer to Attachment 5.

I. Trading in derivative instruments: Refer to Notes 6.(2), 6.(12), and 12.

J. Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: Refer to Attachment 6.

(2) Information on investees:

Names, locations, and related information of investees over which Sercomm Corporation exercises significant influence (excluding information on investment in Mainland China): Please refer to Attachment 7.

(3) Information on investments in mainland China

A. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), book value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 8.

B. Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: Please refer to Attachment 1, 2, 4 and 5.

14. Segment information

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

(1) Taiwan: segment engages in R&D Designing, Product Testing and Manufacturing, Repairing, and Sales of products except for Mainland China. (Including segment revenue, profits and losses from Taiwan orders, manufactured by subsidiary in Mainland China)

(2) Mainland China: segment engages in R&D Designing, Product Testing and Manufacturing, Repairing, and Sales of products in Mainland China.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements.

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

(1) Information on profit or loss, assets and liabilities of the reportable segments:

	For the three-month period ended 31 March 2017					
Revenue	Taiwan Segment	Mainland China Segment	Total segments	All other	Adjustments and eliminations	Consolidated
External customers	$6,143,449	$2,000,531	$8,143,980	$184,134	$-	$8,328,114
Inter-segment	161,861	4,855,740	5,017,601	65,400	(5,083,001)	-
Total revenue	$6,305,310	$6,856,271	$13,161,581	$249,534	$(5,083,001)	$8,328,114
Segment profit	$226,443	$230,049	$456,492	$14,013	$(187,099)	$283,406

	For the three-month period ended 31 March 2016					
Revenue	Taiwan Segment	Mainland China Segment	Total segments	All other	Adjustments and eliminations	Consolidated
External customers	$6,643,694	$2,083,837	$8,727,531	$82,057	$-	$8,809,588
Inter-segment	92,428	4,668,594	4,761,022	71,469	(4,832,491)	-
Total revenue	$6,736,122	$6,752,431	$13,488,553	$153,526	$(4,832,491)	$8,809,588
Segment profit	$306,760	$140,265	$447,025	$22,081	$(118,224)	$350,882

Revenue from Europe, America and Japan that are operating segments that do not meet the quantitative thresholds for reportable segments.

Inter-segment revenue are eliminated on consolidation and recorded under the “adjustments and eliminations” column, all other adjustments and eliminations are disclosed below.

(2) Information on assets and liabilities of the reportable segments as following:

	Taiwan Segment	Mainland China Segment	Total segments	All other	Adjustments and eliminations	Consolidated
2017.03.31 segment assets	$23,265,972	$14,574,693	$37,840,665	$372,582	$(16,652,798)	$21,560,449
2016.12.31 segment assets	$24,233,463	$15,179,017	$39,412,480	$362,604	$(16,936,011)	$22,839,073
2016.03.31 segment assets	$21,201,927	$15,116,929	$36,318,856	$380,395	$(15,454,890)	$21,244,361

	Taiwan Segment	Mainland China Segment	Total segments	All other	Adjustments and eliminations	Consolidated
2017.03.31 segment liabilities	$5,839,383	$9,826,778	$15,666,161	$320,591	$(2,947,050)	$13,039,702
2016.12.31 segment liabilities	$6,525,308	$10,384,785	$16,910,093	$336,126	$(3,052,717)	$14,193,502
2016.03.31 segment liabilities	$4,538,985	$10,116,007	$14,654,992	$363,451	$(2,730,234)	$12,288,209

(3) Information on reconciliations of profit or loss of the reportable segments as follows:

	For the three-month periods ended 31 March	
	2017	2016
Total profit or loss from reportable segments	$456,492	$447,025
Other profit or loss	14,013	22,081
Elimination of inter-segment profit	(187,099)	(118,224)
Profit (loss) before tax from continuing operations	$283,406	$350,882

	106.3.31	105.12.31	105.3.31
Total assets from reportable segments	$37,840,665	$39,412,480	$36,318,856
Other assets	372,582	362,604	380,395
Elimination of accounts receivable from general managing department	(16,652,798)	(16,936,011)	(15,454,890)
Other unallocated amounts	806,796	939,980	709,341
Assets from continuing operations	$22,367,245	$23,779,053	$21,953,702

	106.3.31	105.12.31	105.3.31
Total liabilities from reportable segments	$15,666,161	$16,910,093	$14,654,992
Other liabilities	320,591	336,126	363,451
Elimination of accounts payable from general managing department	(2,947,050)	(3,052,717)	(2,730,234)
Other unallocated amounts	2,075,378	2,228,483	2,533,672
Liabilities from continuing operations	$15,115,080	$16,421,985	$14,821,881

SERCOMM CORPORATION AND SUBSIDIARIES

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

Attachment 1: Lending funds to others for the three-month period ended 31 March 2017

Number	Name of financing provider	Name of counterparty	Account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing activity	Total transaction amount	Reason for financing	Allowance for doubtful accounts	Assets pledged		Loan limit per entity	Maximum amount available for law
													Item	Value		
0	Sercomm Corporation	Sernet Technology (Suzhou) Limited	Other receivables -related party	Y	$911,900	$880,380	$-	4.00%	Note 3(2)	$-	Operating	$-	-	$-	$1,450,619 Note 1(2)	$2,901,239 Note 1
1	Sernet Technology (Suzhou) Limited	Dwnet Technology (Suzhou) Limited	Other receivables -related party	Y	1,276,660	1,232,532	475,405	4.35%	Note 3(2)	-	Operating	-	-	-	3,626,549 Note 2(3)	7,253,098 Note 2(3)
1	Sernet Technology (Suzhou) Limited	Nanjing Femtel Communications Co., Ltd.	Other receivables -related party	Y	45,595	44,019	22,010	4.35%	Note 3(2)	-	Operating	-	-	-	3,626,549 Note 2(3)	7,253,098 Note 2(3)

According the Company's Operational Procedures for Lending Funds to Others, as follows:

Note 1: The aggregate amount of loans to others shall not exceed 40% of its stockholders' equity as stated in the Company's most recent audited or reviewed financial statement.

The loan limit for each entity depending on the purpose of the loan is as follows:

(1) To a trading partner: The amount shall not exceed the higher of the sales or purchases amount to/ from the trading partner for the year as of the time of the lending event or for the most recent year.

(2) As short-term financing: The amount shall not exceed 20% of stockholders' equity as stated in its latest audited or reviewed financial statement.

(3) Financing between the Company's 100% directly- or indirectly- held overseas investee is not limited to 40% of stockholder's equity as stated in the most recent audited or reviewed financial statement.

However the aggregate amount shall not exceed 100% net assets. Loans to individual investee shall not exceed 50% net assets.

Note 2: The aggregate amount of loans from subsidiaries to others shall not exceed 40% of stockholders' equity as stated in the subsidiary's or the Company's most recent audited or reviewed financial statement, whichever is lower.

The loan limit for each entity depending on the purpose of the loan is as follows:

(1) To a trading partner: The amount shall not exceed the higher of the sales or purchases amount to/ from the trading partner for the year as of the time of the lending event or for the most recent year.

(2) As short-term financing: The amount shall not exceed 20% of the subsidiary or the Company's stockholders' equity as stated in its latest financial statement.

(3) Financing between the group's investee which is 100% directly- or indirectly- held by the parent company is not limited to the ratio as stated in the preceding paragraph.

However the aggregate amount shall not exceed 100% net assets as stated in the parent company's most recent audited or reviewed financial statement. Loans to individual investee shall not exceed 50% net assets.

Note 3: (1)Trading partner : The trading amounts refer to the business transaction amounts within the recent year between the loaner company and the loanee entity.

(2)Short-term financing

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Attachment 2: Providing endorsements or guarantees for others for the three-month period ended 31 March 2017

Number	Name of endorsers	Endorsee		Endorsement limit for a single entity	Maximum balance for the period	Ending balance	Actual amount Provided	Amount of collateral guarantee/endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/endorsement amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name of endorsees	Relationship										
0	Sercomm Corporation	Sernet Technology (Suzhou) Limited	Subsidiary	$3,626,549 (Note)	$940,800 (USD 30,000 thousand)	$910,080 (USD 30,000 thousand)	$- (USD 0 thousand)	$-	12.55%	$7,253,098 (Note)	Y	N	Y
0	Sercomm Corporation	Dwnet Technology (Suzhou) Limited	Subsidiary	3,626,549 (Note)	1,439,475 (USD 46,000 thousand) (RMB 10,000 thousand)	1,439,475 (USD 46,000 thousand) (RMB 10,000 thousand)	273,763 (USD 8,000 thousand) (RMB 10,000 thousand)	-	19.85%	7,253,098 (Note)	Y	N	Y

Note: According the Company's Operational Procedures for Endorsement / guarantee provided to others, the maximum amount permitted to a single borrower is as follows:

(1)The amounts permitted to make in endorsements/guarantees to any single entity shall not exceed 25% of the Company's stockholders' equity as stated in its latest financial statement; the total amount shall not exceed 50% of stockholders' equity as stated in its latest financial statement.

(2)The restriction in Note (1) shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares. However the endorsement / guarantee amount should not exceed 100% net assets. Endorsements / guarantees provided to individual investees should not exceed 50% net assets.

(3)The amounts permitted to make in endorsements/guarantees to single subsidiary shall not exceed 50% of the Company's stockholders' equity as stated in its latest financial statement; the total amount shall not exceed 100% of stockholders' equity as stated in its latest financial statement.

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Attachment 3: Holdings of securities as of 31 March 2017

Names of companies held	Securities type and name	Relationship with the Company	Financial statement account	Period ended				Note
				Shares/units (in thousands)	Book value	Percentage of ownership (%)	Market value or Net asset value	
Sercomm Corporation	Convertible bonds							
	Presciense Limited	Associates	Non-current financial assets at fair value through profit or loss	250	$9,852 (GBP 250 thousand)	-	$9,852	
	Siklu Inc.	-	Non-current financial assets at fair value through profit or loss	68	2,103 (USD 68 thousand)	-	2,103	
	Stock of listed company at emerging stock market							
	O-Bank Co., Ltd.	-	Non-current available-for-sale financial assets	4,154	37,261	-	37,261	
	Stock of non-listed company							
	TECO Nanotech Co., Ltd.	-	Non-current financial assets measured at cost	-	10	-	-	
	Stock of non-listed company							
	Siklu Inc.	-	Non-current financial assets measured at cost	2,018	63,365 (USD 2,000 thousand)	-	-	
Shukuan Investment Ltd.	Stock of non-listed company							
	Cerpass Technology Corp.	-	Non-current available-for-sale financial assets	747	24,081	4	24,081	

Note: The term" securities" stated above includes stock, bonds, beneficiary certificates, and related securities derived from the above which were described in IAS 39 "financial Instruments: Recognition and Measurement"

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Attachment 4: Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more for the three-month period ended 31 March 2017

Purchases (Sales) Company	Related party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales) (%)	Term	Unit price	Term	Balance	Percentage of total receivables (payable) (%)	
Sercomm Corporation	Sernet Technology (Suzhou) Limited	The Company's subsidiary	Purchases	$4,708,629	82	45	Note	Note	$(1,888,001)	65	
Sernet Technology (Suzhou) Limited	Sercomm Corporation	Parent Company	Sales	(4,708,629)	98	45	Note	Note	1,888,001	90	
Sercomm Corporation	Sercomm Russia Limited Liability Company	The Company's subsidiary	Sales	(146,345)	2	105	Note	Note	101,076	3	
Sercomm Russia Limited Liability Company	Sercomm Corporation	Parent Company	Purchases	146,345	96	105	Note	Note	(101,076)	100	

Note: The sales price to the above related parties was determined through mutual agreement based on the market conditions.

The collection period for related parties was month-end 90-210 days, while the terms for domestic third party sales was net 30-75 days. The collection period for overseas sales was net 30-210 days.

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Attachment 5: Account receivable from related parties reaching NT$100 million or 20% of paid-in capital or more as of 31 March 2017

The name of the company	Name of counterparty	Relationship	Ending balance	Turnover rate	Overdue receivables		Subsequent collections	Allowance for doubtful accounts
					Amount	Action adopted for overdue accounts		
Sercomm Corporation	Sercomm Russia Limited Liability Company	Subsidiary	$101,076	-	$-	-	$-	$-
Sernet Technology (Suzhou) Limited	Sercomm Corporation	The ultimate parent company	1,888,001	-	-	-	-	-
Sernet Technology (Suzhou) Limited	Dwnet Technology (Suzhou) Limited	Affiliate with the same parent company	186,024	-	-	-	-	-

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Attachment 6: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them for the three-month period ended 31 March 2017

No. (Note 1)	Name of related parties	Counterparty	Nature of relationship (Note 2)	Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Sercomm Corporation	Sercomm USA Inc.	1	Commission expenses	$25,697	-	-
0	Sercomm Corporation	Sercomm USA Inc.	1	Other payables	1,547	-	-
0	Sercomm Corporation	Sercomm Japan Corp.	1	Other current assets	20,545	-	-
0	Sercomm Corporation	Sercomm Japan Corp.	1	Accounts receivable	10,722	-	-
0	Sercomm Corporation	Sercomm Deutschland GmbH	1	Other current assets	15,340	-	-
0	Sercomm Corporation	Sercomm Deutschland GmbH	1	Other payables	5,938	-	-
0	Sercomm Corporation	Sercomm Deutschland GmbH	1	Commission expenses	5,938	-	-
0	Sercomm Corporation	Sercomm Russia Limited Liability Company	1	Sales revenue	146,345	(note 4)	2%
0	Sercomm Corporation	Sercomm Russia Limited Liability Company	1	Other current assets	28,032	-	-
0	Sercomm Corporation	Sercomm Russia Limited Liability Company	1	Other receivables	115,831	-	1%
0	Sercomm Corporation	Sercomm Russia Limited Liability Company	1	Accounts receivable	101,076	-	-
0	Sercomm Corporation	Sercomm France SARL	1	Other current assets	11,691	-	-
0	Sercomm Corporation	Sercomm France SARL	1	Commission expenses	16,766	-	-
0	Sercomm Corporation	Sercomm France SARL	1	Other payables	16,766	-	-
0	Sercomm Corporation	Dwnet Technology (Suzhou) Limited	1	Purchases	8,087	-	-
0	Sercomm Corporation	Dwnet Technology (Suzhou) Limited	1	Accounts receivable	3,591	-	-
0	Sercomm Corporation	Dwnet Technology (Suzhou) Limited	1	Accounts payable	7,760	-	-
0	Sercomm Corporation	Sernet Technology (Suzhou) Limited	1	Purchases	4,708,629	-	57%
0	Sercomm Corporation	Sernet Technology (Suzhou) Limited	1	Accounts payable	1,888,001	-	8%
0	Sercomm Corporation	Hawxeye Inc.	1	Selling expense	15,440	-	-
1	Sercomm USA Inc.	Hawxeye Inc.	3	Accounts receivable	9,174	-	-
1	Sercomm USA Inc.	Hawxeye Inc.	3	Sales revenue	1,045	(note 4)	-
2	Sernet Technology (Suzhou) Limited	Dwnet Technology (Suzhou) Limited	3	Accounts receivable	186,024	-	1%
2	Sernet Technology (Suzhou) Limited	Dwnet Technology (Suzhou) Limited	3	Other receivables	482,590	-	2%
2	Sernet Technology (Suzhou) Limited	Dwnet Technology (Suzhou) Limited	3	Interest income	3,516	-	-
2	Sernet Technology (Suzhou) Limited	Dwnet Technology (Suzhou) Limited	3	Sales revenue	90,682	(note 4)	-
2	Sernet Technology (Suzhou) Limited	Dwnet Technology (Suzhou) Limited	3	Rental income	2,092	-	-
2	Sernet Technology (Suzhou) Limited	Dwnet Technology (Suzhou) Limited	3	Purchases	25,473	-	-
2	Sernet Technology (Suzhou) Limited	Dwnet Technology (Suzhou) Limited	3	Accounts payable	28,677	-	-
2	Sernet Technology (Suzhou) Limited	Suzhou Femtel Communication Co., Ltd.	3	Accounts receivable	6,988	-	-
2	Sernet Technology (Suzhou) Limited	Nanjing Femtel Communication Co., Ltd.	3	Other receivables	22,028	-	-
3	Zealous Investments Ltd.	Sercomm USA Inc.	3	Other payables	12,134	-	-
4	Dwnet Technology (Suzhou) Limited	Suzhou Femtel Communication Co., Ltd.	3	Accounts receivable	13,123	-	-
4	Dwnet Technology (Suzhou) Limited	Suzhou Femtel Communication Co., Ltd.	3	Sales revenue	2,628	(note 4)	-

Note 1: The Company and its subsidiaries are coded as follows:
1.The Company is coded 0.
2.The subsidiaries should be coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:
1.The parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/revenues for transactions of balance sheet items are based on each items balance at period-end. For profit or loss items, cumulative balances are used as basis.

Note 4: The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection period for third party was month-end 90-210 days, while the terms for domestic sales was net 30-75 days. The collection period for overseas sales was net 30-210 days.

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Attachment 7: For those who directly or indirectly have major influence or control over the investee company

Investor company	Investee company	Address	Main businesses and products	Original investment amount		Balance as of 31 March 2017			Net income (loss) of the investee	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Shares (in thousands)	Percentage of ownership	Book value			
Sercomm Corporation	Sercomm USA Inc.	California, America	Sales of IT products	$20,739	$20,739	650	100	$22,535	$2,199	$2,199	Subsidiary (note a)
	Sercomm Trading Co. Ltd.	Samoa	Investment overseas, technology R&D and international trading	1,471,186	1,471,186	46,800	100	4,525,208	173,570	173,570	Subsidiary
	Shukuan Investment Ltd.	Taipei, Taiwan	Investment activity	56,298	56,298	2,800	100	33,324	(8)	(8)	Subsidiary (note a)
	Sercomm Japan Corp.	Tokyo, Japan	Sales of IT products	157,721	157,721	10	100	(8,549)	(8,945)	(8,945)	Subsidiary (note a)
	Sercomm France SARL	Paris, France	Sales of IT products	4,004	4,004	100	100	10,344	2,303	2,303	Subsidiary (note a)
	Sercomm Deutschland GmbH	Saarbrücken, Germany	Sales of IT products	3,727	3,727	100	100	2,294	603	603	Subsidiary (note a)
	Sercomm Russia Limited Liability Company	Russia	Sales of IT products	10	10	10	100	27,754	14,647	14,647	Subsidiary (note a)
	Presciense Limited	London, UK	Design, research and application of smarthome platform technology	-	-	3,333	25	-	-	-	Associates (note a)
Sercomm Trading Co. Ltd.	Zealous Investments Ltd.	Samoa	Investment overseas, technology R&D and international trading	989,358	989,358	30,956	100	3,655,971	150,423	150,423	Subsidiary
	Smart Trade Inc.	Samoa	Investment overseas, technology R&D and international trading	481,829	481,829	16,000	100	869,073	23,147	23,147	Subsidiary
Sercomm France SARL	Sercomm Italian SRL	Italy	Sales of IT products	388	388	10	100	1,192	246	246	Subsidiary (note a)
Sercomm USA Inc.	HawXeye Inc.	California, America	Provision of technology on video object analysis	-	12,174	-	-	-	1,961	(1,422)	Subsidiary (note a and b)
Zealous Investments Ltd.	HawXeye Inc.	California, America	Provision of technology on video object analysis	24,348	12,174	800	56	(2,101)	1,961	2,512	Subsidiary (note a and b)

Note a: Amount was recognized based on the unreviewed or unaudited financial statements.

Note b: For the purpose of reorganization, the ownership of HawXeye Inc., which was previously owned by Sercomm USA Inc., was transferred to Zealous Investments Ltd. in March 2017.

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Attachment 8: Information on Mainland China investments

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of 1 January 2017	Investment flows		Accumulated outflow of investment from Taiwan as of 31 March 2017	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized	Carrying value as of 31 March 2017	Accumulated inward remittance of earnings as of 31 March 2017
					Outflow	Inflow						
Sernet Technology (Suzhou) Limited	Manufacture of routers, communication products, Wlan products; R&D center of software; sales and after-sales service	$933,252 (USD 29,900 thousand)	Investment in cash (Note 1)	$912,698 (USD 28,900 thousand)	$-	$-	$912,698 (USD 28,900 thousand)	$166,987	100%	$166,987 (Note 5)	$3,689,634 (Note 5)	$-
Dwnet Technology (Suzhou) Limited	Manufacture of routers, communication products, Wlan products; R&D center of software; sales and after-sales service	481,829 (USD 16,000 thousand)	Investment in cash (Note 2)	481,829 (USD 16,000 thousand)	-	-	481,829 (USD 16,000 thousand)	23,147	100%	23,147 (Note 5)	869,072 (Note 5)	-
Suzhou Hua-Yi Communications Co., Ltd	Manufacture of routers, communication products, Wlan products; R&D center of software; sales and after-sales service	2,454 (RMB 500 thousand)	Investment in cash (Note 3)	-	-	-	-	(17)	100%	(17) (Note 6)	1,870 (Note 6)	-
Suzhou Femtel Communications Co., Ltd.	Manufacture of communication products; R&D center of software; sales and after-sales service	32,599 (RMB 6,500 thousand)	Investment in cash (Note 3)	-	-	-	-	(4,387)	100%	(4,387) (Note 6)	(14,418) (Note 6)	-
Nanjing Femtel Communications Co., Ltd.	Sale of communication products; R&D center of software; after-sales service	12,538 (RMB 2,500 thousand)	Investment in cash (Note 4)	-	-	-	-	(5,403)	100%	(5,403) (Note 6)	(11,342) (Note 6)	-

Accumulated investment in Mainland China as of 31 March 2017	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
$1,394,527 (USD 44,900 thousand)	$1,407,475 (USD 45,144 thousand)	Unlimited (Note 7)

Note 1: The Company established Sercomm Trading Co. Ltd. in a third region. The Company reinvested in Zealous Investments Ltd. (through Sercomm Trading Co. Ltd.) and then invested in Mainland China.

Note 2: The Company established Sercomm Trading Co. Ltd. in the third country. The Company reinvest Smart Trade Inc. (through Sercomm Trading Co. Ltd.) and then invest in Mainland China.

Note 3: Indirect investment through Sernet Technology (Suzhou) Limited.

Note 4: Indirect investment through Suzhou Femtel Communications Co., Limited.

Note 5: Amount was recognized based on the reviewed financial statements.

Note 6: Amount was recognized based on the unreviewed or unaudited financial statements.

Note 7: The Company's investment in Mainland China is not subject to an upper limit as it is deemed corporate operations headquarters as it complied with the Examination Standards of Investments and Technical Cooperation in the Mainland China area published b Investment Commission, MOEA.