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

Financial Statements

June 30, 2017 and 2016
(With Independent Auditors' Review Report Thereon)

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

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Independent Auditors' Review Report

To the Board of Directors
LandMark Optoelectronics Corporation

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

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

Based on our review, we are not aware of any material modifications that should be made to the interim financial statements referred to in the first paragraph in order for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commissions of the Republic of China.

KPMG

Taiwan (the Republic of China)

August 1, 2017

Note to Readers

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

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

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

As of June 30,2017 and 2016 reviewed only, not audited in accordance with generally accepted auditing standards

LandMark Optoelectronics Corporation

Balance Sheets

June 30, 2017,December 31, and June 30, 2016

(Expressed in thousands of New Taiwan dollars)

	2017.6.30		2016.12.31		2016.6.30	
Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Current assets：						
Cash and cash equivalents (Note 6(a))	$ 1,832,925	53	2,557,441	63	2,798,230	60
Financial assets at fair value through profit or loss－current						
(Note 6(b))	-	-	-	-	369	-
Notes receivable, net (Note 6(c))	40,348	1	35,077	1	184,283	4
Accounts receivable, net (Note 6(c))	320,962	9	216,576	5	406,629	9
Inventories (Note 6(d))	196,016	6	183,798	5	170,415	4
Prepayments	6,394	-	3,583	-	6,820	-
Other current assets	1,349	-	5,237	-	1,012	-
Other financial assets－current (Notes 6(c) and 8)	12,416	-	8,993	-	7,881	-
	2,410,410	69	3,010,705	74	3,575,639	77
Non-current assets：						
Property, plant and equipment (Notes 6(e) and 9)	1,060,445	31	1,046,376	26	1,023,022	22
Deferred tax assets	9,343	-	9,343	-	6,446	-
Other financial assets－non-current (Note 8)	3,441	-	3,442	-	580	-
Other non-current assets (Note 6(f))	11,877	-	8,671	-	39,043	1
	1,085,106	31	1,067,832	26	1,069,091	23
Total assets	**$ 3,495,516**	**100**	**4,078,537**	**100**	**4,644,730**	**100**

	2017.6.30		2016.12.31		2016.6.30	
Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Current liabilities：						
Financial liabilities at fair value through profit or loss－current						
(Note 6(b))	$ 1,007	-	353	-	-	-
Notes payable	25,754	1	57,076	1	40,961	1
Accounts payable	43,713	1	29,751	1	50,208	1
Other payables	84,824	2	164,809	4	223,505	5
Dividends payable (Note 6(i))	-	-	-	-	629,188	13
Current tax liabilities	55,305	2	84,350	2	128,589	3
Other current liabilities	11,744	-	5,980	-	6,789	-
	222,347	6	342,319	8	1,079,240	23
Non-current liabilities：						
Deferred tax liabilities	700	-	700	-	407	-
Net defined benefit liability－non-current	3,991	-	4,111	-	4,291	-
	4,691	-	4,811	-	4,698	-
Total liabilities	227,038	6	347,130	8	1,083,938	23
Equity attributable to owners of the company (Notes 6(h),(i) and (j))：						
Capital stock	905,897	26	912,577	22	699,098	15
Stock dividends to be distributed	-	-	-	-	209,729	5
	905,897	26	912,577	22	908,827	20
Capital surplus	1,655,088	47	1,665,787	41	1,527,434	33
Retained earnings：						
Legal reserve	342,342	10	254,797	6	254,797	5
Unappropriated earnings	435,026	13	1,144,248	28	869,734	19
	777,368	23	1,399,045	34	1,124,531	24
Deferred compensation cost arising from issuance of restricted						
stock	(69,875)	(2)	(99,821)	(2)	-	-
Treasury stock	-	-	(146,181)	(3)	-	-
Total equity	3,268,478	94	3,731,407	92	3,560,792	77
Total liabilities and equity	**$ 3,495,516**	**100**	**4,078,537**	**100**	**4,644,730**	**100**

See accompanying notes to financial statement.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

LandMark Optoelectronics Corporation

Statements of Comprehensive Income

For the three months and six months ended June 30, 2017 and 2016

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

	April to June, 2017		April to June, 2016		January to June, 2017		January to June, 2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue (Note 6(l))	$ 478,976	100	644,235	100	855,201	100	1,269,462	100
Operating costs (Notes 6(d),(g),(j), (m), 7 and 12)	235,363	49	236,498	37	431,837	50	436,486	35
Gross profit	243,613	51	407,737	63	423,364	50	832,976	65
Operating expenses (Notes 6(e),(g),(j), (m), 7 and 12)：								
Selling and marketing expenses	9,940	2	5,300	1	19,115	2	17,617	2
General and administrative expenses	20,349	4	14,360	2	38,714	5	28,414	2
Research and development expenses	38,344	8	27,667	4	69,170	8	55,030	4
	68,633	14	47,327	7	126,999	15	101,061	8
Operating income	174,980	37	360,410	56	296,365	35	731,915	57
Non-operating income and expenses (Note 6(n))：								
Interest income	2,511	-	3,102	-	4,143	-	5,500	-
Other gains and losses	6,353	1	(7,831)	(1)	(11,706)	(1)	(6,973)	-
	8,864	1	(4,729)	(1)	(7,563)	(1)	(1,473)	-
Profit before income tax	183,844	38	355,681	55	288,802	34	730,442	57
Income tax expenses (Note 6(h))	37,790	8	65,782	10	55,625	7	129,479	10
Net profit	**146,054**	**30**	**289,899**	**45**	**233,177**	**27**	**600,963**	**47**
Other comprehensive income：								
Items that will not be reclassified subsequently to profit or loss：								
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6(h))	-	-	-	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income	**$ 146,054**	**30**	**289,899**	**45**	**233,177**	**27**	**600,963**	**47**
Earnings per share (in dollars), after tax (Note 6(k))								
Basic earnings per share		**$ 1.62**		**3.19**		**2.58**		**6.61**
Diluted earnings per share		**$ 1.61**		**3.18**		**2.57**		**6.59**

See accompanying notes to financial statement.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

LandMark Optoelectronics Corporation

Statements of Changes in Equity

For the six months ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

				Retained earnings				
	Capital stock	Stock dividends to be distributed	Capital surplus	Legal reserve	Unappropriated earnings	Deferred compensation cost	Treasury stock	Total equity
Balance at January 1, 2016	$ 699,098	-	1,527,434	155,904	1,206,581	-	-	3,589,017
Net profit	-	-	-	-	600,963	-	-	600,963
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	600,963	-	-	600,963
Appropriation of 2015 earnings in 2016：								
Legal reserve	-	-	-	98,893	(98,893)	-	-	-
Cash dividends	-	-	-	-	(629,188)	-	-	(629,188)
Stock dividends	-	209,729	-	-	(209,729)	-	-	-
Balance at June 30, 2016	**$ 699,098**	**209,729**	**1,527,434**	**254,797**	**869,734**	**-**	**-**	**3,560,792**
Balance at January 1, 2017	$ 912,577	-	1,665,787	254,797	1,144,248	(99,821)	(146,181)	3,731,407
Net profit	-	-	-	-	233,177	-	-	233,177
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	233,177	-	-	233,177
Appropriation of 2016 earnings in 2017：								
Legal reserve	-	-	-	87,545	(87,545)	-	-	-
Cash dividends	-	-	-	-	(724,717)	-	-	(724,717)
Compensation cost arising from restricted stock	-	-	-	-	-	29,946	-	29,946
Treasury stock repurchased	-	-	-	-	-	-	(1,335)	(1,335)
Treasury stock retired	(6,500)	-	(10,879)	-	(130,137)	-	147,516	-
Restricted stock repurchased and retired	(180)	-	180	-	-	-	-	-
Balance at June 30, 2017	**$ 905,897**	**-**	**1,655,088**	**342,342**	**435,026**	**(69,875)**	**-**	**3,268,478**

See accompanying notes to financial statement.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

LandMark Optoelectronics Corporation
Statements of Cash Flows
For the six months ended June 30, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30, 2017	2016
Cash flows from operating activities：		
Profit before tax	$ 288,802	730,442
Adjustments：		
Income and expenses having no effect on cash flows：		
Depreciation expenses	133,209	96,519
Amortization expenses	336	639
Loss on disposal of property, plant and equipment	-	31
Unrealized net losses (gains) on change in fair value of financial assets and liabilities at fair value through profit or loss	1,007	(369)
Interest income	(4,143)	(5,500)
Compensation cost arising from restricted stocks	29,946	-
Property, plant and equipment transferred to expenses	398	-
Unrealized foreign exchange losses (gains)	(3,201)	1,999
Total income and expenses having no effect on cash flows	157,552	93,319
Changes in operating assets and liabilities：		
Changes in operating assets：		
Decrease (increase) in notes receivable	(4,695)	53,088
Increase in accounts receivable	(102,635)	(43,241)
Increase in inventories	(12,218)	(28,338)
Increase in prepayments	(3,211)	(3,939)
Decrease (increase) in other current assets	3,888	(909)
Decrease in other financial assets－current	85	499
Total changes in operating assets	(118,786)	(22,840)
Changes in operating liabilities：		
Decrease in financial liabilities at fair value through profit or loss－current	(353)	(1,616)
Increase (decrease) in notes payable	(7,621)	5,210
Increase in accounts payable	13,696	10,258
Increase (decrease) in other payables	(76,623)	53,805
Increase in other current liabilities	5,764	3,027
Decrease in defined benefit liability－non-current	(120)	(150)
Total changes in operating liabilities	(65,257)	70,534
Net changes in operating assets and liabilities	(184,043)	47,694
Total adjustments	(26,491)	141,013
Cash generated from operating activities	262,311	871,455
Interest received	4,143	5,500
Income tax paid	(84,670)	(138,773)
Net cash generated from operating activities	181,784	738,182
Cash flows from investing activities：		
Decrease (increase) in other financial assets－current and non-current	(3,507)	212
Acquisition of property, plant and equipment	(171,033)	(124,961)
Increase in other non-current assets	(5,924)	(36,081)
Net cash used in investing activities	(180,464)	(160,830)
Cash flows from financing activities：		
Cash dividends	(724,717)	-
Restricted stock repurchase	(924)	-
Treasury stock repurchase	(1,335)	-
Net cash used in financing activities	(726,976)	-
Effects of exchange rate changes on balance of cash held in foreign currencies	1,140	-
Net increase (decrease) in cash and cash equivalents	(724,516)	577,352
Cash and cash equivalents at the beginning of year	2,557,441	2,220,878
Cash and cash equivalents at the end of year	**$ 1,832,925**	**2,798,230**

See accompanying notes to financial statement.

LandMark Optoelectronics Corporation

Notes to Financial Statements

June 30, 2017 and 2016

(Expressed in thousands of New Taiwan dollars, unless otherwise noted)

1. Company History

LandMark Optoelectronics Corporation (the "Company") was incorporated on June 2, 1997 as a company limited by shares under the laws of the Republic of China (ROC). The Company is primarily engaged in the manufacturing, processing and selling of optical semi-conductors, laser diodes, high brightness InAlGaP/AlGalnAs.

In response to the government's policy about enterprises consolidating or merging operations, the Company improves its capital structure, reduces its operating cost, and promotes reasonable operation. In accordance with the Business Mergers and Acquisitions Act, the Company merged with "TJ Optoelectronics Corporation" on January 1, 2008, the basis date of the merger which was decided through a special meeting of the shareholders.

The Company's stock was listed as a general stock on the Taipei Exchange on July 22, 2015.

2. Financial Statements Authorization Date and Authorization Process

The financial statements were authorized for issuance by the Board of the Company on August 1, 2017.

3. New standards and interpretations not yet adopted

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 36 "Impairment of Non-Financial assets-Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting "	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

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

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(1) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting. The actual impact of adopting IFRS 9 on the Company’s financial statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Company holds and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. The new standard will require the Company to revise its accounting processes and internal controls related to reporting financial instruments. However, the Company has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its positions at June 30, 2017 and hedging relationships designated under during the first half of 2017 under IAS 39.

i. Classification and measurement- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of financial assets held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its preliminary assessment, the Company does not believe that the new classification requirements, if applied at June 30, 2017, would have had a material impact on its accounting for trade receivables.

ii. Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

Based on its preliminary assessment, the Company does not believe that the new impairment requirements under IFRS 9 would have had a material impact.

iii. Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Company's preliminary assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

iv. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

・The Company plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at 1 January 2018.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(2) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

i. Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

Based on its preliminary assessment, the Company consider that the point in time at which the related risks and rewards of ownership transfer and the point in time at which the customer obtains control of the goods are similar. The Company believes that the new requirements would not have a material impact.

ii. Transition

The Company plans to adopt IFRS 15 in its financial statements using the retrospective approach. As a result, the Company will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its financial statements. The Company plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as the contracts that are completed contracts at the beginning of the earliest period presented, are not restated.

The Company is currently performing a detailed assessment of the impact resulting from the application of IFRS 15 and expects to disclose additional quantitative information before it adopts IFRS 15.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Those which may be relevant to the Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: · For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term. · A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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

4. Summary of Significant Accounting Policies

(a) Statement of compliance

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

These interim financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 "Interim Financial Reporting" which are endorsed by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the interim financial statements are the same as those in the financial statement for the year ended December 31, 2016. For the related information, please refer to note 4 of the financial statements for the year ended December 31, 2016.

(b) Provision

The Company has adopted IFRIC 21 Levies with the initial application date on January 1, 2017. According to the Interpretation, the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

The pension cost in the interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

5. Significant accounting judgments, estimates, and assumptions, and sources of estimation uncertainty

The preparation of the interim financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the financial statements for the year ended December 31, 2016. For the related information, please refer to note 5 of the financial statements for the year ended December 31, 2016.

6. Explanation of Significant Accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the financial statements for the year ended December 31, 2016. Please refer to Note 6 of the 2016 annual financial statements.

(a) Cash and cash equivalents

		2017.6.30	**2016.12.31**	**2016.6.30**
Cash on hand	$	514	419	535
Demand and checking deposits		129,099	537,429	776,157
Time deposits		1,611,971	1,819,800	1,821,700
Repurchase agreements collateralized by commercial paper		91,341	199,793	199,838
Total	**$**	**1,832,925**	**2,557,441**	**2,798,230**

Please refer to Note 6(o) for the analysis of exchange rate risk and sensitivity of the financial assets and liabilities.

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

		2017.6.30	**2016.12.31**	**2016.6.30**
Financial assets at fair value through profit or loss：				
Derivative instruments not used for hedging:				
Forward exchange contracts	**$**	**-**	**-**	**369**
Financial liabilities at fair value through profit or loss：				
Derivative instruments not used for hedging:				
Forward exchange contracts	**$**	**1,007**	**353**	**-**

The Company is engaged in the sale of forward exchange contracts, and these contracts are not for trading purposes. Since they did not meet the criteria for hedge accounting, they were classified as financial assets and liabilities at fair value through profit or loss. Please refer to Note 6(n) for the financial assets and liabilities measured at fair value that are recognized in profit or loss. As of June 30, 2017, December 31 and June 30, 2016, the outstanding forward exchange contracts were as follows:

	2017.6.30		
	Contract amount (in thousands)	**Currency**	**Maturity period**
Forward exchange sold	**$ 3,934**	**USD**	**2017.7.13~2017.9.14**
Forward exchange sold	**$ 2,467**	**CNY**	**2017.8.14~2017.9.12**

	2016.12.31		
	Contract amount (in thousands)	**Currency**	**Maturity period**
Forward exchange sold	**$ 870**	**USD**	**2017.1.4~2017.2.3**

	2016.6.30		
	Contract amount (in thousands)	**Currency**	**Maturity period**
Forward exchange sold	**$ 4,186**	**USD**	**2016.7.23~2016.9.22**

(c) Notes and accounts receivable, and other receivables

	2017.6.30	**2016.12.31**	**2016.6.30**
Notes receivable	$ 40,348	35,077	184,283
Accounts receivable	323,801	219,415	410,768
Other receivable	301	386	111
Less: allowance for doubtful accounts	(2,839)	(2,839)	(4,139)
	$ 361,611	**252,039**	**591,023**

The details of notes and accounts receivable that were past due but not impaired were as follows:

	2017.6.30	**2016.12.31**	**2016.6.30**
Overdue 1~60 days	$ 59,710	26,463	70,477
Overdue more than 60 days	7,710	4,582	-
	$ 67,420	**31,045**	**70,477**

For the six months ended June 30, 2017 and 2016, the movements of allowance for doubtful accounts with respect to notes and accounts receivable, and other receivable were as follows:

	Collectively assessed impairment
Balance at January 1 and June 30, 2017	**$ 2,839**
Balance at January 1 and June 30, 2016	**$ 4,139**

As of June 30, 2017, December 31 and June 30, 2016, notes and accounts receivable were not pledged as collateral or restricted in any way.

(d) Inventories

		2017.6.30	2016.12.31	2016.6.30
Raw materials and supplies	$	116,077	113,491	107,429
Work in progress		19,560	13,150	26,181
Finished goods		60,379	57,157	36,805
	$	**196,016**	**183,798**	**170,415**

For the three months and six months ended June 30, 2017 and 2016, the losses on valuation of inventories were $7,785, $7,204, $13,985 and $11,645, respectively.

As of June 30, 2017, December 31 and June 30, 2016, the inventories were not pledged as collateral or restricted in any way.

(e) Property, plant and equipment

The movement of cost, accumulated depreciation, and the impairment loss on property, plant and equipment were as follows:

		Buildings and improvements	Machinery and equipment	Transportation equipment	Electrical equipment	Office and other equipment	Construction in progress and testing equipment	Total	
Cost or deemed cost:									
Balance at January 1, 2017	$	171,300	576,888	3,859	16,493	781,864	206,802	1,757,206	
Additions		-	-	-	-	19,733	121,731	141,464	
Disposals		-	-	-	1,143	9,458	-	10,601	
Reclassification		-	29,363	-	-	167,726	(191,275)	5,814	(Note1)
Balance at June 30, 2017	**$**	**171,300**	**606,251**	**3,859**	**15,350**	**959,865**	**137,258**	**1,893,883**	
Balance at January 1, 2016	$	148,900	446,898	3,859	17,607	662,122	157,312	1,436,698	
Additions		2,240	-	-	-	17,981	94,423	114,644	
Disposals		-	-	-	1,114	-	-	1,114	
Reclassification		20,160	77,013	-	-	36,740	(64,108)	69,805	(Note2)
Balance at June 30, 2016	**$**	**171,300**	**523,911**	**3,859**	**16,493**	**716,843**	**187,627**	**1,620,033**	
Accumulated depreciation and impairment loss:									
Balance at January 1, 2017	$	13,797	355,694	1,315	4,868	335,156	-	710,830	
Depreciation		2,413	48,011	321	440	82,024	-	133,209	
Disposals		-	-	-	1,143	9,458	-	10,601	
Balance at June 30, 2017	**$**	**16,210**	**403,705**	**1,636**	**4,165**	**407,722**	**-**	**833,438**	
Balance at January 1, 2016	$	9,026	281,045	672	4,977	205,855	-	501,575	
Depreciation		2,358	31,023	322	534	62,282	-	96,519	
Disposals		-	-	-	1,083	-	-	1,083	
Balance at June 30, 2016	**$**	**11,384**	**312,068**	**994**	**4,428**	**268,137**	**-**	**597,011**	

		Buildings and improvements	Machinery and equipment	Transportation equipment	Electrical equipment	Office and other equipment	Construction in progress and testing equipment	Total
Carrying amounts:								
Balance at January 1 , 2017	$	157,503	221,194	2,544	11,625	446,708	206,802	1,046,376
Balance at June 30, 2017	$	155,090	202,546	2,223	11,185	552,143	137,258	1,060,445
Balance at January 1, 2016	$	139,874	165,853	3,187	12,630	456,267	157,312	935,123
Balance at June 30, 2016	$	159,916	211,843	2,865	12,065	448,706	187,627	1,023,022

Note 1： Prepayments have been reclassified to machinery and equipment with $500. Other non-current assets-prepayment for equipment have been reclassified to testing equipment with $6,332. Testing equipment have been reclassified to other non-current assets－prepayment for computer software with $520, transferred to other prepayment with $100, and transferred to expense with $398.

Note 2：Other non-current assets－prepayment for equipment have been reclassified to testing equipment with a total amount of $69,805, including the amount of $35,942, which had been reclassified to machinery and equipment; and the remaining amount of $33,863.

Property, plant and equipment were not pledged as collateral or restricted in any way.

(f) Other non-current assets

		2017.6.30	2016.12.31	2016.6.30
Prepayment for equipment	$	-	6,332	38,649
Prepayment for computer software		9,373	-	-
Others		2,504	2,339	394
Total	**$**	**11,877**	**8,671**	**39,043**

The amount under “others” is the line subsidy expense and the instalment of technology authorization.

(g) Employee benefits

1. Defined benefit plan

Given there was no significant volatility of the market, curtailment, reimbursement, settlement or other one-time event subsequent to the end of the prior fiscal year, pension cost in the interim financial statements was calculated on a year-to-date basis using the actuarially determined pension cost at December 31, 2016 and 2015.

Expenses recognized were as follows:

		April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
Cost of sales	$	13	16	26	31
Selling expenses		1	1	2	2
General and administrative expenses		2	1	3	2
Research and development expenses		1	1	2	3
	$	**17**	**19**	**33**	**38**

2. Defined contribution plan

A summary of pension costs under the defined contribution method is as follows. Payment was made to the Bureau of Labor Insurance.

		April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
Cost of sales	$	1,508	1,584	2,988	2,974
Selling expenses		115	156	222	311
General and administrative expenses		150	118	358	221
Research and development expenses		178	122	305	280
	$	**1,951**	**1,980**	**3,873**	**3,786**

(h) Income taxes

1. The amounts of income tax expense were as follows:

		April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
Current tax expense					
Current period	$	37,576	65,439	55,411	129,136
Adjusments for prior periods		214	343	214	343
Income tax expense	**$**	**37,790**	**65,782**	**55,625**	**129,479**

There were no income tax expense recognized in equity and other comprehensive income for the three months and six months ended June 30, 2017 and 2016.

2. The Company's income tax returns for all fiscal years up to 2015 have been examined and approved by the tax authority.

3. Information related to the unappropriated earnings and tax deduction ratio is summarized below:

		2017.6.30	2016.12.31	2016.6.30
Unappropriated earnings of 1998 and after	$	**435,026**	**1,144,248**	**869,734**
Balance of imputation credit account (ICA)	$	**69,604**	**155,710**	**249,691**

The Company's tax creditable ratios for earnings distributed to residents of the R.O.C. for the years ended December 31, 2016 and 2015 were 20.98% and 20.69%, respectively. The aforementioned information has been prepared in accordance Tai-Tsai-Suei Letter No. 10204562810 dated October 17, 2013, issued by the Ministry of Finance. From the tax year 2015, only 50% of the corporate income tax can be credited against the individual income tax. For taxpayers residing outside the R.O.C., the 10% of retained earnings tax can be credited against the dividend withholding tax once the Company distributes its dividends from the corresponding retained earnings in subsequent years, but only 50% of the retained earnings tax paid can be credited against the individual income tax.

(i) Share capital and other equity

As of June 30, 2017, December 31 and June 30, 2016, the authorized common stock of the Company were $1,000,000, $1,000,000 and $700,000, respectively, comprising 100,000 thousand shares, 100,000 thousand shares and 70,000 thousand shares, respectively, with a par value of $10 per share. The issued shares were 90,590 thousand shares, 91,257 thousand shares and 69,910 thousand shares, respectively. All the capitals were fully received.

Except as stated below, there were no material changes in the share capital and other equity during the six months ended June 31, 2017 and 2016. For more information, please refer to Note 6(i) of the financial statements in 2016.

(1) Common Stock

On June 14, 2016, the Company's stockholders' meeting approved the issuance of 20,972,925 shares for the distribution of stock dividends in the total amount of $209,729. As of June 30, 2016, the registration procedures have not been completed.

(2) Retirement of common stock

On April 8, 2017, the Company's board of directors approved a resolution to retire 18 thousand shares of restricted stock which are non-vested. The basis date of the decrease in capital was May 2, 2017, and the registration procedures have been completed.

On February 14, 2017, the Company's board of directors approved a resolution to retire 650 thousand treasury shares in order to protect the Company's integrity and shareholders' equity. The basis date of the decrease in capital was February 15, 2017, and the registration procedures have been completed.

(3) Capital surplus

The balance of capital surplus at the reporting date was as follows:

	2017.6.30	2016.12.31	2016.6.30
Additional paid-in capital	1,516,555	1,527,434	1,527,434
Restricted stock	138,533	138,353	-
Total	$ **1,655,088**	**1,665,787**	**1,527,434**

(4) Retained earnings

According to the Company's articles of incorporation, 10% of annual earnings must be set aside as legal reserve after offsetting any accumulated deficit. When the balance of such legal reserve reaches an amount equal to the paid-in capital, the appropriation to legal reserve is discontinued. The Company may, under its articles of incorporation or by resolution of the meeting of shareholders, set aside another sum as special reserve. Distribution of the remainder is at the stockholders' discretion.

The appropriations of earnings for 2016 and 2015 were approved by the shareholders' meetings on May 3, 2017, and June 14, 2016, respectively. The relevant dividend distributions to shareholders were as follows:

Unit per share: dollar

	2016		2015	
	TWD/per share	**Amount**	**TWD/per share**	**Amount**
Dividend distributed to common shareholders				
Cash dividends	$ 8.0	724,717	9.0	629,188
Stock dividends	-	-	3.0	209,729
		$ 724,717		**$ 838,917**

There were no differences between the actual amounts of appropriation of earning for 2016 and 2015 and those approved by the board of directors. The related information can be accessed through the Market Observation Post System.
As of June 30, 2017, December 31 and June 30, 2016, the dividend payables amounted to $0, $0 and $629,188, respectively.

(5) Treasury stock

For the six months ended June 30, 2017 and for the year ended December 31, 2016, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 5 thousand and 645 thousand shares as treasury shares, respectively, in order to protect the Company's integrity and shareholders' equity. As of 30 June 2017, the accumulated 650 treasury shares amounting to $147,516 have been retired.

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. The number and the value of the aforementioned shares repurchased were in compliance with the Securities and Exchange Act.

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

(j) Share-based payment

For the three months and six months ended June 30, 2017 and 2016, the compensation cost of restricted stock amounted to $14,973, $0, $29,946 and $0, respectively, which were recognized as operating cost or operating expenses. There were no significant changes for share-based payment. For the related information, please refer to note 6(j) of the financial statements for the year ended December 31, 2016.

(k) Earnings per share

The basic and diluted earnings per share (expressed in New Taiwan dollars) were calculated as follows:

Unit of share: thousand

	April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	$ 146,054	289,899	233,177	600,963
Weighted-average number of common shares outstanding	90,233	90,883	90,233	90,883
	$ 1.62	**3.19**	**2.58**	**6.61**
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company (diluted)	$ 146,054	289,899	233,177	600,963
Weighted-average number of common shares outstanding	90,233	90,883	90,233	90,883
Effect of employee compensation	193	324	299	345
Restricted stock	57	-	56	-
Weighted-average number of common shares outstanding	90,483	91,207	90,588	91,228
	$ 1.61	**3.18**	**2.57**	**6.59**

(l) Revenue

Details of revenue were as follows:

	April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
Sale of goods	**$ 478,976**	**644,235**	**855,201**	**1,269,462**

(m) Employee compensation and director's remuneration

According to the articles of the incorporation, if the Company has profit as a result of the yearly account closing, the Company should distribute 1% to directors as compensation and no less than 8% as employee compensation. When the Company still has an accumulated loss, the Company shall keep the profit for making up an accumulated loss.

For the three months and six months ended June 30, 2017 and 2016, the remuneration to employees amounted to $16,164, $31,198, $25,387 and $64,137, respectively, and the remuneration of directors amounted to $2,020, $3,900, $3,173 and $8,017, respectively, were estimated based on the Company's net income before tax, excluding remuneration of employees and of directors, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses were recognized in operating costs and operating expenses for the current period. For any change after the issuance date of the financial statements, the difference shall be accounted for as a change in accounting estimate and recognized in profit or loss in the following year.

For the years ended December 31, 2016 and 2015, the remuneration to employees amounted to $92,974 and $104,888, respectively, and the remuneration of directors amounted to $11,622 and $13,111. The remuneration of employees and of directors have no differences between the estimated amounts and the amounts approved by the board of directors. The related information can be accessed through the Market Observation Post System.

(n) Non-operating income and expenses

1. Interest income

	April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
Bank deposits	$ **2,511**	**3,102**	**4,143**	**5,500**

2. Other gains and losses

Details of other gains and losses were as follows:

	April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
Foreign exchange gain (loss), net	$ 3,483	(4,349)	(16,607)	(6,519)
Loss on disposal of property, plant and equipment	-	(31)	-	(31)
Gain (loss) on valuation of financial assets and liabilities by fair value, net	(745)	3	395	2,791
Others	3,615	(3,454)	4,506	(3,214)
	$ **6,353**	**(7,831)**	**(11,706)**	**(6,973)**

(o) Financial instruments

Except as stated below, there were no material changes in fair value of financial instruments and financial instruments exposed to credit risk, liquidity risk, and market risk. For more information, please refer to Note 6(o) to the financial statements of 2016.

(1) Credit risk

As of June 30, 2017, December 31, and June 30, 2016, a few customers of the Company accounted for 71%, 66% and 68%, respectively, of accounts receivable. However, 12%, 13% and 26%, respectively, of the above receivables were irrevocable letters of credit with extended maturities. As of the end of the reporting period, the Company did not suffer any significant credit risk losses due to these customers. The Company periodically evaluates customers' financial position and the possibility of recovery of receivables in order to reduce credit risk.

(2) Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

		Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
June 30, 2017								
Non-derivative financial liabilities								
Non-interest-bearing liabilities	$	93,408	93,408	93,408	-	-	-	-
Derivative financial liabilities								
Forward exchange contracts		1,007	1,007	1,007	-	-	-	-
		94,415	**94,415**	**94,415**	-	-	-	-
December 31, 2016								
Non-derivative financial liabilities								
Non-interest-bearing liabilities	$	105,845	105,845	105,845	-	-	-	-
Derivative financial liabilities								
Forward exchange contracts		353	353	53	-	-	-	-
	$	**106,198**	**106,198**	**106,198**	-	-	-	-
June 30, 2016								
Non-derivative financial liabilities								
Non-interest-bearing liabilities	$	**737,958**	**737,958**	**737,958**	-	-	-	-

The Company does not expect that the cash flows could occur significantly earlier or at significantly different amounts.

(3) Foreign currency risk

1. Exposure to foreign currency risk

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

Unit of foreign currency: thousand

		2017.6.30			**2016.12.31**			**2016.6.30**		
		Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
Financial assets										
Monetary items										
USD	$	7,110	30.42	216,299	9,123	32.25	294,223	13,813	32.275	445,802
CNY		10,161	4.486	45,583	1,475	4.617	6,811	2,395	4.845	11,601
Non-Monetary items										
USD		-	-	-	-	-	-	12	32.275	369
Financial liabilities										
Monetary items										
USD		968	30.42	29,443	428	32.25	13,789	1,448	32.275	46,724

	2017.6.30			2016.12.31			2016.6.30		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
Non-Monetary items									
USD	28	30.42	840	11	32.25	353	-	-	-
CNY	37	4.486	167	-	-	-	-	-	-

Exchange gain or loss (including realized and unrealized) that resulted from monetary items translated to the functional currency were as follows:

	April to June, 2017		April to June, 2016		January to June, 2017		January to June, 2016	
	Exchange gain (loss)	**Average rate**	**Exchange gain (loss)**	**Average rate**	**Exchange gain (loss)**	**Average rate**	**Exchange gain (loss)**	**Average rate**
TWD	**$ 3,483**	-	**(4,349)**	-	**(16,607)**	-	**(6,519)**	-

2. Sensitivity analysis

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, accounts receivable, accounts payable, and other payables. If the exchange rate of the TWD versus the USD and CNY had increased or decreased by 3%, given no changes in other factors, profit after tax would have increased or decreased by $5,788 and $10,226 for the six months ended June 30, 2017 and 2016, respectively.

(4) Fair value information

1. Fair value and carrying amounts

Other than those listed below, the Company considers the carrying amounts of its financial assets and liabilities measured at amortized cost to be a reasonable approximation of fair value:

	2017.6.30				
		Fair Value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Loans and receivable					
Cash and cash equivalents	$ 1,832,925	-	-	-	-
Notes and accounts receivable	361,310	-	-	-	-
Total	**$ 2,194,235**				
Other financial assets－current and non-current	**$ 15,857**	-	-	-	-
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	**$ 1,007**	-	**1,007**	-	**1,007**
Financial liabilities measured at amortized cost					
Payables	**$ 93,408**	-	-	-	-

	2016.12.31				
		Fair Value			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Loans and receivable					
Cash and cash equivalents	$ 2,557,441	-	-	-	-
Notes and accounts receivable	251,653	-	-	-	-
Total	**$ 2,809,094**				

	2016.12.31				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Other financial assets－current and non-current	**$ 12,435**	-	-	-	-
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	**$ 353**	-	**353**	-	**353**
Financial liabilities measured at amortized cost					
Payables	**$ 105,845**	-	-	-	-

	2016.6.30				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ **369**	-	**369**	-	**369**
Loans and receivable					
Cash and cash equivalents	$ 2,798,230	-	-	-	-
Notes and accounts receivable	590,912	-	-	-	-
Total	**$ 3,389,142**	-	-	-	-
Other financial assets－current and non-current	**$ 8,461**	-	-	-	-
Financial liabilities measured at amortized cost					
Payables	**$ 737,958**	-	-	-	-

The table above analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

There was no reclassification of levels during the six months ended June 30, 2017 and 2016.

2. Valuation techniques used in determining the fair value of other financial assets and financial liabilities

   Derivative financial instruments

   The fair value is determined according to an evaluation model widely accepted by market participants such as the discounted cash flow model. The fair value of forward exchange contracts is usually based on the forward exchange rate.

(p) Financial risk management

The financial risk management goals, policies and procedures were consistent with those stated in the Note 6(p) to the financial statements of 2016.

(q) Capital management

The capital management goals, policies and procedures were consistent with those stated in the financial statements of 2016. The quantitative data on capital management stated in the notes to the financial statements of 2016 had no material changes during of 2016. For more information, please refer to the Note 6(q) to the financial statements of 2016.

7. Related-party Transactions

Key management personnel compensation comprised

	April to June, 2017	April to June, 2016	January to June, 2017	January to June, 2016
Short-term employee benefits	$ 10,621	13,700	17,075	29,280
Post-employment benefits	130	160	260	321
	$ 10,751	**13,860**	**17,335**	**29,601**

8. Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	2017.6.30	2016.12.31	2016.6.30
Other financial assets－current and non-current (restricted bank deposits)	Post-release duty payment of import cargo, Southern Taiwan Science Park's lease and notional forward exchange deposits	**$ 15,115**	**11,607**	**7,770**

9. Commitments and Contingencies

(a) The Company signed contracts with domestic and foreign vendors for purchasing property, plant and equipment. As of June 30, 2017, December 31 and June 30, 2016, the contracts amounted to $217,327, $186,601 and $237,971, respectively, and the unpaid payment was $89,544, $21,395 and $84,581, respectively.

(b) The Company entered into rental agreements with the Southern Taiwan Science Park for land ranging from August 1, 2010, to July 31, 2030. The future rental commitments are as follows:

	2017.6.30	2016.12.31	2016.6.30
Less than one year	$ 2,368	2,368	2,462
Between one and five years	9,471	9,471	9,846
More than five years	19,139	20,323	22,359
	$ 30,978	**32,162**	**34,667**

10. Losses Due to Major Disasters: None.

11. Significant Subsequent Events: None.

12. Other

(a) The following is a summary statement of current-period employee benefits, depreciation, and amortization expenses by function:

	April to June, 2017			April to June, 2016		
	Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefits						
Salary	45,489	35,587	81,076	52,538	25,595	78,133
Labor and health insurance	2,826	852	3,678	2,899	1,095	3,994
Pension	1,521	447	1,968	1,600	399	1,999
Others	1,459	664	2,123	1,445	1,214	2,659
Depreciation	55,143	14,693	69,836	40,813	8,631	49,444
Amortization	141	-	141	267	-	267

	January to June, 2017			January to June, 2016		
	Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefits						
Salary	84,347	64,573	148,920	104,677	52,759	157,436
Labor and health insurance	5,660	1,733	7,393	5,398	1,942	7,340
Pension	3,014	892	3,906	3,005	819	3,824
Others	2,777	1,512	4,289	3,828	1,958	5,786
Depreciation	109,106	24,103	133,209	79,392	17,127	96,519
Amortization	336	-	336	632	7	639

(b) Seasonality or cyclicality of interim operations

The operations of the Company are neither seasonal nor cyclical.

13. Other Disclosures

(a) Information on significant transactions

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

1. Fund financing to others: None.
2. Guarantees and endorsements provided to others: None.
3. Information regarding securities held at balance sheet date (excluding investments in subsidiaries, associates, and joint ventures): None.
4. Information regarding securities where the accumulated purchase or sale amounts for the period exceed NT$300 million or 20% of the paid-in capital: None.
5. Information on the acquisition of real estate which exceeds NT$300 million or 20% of the paid-in capital: None.

6. Information on the disposal of real estate which exceeds NT$300 million or 20% of the paid-in capital: None.
7. Information regarding related-party purchase and sale transactions which exceed NT$100 million or 20% of the paid-in capital: None.
8. Information regarding receivables from related parties which exceed NT$100 million or 20% of the paid-in capital: None.
9. Trading in derivative instruments: Please refer to Note 6(b).
10. Business relationships and significant intercompany transactions: None.

(b) Information on investees: None.

(c) Information on investment in Mainland China: None.

14. Segment Information

The Company has one reportable segment and is mainly engaged in single-product manufacturing and selling of wafers. Financial segment information is consistent with the above financial information for the Company as a whole. The accounting policies of the operating segment are the same as those described in Note 4.