TPK Holding Co., Ltd.

(incorporated in the Cayman Islands as an exempted company with limited liability)

59,820,000 Global Depositary Shares representing 59,820,000 Ordinary Shares

We are offering through J.P. Morgan Securities plc (the "Initial Purchaser") 59,820,000 Global Depositary Shares (the "GDSs"), representing 59,820,000 ordinary shares, par value NT$10.00 per ordinary share, of our company (the "Shares"), each GDS representing one Share. Payment for the GDSs will be in U.S. dollars at a price of US$3.95 per GDS (equivalent to NT$118.70 per share, translated at the exchange rate of NT$30.05 = US$1.00 based on the Taipei Forex Inc. Taiwan Dollar 11:00 Fixing Rate on September 5, 2017). Concurrently with, and subject to the completion of this offering, we are also offering to our employees 180,000 Shares for subscription ("Concurrent Employee Offering") at a price of NT$118.70 per Share, the same price per Share equivalent to the public offering price of the GDSs. Our Shares are currently listed under the trading code "3673" on the Taiwan Stock Exchange Corporation ("TWSE"). On September 5, 2017, the closing price for our Shares on the TWSE was NT$125.0. Subject to certain restrictions described in this offering memorandum and the approval of the TWSE, you may surrender the GDSs offered hereby to withdraw the underlying Shares on or about the fifth business day in the Republic of China (the "ROC") after the closing day of the GDS offering.

Applications have been made to admit the GDSs to the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market.

Investing in and holding the GDSs involve a high degree of risk. See "Risk Factors" beginning on page 12.

The GDSs and the Shares represented thereby have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The GDSs are being offered and sold outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") and within the United States to persons reasonably believed to be qualified institutional buyers ("QIBs") in reliance on Rule 144A under the Securities Act ("Rule 144A"). See "Transfer Restrictions" and "Plan of Distribution."

Delivery of the GDSs is expected to be made in book-entry form through the facilities of The Depository Trust Company ("DTC") and Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"), through their DTC participant accounts on or about September 8, 2017.

GDS Offering Price: US$3.95 per GDS

Sole Global Coordinator and Sole Bookrunner

J.P.Morgan

This offering memorandum is dated September 5 , 2017.

We are offering through the Initial Purchaser 59,820,000 GDSs, representing 59,820,000 Shares, each GDS represents one Share. Concurrently with, and subject to the completion of this offering, we are also offering to our employees 180,000 Shares for subscription at a price of NT$118.70 per Share, the same price per Share equivalent to the public offering price of the GDSs.

The GDS offering consists of (i) private placements in the United States to persons reasonably believed to be QIBs as defined in, and in reliance on, Rule 144A and (ii) private placements outside the United States in reliance on Regulation S. The GDSs offered in reliance on Rule 144A will be issued in the form of Rule 144A GDSs (as defined herein), and the GDSs offered in reliance on Regulation S will be issued in the form of International GDSs (as defined herein).

The GDSs offered hereby will be issued pursuant to two deposit agreements. The GDSs include the Rule 144A GDSs and International GDSs (as defined herein) evidenced by global depositary receipts issued pursuant to a Rule 144A deposit agreement (the "Rule 144A Deposit Agreement") and a Regulation S deposit agreement (the "Regulation S Deposit Agreement"), respectively, each dated as of October 1, 2012, by and among the Company, Citibank, N.A., as depositary (the "Depositary"), and all holders and beneficial owners of the GDSs issued thereunder, and each as supplemented by a letter agreement dated as of April 8, 2015 (the "2015 Letter Agreement"), and a letter agreement to be dated on or about September 8, 2017 (the "2017 Letter Agreement"). The Rule 144A Deposit Agreement and the Regulation S Deposit Agreement, as supplemented by the 2015 Letter Agreement and the 2017 Letter Agreement, are together referred to as the "Deposit Agreements."

We issued 17,600,000 global depositary shares on October 1, 2012 pursuant to the Deposit Agreements in connection with the initial offer of our global depositary shares and their listing on the Luxembourg Stock Exchange. Subsequent to the closing of the initial offer and listing, we cancelled some of the global depositary shares issued on October 1, 2012 at the request of the holders with a release of the corresponding underlying Shares by the Depositary's custodian in Taiwan, and we created new global depositary shares at the request of the holders as a result of deposits of the corresponding underlying Shares with the Depositary's custodian in Taiwan. On April 8, 2015, we issued 20,000,000 global depositary shares pursuant to the Rule 144A Deposit Agreement, the Regulation S Deposit Agreement and the 2015 Letter Agreement, which were listed on the Luxembourg Stock Exchange. As a result of these issuance and cancellation transactions, there are currently 6,000 outstanding existing global depositary shares in the GDR facility existing under the Regulation S Deposit Agreement (the "Existing International GDSs") and 1,000 existing global depositary shares in the GDR facility existing under the Rule 144A Deposit Agreement (the "Existing Rule 144A GDSs"). The International GDSs offered hereby will be listed as the same security as the Existing International GDSs on the Luxembourg Stock Exchange and will be fungible with the Existing International GDSs. The Rule 144A GDSs offered hereby will be listed as the same security as the Existing Rule 144A GDSs on the Luxembourg Stock Exchange and will be fungible with the Existing Rule 144A GDSs.

Subject to limitations under ROC and U.S. law as described in this offering memorandum, our GDR facilities permit the ongoing issuance of global depositary shares as a result of deposits of Shares by holders and the cancellation of outstanding global depositary shares which results in the release of Shares to holders. As a result, the balance of our outstanding global depositary shares may fluctuate. Any new global depositary shares issued as a result of a deposit of Shares are fully fungible with the GDSs outstanding at any given time.

Application has been made to list the Rule 144A GDSs and International GDSs on the Luxembourg Stock Exchange. The offer and sale of the Rule 144A GDSs and International GDSs is not conditioned on obtaining a listing of such Rule 144A GDSs or International GDSs on the Luxembourg Stock Exchange or any other exchange. This offering memorandum constitutes a prospectus for the purpose of Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended.

You should rely only on the information contained in this offering memorandum. Neither we nor the Initial Purchaser have authorized anyone to provide you with different information. Neither we nor the Initial Purchaser are making an offer of these securities in any state or jurisdiction where the offer is not permitted. This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

NO UNITED STATES FEDERAL, STATE OR FOREIGN SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THE GDSs OR REVIEWED, PASSED ON, DETERMINED OR CONFIRMED THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

Notice to investors

Except as described below, we accept responsibility for the information contained in this offering memorandum. We, having made all reasonable enquiries, confirm that this offering memorandum contains all information with respect to us, our consolidated subsidiaries, the GDSs and the Shares that is material in the context of the issue and offering of the GDSs, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this offering memorandum are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the GDSs, make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respects and that all reasonable enquiries have been made by us to verify the accuracy of such information and that this offering memorandum does not contain an untrue statement of a material fact or omit to state a material fact required to be stated or necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading. The information contained in the section entitled “Appendix 1—The Securities Market of the ROC” has been extracted from publicly available resources. However, such information has not been verified by us, the Initial Purchaser or any of our or the Initial Purchaser’s respective affiliates or advisors in connection with this offering.

The distribution of this offering memorandum and the offering and sale of the GDSs and the Shares represented thereby in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchaser to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offering and sale of the GDSs and the Shares represented thereby and distribution of this offering memorandum, see “Plan of Distribution” and “Transfer Restrictions.” This offering memorandum does not constitute an offer of, or an invitation by or on behalf of us or the Initial Purchaser to subscribe for or purchase any of the GDSs and the Shares represented thereby in any jurisdiction in which such offer or invitation would be unlawful. This offering memorandum may be used only for the purposes for which it has been published.

You are hereby notified that sellers of the GDSs may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A and Regulation S.

For New Hampshire residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Available information

If, at any time, we are neither subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, we will furnish, upon request, to any person in whose name a GDS is registered on the books of the Depositary, any holder of any beneficial interest in any GDS or any prospective purchaser designated by a holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. Alternatively, a holder may obtain such information at the offices of our Luxembourg intermediary, Deutsche Bank Luxembourg S.A., as such information will be provided free of charge to any person in Luxembourg who requests it.

Special note regarding forward-looking statements

We have made forward-looking statements in this offering memorandum. The words "believe," "expect," "anticipate," "estimate," "project," "intend," "plan," "seek" and similar words identifying forward-looking statements. In addition, all statements other than statements of historical fact included in this offering memorandum are forward-looking statements. Our forward-looking statements contain information regarding:

- our future revenue and profitability;
- our business strategies;
- expected growth in consumer demand;
- the expected industry trends;
- our capital expenditure plans; and
- other matters discussed in this offering memorandum regarding matters that are not historical facts,

are only forecasts based on information currently available to us. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- the intensely competitive industries in which we operate;
- changes in technology and competing or alternative touch solutions adopted by our customers;
- risks associated with expanding into new end-application markets;

- our reliance on a limited number of key customers in the consumer electronics industry;
- general economic, political and social conditions and developments in Taiwan, the PRC and other jurisdictions in which we operate our business;
- changes in the availability and prices of raw materials and machinery and equipment we need to manufacture our products;
- our ability to meet financial and other covenants provided under our loan agreements;
- our continued ability to secure funding to meet our liquidity needs and investment objectives; and
- other risks identified in the "Risk Factors" section of this offering memorandum.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove correct. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions in "Risk Factors" and elsewhere in this offering memorandum, the forward-looking events in this offering memorandum are not guarantees of future performance and might not occur and our actual results could differ materially from those anticipated in those forward-looking statements.

Enforceability of foreign judgments

We are incorporated in the Cayman Islands. A majority of our directors and executive officers, and certain of the experts named in this offering memorandum are residents of the ROC, and a significant portion of the assets of our Company and these persons are located in the People's Republic of China (the "PRC") and the ROC. As a result, it may not be possible for you to effect service of process upon our Company or these persons outside of the ROC or the PRC, or to enforce against any of their judgments obtained in courts outside of the ROC or the PRC.

We have been advised by our Cayman Islands legal counsel, Maples and Calder (Hong Kong) LLP, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For such a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

Lee and Li, Attorneys-at-Law, our special ROC counsel, has advised us that any final judgment obtained against us in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to the GDSs, will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied with the following:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;
- the judgment and the court procedures resulting in the judgment are not contrary to the public order or good morals of the ROC;
- if the judgment was rendered by default by the court rendering the judgment, (i) we were duly served within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction or (ii) process was served on us with judicial assistance of the ROC; and
- judgments of the courts of the ROC are recognized in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan) (the "CBC") for the remittance out of the ROC of any amounts recovered in respect of the judgment denominated in a currency other than NT dollars.

Further, L&L-Leaven, Attorneys-at-Law, our PRC counsel, advises us that the recognition and enforcement of foreign judgments are governed by the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between the PRC and the country where the judgment is made or on reciprocity between jurisdictions, provided that the foreign judgments do not violate the basic principles of laws of the PRC or its sovereignty, security or social and public interest.

Certain conventions and other data

Except where the context otherwise requires, the following references in this offering memorandum have the following meaning:

- "we," "us," "Issuer," "our Company" or "the Company" means TPK Holding Co., Ltd., or to TPK Holding Co., Ltd. and its subsidiaries and affiliates, as the context requires;
- "Taiwan" or the "ROC" means the island of Taiwan and other areas under the effective control of the Republic of China;
- "ROC Government" means the government of the Republic of China;
- "PRC" means the People's Republic of China, excluding Hong Kong, Macau and Taiwan;
- "IFRS" means the International Financial Reporting Standards as issued by the International Accounting Standard Board;
- "Taiwan IFRS" means the International Financial Reporting Standards, International Accounting Standards and interpretations as well as the related guidance endorsed by the ROC Financial Supervisory Commission ("FSC");
- "United States dollars," "US dollars" and "US$" refer to United States dollars;
- "New Taiwan dollars," "NT dollars" and "NT$" refer to New Taiwan dollars;
- "Renminbi" and "RMB" refer to Renminbi;

- “small-sized touch devices” refers to touch devices with a screen size of 7 inches or smaller;
- “medium-sized touch devices” refers to touch devices with a screen size of 7 inches or above, but smaller than 11 inches;
- “small and medium-sized touch devices” refers to touch devices with a screen size smaller than 11 inches; and
- “large-sized touch devices” refers to touch devices with a screen size of 11 inches or larger.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

We have included our audited consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 and unaudited financial information as of and for the six months ended June 30, 2016 and 2017 prepared in accordance with Taiwan IFRS in this offering memorandum. Taiwan IFRS differs in certain respects from IFRS, including, but not limited to, the extent that any new or amended standards or interpretation applicable under IFRS may not be timely endorsed by the FSC. For information relating to the nature and effect of significant differences between Taiwan IFRS and IFRS as they relate to us, see “Summary of Certain Material Differences between Taiwan IFRS and IFRS.”

Unless otherwise noted, all translations from NT dollars to US dollars were made using the exchange rate of NT$30.38 to US$1.00 on June 30, 2017 as set forth in the statistical release published by the Federal Reserve Board of the United States (the “Federal Reserve Board”). All amounts translated into US dollars in this offering memorandum are provided solely for your convenience and no representation is made that the NT$ or US$ amounts referred to herein could have been or could be converted into NT$ or US$, as the case may be, at any particular rate or at all. For illustration purposes, on August 25, 2017, the exchange rate as set forth in the statistical release published by the Federal Reserve Board was NT$30.09 to US$1.00. For further information relating to exchange rates, see “Exchange Rates.”

Non-GAAP financial measures

We refer to the terms EBITDA and EBITDA margin (as defined in “Summary—Summary Financial Data”) in various places in this offering memorandum. These non-GAAP financial data are supplemental financial measures that are not required by or presented in accordance with IFRS or Taiwan IFRS and are therefore referred to as “non-GAAP” financial measures. They are not measurements of our financial performance under Taiwan IFRS or IFRS and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with Taiwan IFRS or IFRS or as an alternative to cash flows from operating activities or as a measure of our liquidity.

Our measurement of these non-GAAP items may not be comparable to those of other companies. See the section titled “Summary—Summary Financial Data” and “Selected Financial Data” for a more thorough discussion of our use of these non-GAAP items in this offering memorandum, including the reasons why we believe this information is useful to management and why they may be useful to investors, and a reconciliation of each non-GAAP item to the most closely comparable financial measure calculated in accordance with Taiwan IFRS.

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Summary

The following is only a summary and it may not contain all the information you should consider before deciding to invest in the GDSs. You should read this entire offering memorandum carefully, including the “Risk Factors” section and the financial statements and related notes.

Our vision

We aspire to enrich people’s lives by transforming the way people and devices interact. Our strategy is to provide innovative solutions to enable our customers to develop products that fundamentally change end-user’s experience.

Overview

We are the world’s leading pure-play touch solution developer and supplier based on 2016 revenues. As the inventor of the transparent glass-based P-Cap touch technology and the leader in precision lamination service, we enable our customers to bring intuitive, interactive and immersive user experiences through touch devices used widely. With advance technological and manufacturing capabilities, we offer versatile integrated touch solutions across a wide array of consumer electronics, including smartphones, tablets, 2-in-1 PCs, all-in-one PCs, automotives, wearable devices and other touch-enabled applications.

Proprietary technology is the backbone of our solutions. Our precision lamination technology, which is essential for all optoelectronic devices with touch functions, enables us to deliver customized high-quality products with even the most complex designs. Being one of the few providers that have the ability to rapidly ramp-up mass production with industry-leading yield rate, we are able to accelerate time-to-market cycles to capture the best market window in the rapidly changing consumer electronic industry. We believe our relentless emphasis on advanced touch technology, manufacturing process enhancement and touch material development not only sustained our market-leading position in the mass-market of touch devices, but also positioned us to proliferate our solutions into long-tail niche products that are not yet touch-enabled.

Since our inception, we have partnered with industry-leading customers to jointly establish technology roadmaps that define industry standards. We design, develop and architect specifications for our clients’ products from the blueprint stages of the production cycle. Our close relationship and early engagement with customers enable us to stay at the forefront of technological advancements to deliver highly reliable and quality solutions in a cost-efficient way. We believe our excellence in quality makes us an indispensable partner to market leaders, which in turn fuels our ability to further innovate new designs and specifications for existing and potential clients. This unique bonding fosters a virtuous cycle that sustains our growth. We believe our joint development efforts will allow us to accurately identify emerging trends and capitalize on the growth from the major technological breakthroughs in the industry.

At the core of our services is our highly scalable and flexible infrastructure. Our customers benefit from our in-house developed equipment and high level of automation of our manufacturing facilities. We plan to continuously focus on the rigor of our operational standards, further streamline our automated production lines and dedicate our resources on manufacturing process improvement to achieve higher operational efficiency and improved cost structure.

For the year ended December 31, 2016 and for the six months ended June 30, 2017, we had net operating revenue of NT$89,216.3 million (US$2,936.7 million) and NT$43,822.5 million (US$1,442.5 million), respectively, gross profit margins of 3.7% and 6.2%, respectively, and operating loss of NT$1,871.7 million (US$61.6 million) and operating income of NT$550.7 million (US$18.1 million), respectively, and net loss of NT$1,504.0 million (US$49.5 million) and net profit of NT$959.2 million (US$31.6 million), respectively. Our EBITDA for the year ended December 31, 2016 and for the six months ended June 30, 2017 was NT$6,926.8 million (US$228.0 million) and NT$4,872.1 million (US$160.3 million), respectively, and EBITDA margin was 7.8% and 11.1%, respectively.

Our Shares have been listed on the TWSE since October 2010 under the trading code “3673.” On September 5, 2017, the closing price per Share on the TWSE was NT$125.0 per Share and our market capitalization was NT$43,329.2 million (US$1,426.2 million).

Competitive strengths

We believe our leading position in the touch-enabled electronics market is primarily attributable to the following strengths:

- research and development-centric, innovation-driven technology leadership;
- joint development partnership with large and industry-leading customers;
- maximum capital and operational efficiency enabled by focused operation and customer engagement;
- significant growth opportunities in new end-applications and geographical markets; and
- visionary management team with extensive industry experience and winning track record.

Our strategies

Our objective is to further solidify our leading position in the touch-enabled electronics market by implementing the following strategies:

- continue to enhance our leading research and development capabilities in touch solutions;
- leverage our blue-chip customer portfolio to identify incremental growth opportunities; and
- align our business for further industry and technology consolidation.

The offering

The following summary is qualified in its entirety by the more detailed information and financial statements included elsewhere in this offering memorandum. For a more complete understanding of the GDSs, please refer to the section entitled "Description of the Global Depositary Shares." Capitalized terms used herein and not defined have the meaning given to them in this offering memorandum.

Issuer	TPK Holding Co., Ltd.
GDS Offering	59,820,000 GDSs representing 59,820,000 new Shares are being offered at a price of US$3.95 per GDS (equivalent to NT$118.70 per share, translated at the exchange rate of NT$30.05 = US$1.00 based on the Taipei Forex Inc. Taiwan Dollar 11:00 Fixing Rate on September 5, 2017) to persons reasonably believed to be QIBs in the United States in reliance on Rule 144A (the "Rule 144A GDSs"), and outside the United States in reliance on Regulation S (the "International GDSs").
Concurrent Employee Offering	Pursuant to Section 8.3 of our Memorandum and Articles (as defined below), when we issue new shares for cash, we are required to reserve a specific percentage of such issuance for subscription by our employees. Concurrently with, and subject to the completion of this offering of the GDSs, we are offering 180,000 Shares representing 0.052% of the total issued share capital to our employees at a price of NT$118.70 per Share, the same price per Share equivalent to the public offering price of the GDSs. The Concurrent Employee Offering is being made pursuant to exemptions from registration with the U.S. Securities and Exchange Commission in reliance on Regulation S of the Securities Act. Employees who subscribed for Shares offered pursuant to the Concurrent Employee Offering would have represented and warranted to us that he or she is located outside of the United States at the time of the subscription.
Shares Outstanding Immediately Before the GDS Offering and the Concurrent Employee Offering	346,633,759 Shares.
Shares Outstanding Immediately After the GDS Offering and the Concurrent Employee Offering	Immediately after this offering and the Concurrent Employee Offering, there will be 406,633,759 Shares issued and outstanding.
GDSs	Each GDS represents one Share. The Rule 144A GDSs will be issued pursuant to the Rule 144A Deposit Agreement, as amended and supplemented, and the International GDSs will be issued pursuant to the Regulation S Deposit Agreement, as amended and supplemented.

Issue Date	September 8, 2017.
Offering Price	US$3.95 per GDS.
Use of Proceeds	The net proceeds to be received by us from this offering of the GDSs will be approximately US$233.01 million. The net proceeds from the Concurrent Employee Offering will be US$0.711 million. We intend to use the net proceeds of the offering of the GDSs and the Concurrent Employee Offering for the procurement of raw materials from overseas. See "Use of Proceeds."
Form and Issuance Procedure	The Shares will be issued with par value of NT$10.00 per share and in scripless form. No later than the first business day in the ROC after September 8, 2017, we will apply to the TWSE for listing of the underlying Shares. It is expected that the TWSE will approve the listing of the Shares on or about the fifth business day in the ROC after September 8, 2017 (such approval date being the "Share Listing Date"), although we cannot assure you that such approval will be obtained by such date (if at all). Immediately upon such listing, the number of Shares will be credited into the Depositary's account with Citibank Taiwan Limited, as custodian (the "Custodian"), through the book-entry system maintained by the Taiwan Depository & Clearing Corporation ("TDCC").
Withdrawal of Shares	On or after the Share Listing Date, which is approximately the fifth business day in the ROC after September 8, 2017, subject to the listing approval from the TWSE and the relevant provisions of the Deposit Agreements, a holder may apply to withdraw the underlying Shares or request the Depositary, to sell or cause to be sold the underlying Shares on behalf of such holder of the underlying Shares. The new Shares are settled through the book-entry system. Our GDR facility will be temporarily closed to withdrawals beginning on September 8 , 2017 until the Share Listing Date, during which time holders of GDSs will not be able to cancel their GDSs and withdraw the corresponding underlying Shares from our GDR facility. See "Description of the Global Depositary Shares."
Issuance of Additional GDSs	Under current ROC law, after the deposit of Shares pursuant to this GDS offering, no deposits of Shares may be made in the GDR facility, and no GDSs may be issued after the closing of the offering against such deposits, without specific approval of the FSC, except for the offering and the issuance of additional GDSs in connection with (i) dividends on, or free distributions of, Shares, (ii) the exercise by holders of the GDSs then outstanding pursuant to the Deposit Agreements of their pre-emptive rights in the event of capital increases for cash, (iii) the issuance of Shares to holders of convertible or exchangeable bonds in connection with the exercise of conversion or exchange rights of such bondholders (so long as the terms and conditions of such bonds which explicitly allow the Shares issued upon conversion of the bonds or being exchanged to be

	deposited into a depositary receipt facility have been approved by the FSC prior to the bond issuance), (iv) to the extent previously issued GDSs have been canceled and as permitted under the Deposit Agreements, the deposit of Shares owned or purchased directly by a person or through the Depositary on the TWSE for the deposit in the GDR facility, but such that the total number of GDSs outstanding after an issuance described in this clause (iv) does not exceed the number of GDSs issued and previously approved by the FSC in connection with this offering plus any GDSs created under clauses (i), (ii) and (iii) described above, and (v) upon the exchange of Rule 144A GDSs for International GDSs and vice versa, subject to any adjustment to the number of Shares represented by each GDS. See "Description of the Global Depositary Shares."
Voting Rights	On May 22, 2013, the Company amended its memorandum of association and articles of association to allow split voting in accordance with applicable ROC public company rules. Subject to the applicable Deposit Agreement, if the Depositary timely receives voting instructions from a holder of GDSs, it will endeavor to vote or cause the Custodian to vote the Shares represented by the holder's GDSs in accordance with such voting instructions. If the Depositary receives timely voting instructions from a holder of GDSs which fail to specify the manner in which the Shares represented by the holder's GDSs are to be voted, the Depositary will deem the holder of the GDSs to have instructed the Depositary to vote in favor of the items set forth in such instructions. Provided that the Depositary has received notice allowing it to timely notify the GDS holders of a meeting or solicitation of vote from the Company, and the Depositary has not received valid voting instructions from a GDS holder, such GDSs holder will be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the Company to vote the Shares represented by such holder's GDSs. No discretionary proxy will be given with respect to any matter as to which the Company informs the Depositary that the Company does not wish such proxy to be given, and no discretionary proxy will be given with respect to any matter as to which the Company informs the Depositary that (i) there exists substantial opposition or (ii) the rights of holders of GDSs or the shareholders of the Company will be materially adversely affected. See "Descriptions of the Global Depositary Shares—Voting Rights."
Dividends	Subject to the terms of the Deposit Agreements, holders of GDSs will be entitled to receive dividends, to the same extent as the holders of the Shares, less the fees, costs and expenses payable under the Deposit Agreements and any tax applicable to such dividends. See "Dividends and Dividend Policy."
Exchange Controls	Under existing ROC laws and regulations relating to foreign exchange controls, the Depositary or a holder of GDSs is not required to obtain foreign exchange approval from the CBC, for the conversion into foreign currencies of (i) any net proceeds realized from the sale of any or all of the Shares underlying the GDSs or (ii) the proceeds received from the sale of Shares received as stock dividends in respect of such Shares and deposited into the depositary receipt facility. However, the Depositary may be required to obtain foreign exchange approval

	from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies in respect of the sale of subscription rights for the Shares if the proceeds are in excess of US$100,000 per remittance.
Settlement	DTC has accepted the GDSs being offered in its book-entry settlement system. The GDSs will be evidenced by master global depositary receipts (“Master GDRs”) certificates, in each case registered in the name of DTC or its nominee. Your interests in such book-entry GDSs will be held through financial institutions acting on your behalf as direct and indirect participants in DTC. DTC settlement practices are applicable to the GDSs held in DTC. The GDSs have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg, as participants in DTC, in each case on a book-entry basis. Transfers within DTC, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant system. Cross-market transfers between investors who hold or who will hold GDSs through DTC and investors who hold or will hold GDSs through Euroclear or Clearstream, Luxembourg will be effected in DTC through the respective depositories of Euroclear and Clearstream, Luxembourg.
Delivery of GDSs	Delivery of the GDSs, against payment in same-day funds, is expected on or about September 8, 2017.
Lock-ups	We have agreed that, subject to certain exceptions, for a period of 90 days after the date of this offering memorandum, we will not, without the prior written consent from J.P. Morgan Securities plc, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares or any securities convertible into or exercisable or exchangeable for the Shares, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of the Shares or such other securities, in cash or otherwise, other than (a) the GDSs to be sold pursuant to this offering memorandum, (b) any Shares issued upon the exercise of options granted under existing employee stock option plans, (c) any Shares to be sold pursuant to the Concurrent Employee Offering and (d) any Shares issued and sold to O-film Tech Co., Ltd. (“O-Film”) pursuant to the share subscription agreement entered into between the Company and O-Film dated March 21, 2017. See “Plan of Distribution.” In addition, several shareholders holding an aggregate of 23.24% of our total issued and outstanding Shares as of June 30, 2017 have undertaken to the Initial Purchaser not to sell any shares or enter into other transactions with a similar effect and in similar form as above up to 90 days after the date of this offering memorandum.

Listing	The Shares are listed on the TWSE under the trading code "3673." See "Market Price Information." We have applied to list the GDSs, which consist of the Rule 144A GDSs and International GDSs on the official list of the Luxembourg Stock Exchange and to trade the GDSs on the Euro MTF Market of the Luxembourg Stock Exchange. The newly issued Shares represented by the GDSs will be listed and admitted for trading on the TWSE.
Governing Law	The Deposit Agreements will be governed by, and construed in accordance with, the laws of the State of New York.
Depositary	Citibank, N.A., a national banking association organized and existing under the laws of the United States of America.
Custodian	Citibank Taiwan Limited, a company limited by shares incorporated in Taiwan and having its principal office in Taipei city.
Transfer Restrictions	The GDSs and the Shares represented thereby have not been registered under the Securities Act, and are subject to restrictions on transfer. See "Transfer Restrictions."

Summary financial data

The summary financial information as of and for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 set forth below are qualified by reference to, and should be read in conjunction with, our consolidated financial statements included elsewhere in this offering memorandum. Our financial statements as of and for the years ended December 31, 2014, 2015 and 2016 and summary of the unaudited financial information as of and for the six months ended June 30, 2016 and 2017 are prepared and presented in accordance with Taiwan IFRS.

Taiwan IFRS differs from IFRS in certain respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS may not be timely endorsed by the FSC. See "Summary of Certain Material Differences Between Taiwan IFRS and IFRS" for more information.

You should also read the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, which describes a number of factors that have affected our financial results, including demand for our products, the changes in financial reporting standards and the appreciation or depreciation of the NT dollar against the US dollar.

Consolidated financial data

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2014	2015	2016		2016	2017	
(in millions, except per share data)	NT$	NT$	NT$	US$	NT$	NT$	US$
Statement of Comprehensive Income Data:							
Net operating revenue	129,516.9	121,363.6	89,216.3	2,936.7	38,323.8	43,822.5	1,442.5
Operating costs	(119,035.2)	(127,924.8)	(85,950.0)	(2,829.2)	(38,921.1)	(41,112.0)	(1,353.3)
Gross profit (loss)	10,481.7	(6,561.2)	3,266.3	107.5	(597.3)	2,710.5	89.2
Operating expenses	(10,337.1)	(11,793.2)	(5,138.0)	(169.1)	(2,503.1)	(2,159.8)	(71.1)
Operating income (loss)	144.6	(18,354.4)	(1,871.7)	(61.6)	(3,100.4)	550.7	18.1
Non-operating income and expenses	430.5	(2,664.6)	628.6	20.7	348.4	705.9	23.3
Profit (loss) before income taxes	575.1	(21,019.0)	(1,243.1)	(40.9)	(2,752.0)	1,256.6	41.4
Income taxes	(8.4)	943.3	(260.9)	(8.6)	253.0	(297.4)	(9.8)
Net profit (loss)	566.7	(20,075.7)	(1,504.0)	(49.5)	(2,499.0)	959.2	31.6
Attributable to:							
Owners of the Company	276.8	(20,006.5)	(1,467.4)	(48.3)	(2,447.1)	942.8	31.0
Non-controlling interests	289.9	(69.2)	(36.6)	(1.2)	(51.9)	16.4	0.6
Diluted earnings (loss) per share of the parent	0.84	(57.86)	(4.27)	(0.14)	(7.11)	2.75	0.09

(in millions)	As of December 31, 2014 NT$	2015 NT$	2016 NT$	2016 US$	As of June 30, 2016 NT$	2017 NT$	2017 US$
Balance Sheet Data:							
Cash and cash equivalents	29,539.6	16,393.3	20,490.1	674.5	18,022.4	19,344.2	636.7
Notes and trade receivables, net	13,809.6	12,269.6	7,646.2	251.7	7,050.0	7,346.0	241.8
Inventories, net	7,179.7	8,737.3	7,815.5	257. 3	6,597.9	5,604.3	184.5
Total current assets	74,647.5	61,033.7	40,881.1	1,345.7	36,462.5	35,627.9	1,172.7
Property, plant and equipment	63,611.2	48,030.3	40,744.1	1,341.1	43,870.7	37,275.2	1,227.0
Total assets	152,722.8	115,227.7	87,683.4	2,886.2	87,515.1	78,029.6	2,568.5
Short-term borrowings and current portion of long-term borrowings	58,417.9	46,740.4	28,225.6	929.1	33,934.7	17,861.1	587.9
Current portion of bonds payable	6,833.6	–	2,308.8	76.0	–	2,242.5	73.8
Notes and trade payables (including accounts payable–related parties)	20,540.0	14,955.9	12,124.7	399.1	8,216.2	10,344.1	340.5
Total current liabilities	95,305.6	68,417.2	48,471.9	1,595.5	48,043.4	36,327.6	1,195.8
Long-term borrowings, net of current portion	7,927.5	4,829.0	1,122.3	36.9	1,954.6	4,173.1	137.4
Bonds payable, net of current portion	–	7,850.2	6,574.7	216.4	6,488.6	6,288.7	207.0
Total liabilities	106,571.6	83,701.1	58,271.2	1,918.1	58,910.1	48,917.2	1,610.2
Total equity	46,151.2	31,526.6	29,412.2	968.1	28,605.0	29,112.4	958.3

(in millions, except percentage data)	For the Year Ended December 31, 2014 NT$	2015 NT$	2016 NT$	2016 US$	For the Six Months Ended June 30, 2016 NT$	2017 NT$	2017 US$
Statement of Cash Flow Data:							
Net cash generated from operating activities	15,519.3	5,509.5	12,761.2	420.1	5,617.1	6,575.0	216.4
Net cash generated from (used in) investing activities	(22,606.5)	(6,367.5)	13,509.6	444.7	13,315.5	(435.9)	(14.3)
Net cash generated from (used in) financing activities	(4,190.5)	(14,141.2)	(21,217.0)	(698.4)	(16,740.1)	(6,087.6)	(200.4)
Effect of exchange rate changes	2,517.9	1,852.9	(957.0)	(31.5)	(563.4)	(1,197.4)	(39.5)
Net increase (decrease) in cash and cash equivalents	(8,759.8)	(13,146.3)	4,096.8	134.9	1,629.1	(1,145.9)	(37.8)
Cash and cash equivalents at the beginning of the period	38,299.4	29,539.6	16,393.3	539.6	16,393.3	20,490.1	674.5
Cash and cash equivalents at the end of the period	29,539.6	16,393.3	20,490.1	674.5	18,022.4	19,344.2	636.7
Capital expenditures(1)	13,918.8	5,872.5	3,642.8	119.9	2,176.9	2,431.5	80.0
Depreciation and amortization	8,053.1	9,702.3	8,798.5	289.6	4,397.5	4,321.4	142.2
Other Financial Data:							
Gross profit margin (%)(2)	8.1	(5.4)	3.7	3.7	(1.6)	6.2	6.2
Operating margin (%)(3)	0.1	(15.1)	(2.1)	(2.1)	(8.1)	1.3	1.3
Net margin (%)(4)	0.4	(16.5)	(1.7)	(1.7)	(6.5)	2.2	2.2
EBITDA(5)(7)	8,197.7	(8,652.1)	6,926.8	228.0	(1,297.1)	4,872.1	160.3
EBITDA margin (%)(6)(7)	6.3	(7.1)	7.8	7.8	(3.4)	11.1	11.1

Notes:

(1) Capital expenditure refers to the amount of cash used in connection with the acquisition of (i) property, plant and equipment, (ii) prepayments for equipment, (iii) intangible assets and (iv) long-term prepayments for lease.

(2) Gross profit margin is calculated by dividing gross profit by net operating revenue.

(3) Operating margin is calculated by dividing operating income by net operating revenue.

(4) Net margin is calculated by dividing net profit by net operating revenue.

(5) EBITDA is defined as operating income, plus depreciation and amortization.

(6) EBITDA margin is calculated by dividing EBITDA by net operating revenue.

(7) We have presented EBITDA and EBITDA margin because we consider them important supplemental measures of our operating performance and believe they are frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Our management uses EBITDA and EBITDA margin as additional measurement tools for purposes of business decision making, including developing budgets, managing expenditures and evaluating potential acquisitions or divestitures. Other companies in our industry may calculate EBITDA and EBITDA margin differently than we do. EBITDA and EBITDA margin are not measures of operating performance under Taiwan IFRS and should not be considered as a substitute for, or superior to, operating income or operating margin prepared in accordance with Taiwan IFRS. EBITDA and EBITDA margin have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under Taiwan IFRS. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating EBITDA and EBITDA margin, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of EBITDA and EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Recent developments

As announced on the Market Observation Post System on the TWSE, our consolidated net operating revenue for July and August 2017 was NT$9,583.6 million (US$315.5 million) and NT$10,250.8 million (US$337.4 million), respectively. The consolidated financial data for the six months ended June 30, 2017 has been reviewed by our auditor and is subject to adjustments based upon, among other things, completion of applicable reporting processes. Actual results could differ materially from the financial data provided above.

Risk factors

Investing in the GDSs and the Shares represented by the GDSs involves risks, and you should carefully consider the risks described below before making an investment decision. In addition, you should also carefully consider all of the information contained in this offering memorandum, including our financial statements and related notes. You should note that we are governed in the Cayman Islands, the ROC and the PRC by a legal and regulatory environment that in some material respects may be different from that prevailing in other countries.

Risks relating to our business

We are highly dependent on the customers in the electronics industry that is characterized by intense competition, rapid price declines for existing products and other competitive pressures over the product life cycles. Our business could be materially and adversely affected if we cannot enhance our existing products or introduce new products in a timely manner.

The global electronics industry is characterized by rapidly changing technology, including enhancements in hardware functionality and performance, user preferences, evolving industry standards and the frequent introduction of new or next generation products. Accordingly, we are vulnerable to the product life cycles for end-applications which our customers manufacture, as well as changes in the global demand and inventory adjustment for smartphones, tablets, 2-in-1 PCs, all-in-one PCs, automotives, wearable devices and other touch-enabled applications. For instance, if the life cycle of a new product is shortened over time, the time during which manufacturers can benefit from the higher prices typically associated with the early phases of a product life cycle will be shortened. In addition, the prices of the touch solutions we offer tend to decline over the end-application product life cycle, reflecting product obsolescence, decreased costs of input components, decreased demand, increased competition as more manufacturers are able to produce similar products in large quantities and improvements in production yield rates, any and all of which place downward pressure on prices. Our success will therefore depend in part on our ability to keep pace with technological developments and evolving industry standards, as well as our ability to respond to evolving customers' requirements by evolving our current products and developing or introducing new products.

Currently, substantially all of our total sales revenue is derived from customers using our touch solutions in end-applications such as smartphones, tablets, 2-in-1 PCs, all-in-one PCs, automotives, wearable devices and other touch-enabled applications. As we continue to depend on the growth of the global electronics industry for a substantial portion of our sales, any downturn or reduction in demand for such products in the later stages of the product life cycle could adversely affect our business, results of operations and financial condition.

Competing or alternative touch solutions may render our touch solutions uncompetitive or obsolete.

In recent years, with the significant growth in the demand for consumer electronics and the proliferation of touch devices, touch technologies have evolved into several different design and technologies, including add-on type solutions and in-cell type solutions, among others. Touch sensor materials also expanded to comprise various different materials. For example, while indium tin oxide ("ITO") remains the dominant conductive material for touch sensor pattern, new materials such as metal mesh and silver nanowire ("SNW"), among others, are introduced to the market as alternative materials because they allow greater flexibility or are more cost-effective. Our competitors may produce other competing or more innovative touch solutions which we do not produce, or offer similar touch solutions at lower price, and these competing or alternative solutions may achieve greater market acceptance than ours. For example, currently, a significant majority of our revenues is derived from lamination services. If a more innovative or competing lamination technologies gain market popularity and thereby rendering our lamination technology obsolete, our operating results will be adversely affected. Furthermore, alternative user interface technologies, including voice control, gesture control and hologram, may emerge and/or eventually become the major end-applications of our touch solutions and replace touch technologies as the prevailing user interface technology for smartphones, tablets, 2-in-1 PCs, all-in-one PCs, automotives, wearable devices and other touch-enabled applications. If touch technologies are replaced in the future and we fail to catch up with the prevailing trend, or if we are unable to adapt our production processes to the alternative technologies that have achieved market popularity, our financial condition, results of operations and future prospects will be materially and adversely affected.

In addition, our business involvement with several of our top customers is also dependent on our winning the designs for each product life cycle. Our sales and implementation cycles for our touch solutions are usually dependent on our customers' implementation schedule for new touch devices. Adopting new touch solutions or design methodologies may involve significant commitment of resources by prospective customers and fundamental changes in methods of design or cost projections for their products. As a result, if we fail to achieve a design win with a potential customer early in a given product life cycle, then our ability to convert that potential customer into a customer before its next product life cycle decreases. Our existing customers may select additional suppliers, which could reduce the proportion of their business that they direct to us. This increase in competition could result in more intense price competition and potential oversupply of touch products. As a result, our results of operations may be materially and adversely affected if we fail to compete successfully.

Competition in the touch-enabled electronics industry is intense, and we may be unable to compete effectively.

The touch-enabled electronics industry is intensely competitive, characterized by aggressive price cutting, frequent introduction of new touch solutions, short product life cycles, evolving industry standards, continual improvement in product price/performance characteristics, rapid adoption of technological and product advancements by competitors and price sensitivity on the part of consumers. Our ability to compete successfully depends heavily on our ability to ensure a continued and timely introduction of different touch solutions and technologies in response to changes in market demand, while effectively managing and reducing production costs and maintaining an industry-leading yield rate. A low production yield rate will increase our costs of goods and thereby resulting in an adverse effect on our profit margins. We are a pure-play touch solution provider offering tailored designs using our proprietary technologies and manufacturing know-how. Because we offer touch solutions in end-applications across a wide range of industries such as smartphones, tablets, 2-in-1 PCs, all-in-one PCs, automotives, wearable devices and other touch-enabled applications using different touch design and technology categories, we face a broad range of existing and new competitors ranging from large multinational consumer electronics manufacturers to highly specialized pure-play touch solution providers that focus on a limited number of touch solutions. In recent years, due to the increased pressure in the global electronics industry, many of our competitors have also merged or are acquired by other industry peers to achieve economies of scale, resulting in severe competition in the global electronics industry. These competitors have greater technological and financial resources than we do. As we develop and design the key manufacturing equipment of our touch solutions in-house using our proprietary technologies, we have and will therefore continue to make significant investments in research and development. In contrast, many of our competitors seek to compete primarily through aggressive pricing and very low cost structures for different or alternative designs in order to maintain or gain market share.

We compete in various touch design and technologies used in various end-application markets based on the following factors, among others:

- the ability to accurately identify and respond to emerging technology trends for various end-application and ecosystems, and the ability to respond to the demand for different product features and performance characteristics;

- successfully managing product mix in response to changes in market demand and differences in margin associated with different products;
- product performance, quality and reliability;
- successful and timely development of new and innovative solutions and adopting versatile manufacturing processes; and
- competitive pricing.

Rapid technological advances and aggressive pricing strategies by our competitors may continue to increase competition. In order to remain competitive, we must continue to introduce new touch solutions to the market in a timely manner, upgrade technology and manufacturing processes and improve our materials supply chain. To mitigate the effects of price declines in our existing solutions and to sustain profitability, we constantly seek to improve production efficiency through reduction of input component and operating costs. Our ability to do so depends on factors both within and outside of our control and may be constrained by the distinct characteristics and production requirements of individual products. We cannot assure you that we will be able to continue to improve production efficiency and maintain reasonable profit for all of our existing products, or that we will be able to successfully introduce new solutions that command higher margins.

Some of our competitors may have superior financial, marketing, manufacturing, research and development and technological resources, greater brand name recognition and larger customer bases than we do. There can be no assurance that we will be able to compete successfully with such competitors. Our failure to compete successfully or future declines in product prices and profitability could have a material adverse effect on our business, financial condition, results of operations and future prospects.

We rely on a limited number of key customers in the mobile device and other portable device industries for our revenues, and our results of operations may be adversely affected by a reduction of business from our key customers.

We rely on a small group of customers for a substantial portion of our operating revenue. In 2014, 2015, 2016 and for the six months ended June 30, 2016 and 2017, sales to our single largest customer accounted for 40.2%, 45.8%, 46.5%, 40.6% and 53.7% of our operating revenue, respectively. In aggregate, sales to our five largest customers accounted for 72.7%, 77.4%, 84.3%, 81.0% and 85.9% of our operating revenue in 2014, 2015, 2016 and for the six months ended June 30, 2016 and 2017, respectively, and a significant majority of such aggregated sales is derived from lamination services.

We expect that we will continue to depend on a relatively small number of customers for a significant portion of our operating revenue and may continue to experience fluctuations in the distribution of our sales among our largest customers. Our ability to maintain close and satisfactory relationships with our existing customers and our ability to attract potential customers are important to the ongoing success and profitability of our business. There is no assurance that we will retain the business of our existing key customers or the desired level of business from them or that we will be able to find alternative customers for our products. Many of our key customers' products are characterized by rapidly evolving technology that requires different design specifications or adoption of new or alternative technologies each time a new product is introduced or an existing product is enhanced. The loss of or reduction in any key customer's business as a result of our inability to meet the design specifications of such key customer, the adoption of new or alternative technologies, our exclusion from a key product introduction cycle or any other reason would materially and adversely affect our results of operations.

Moreover, as our customers introduce new products, they may materially reduce the number of shipments of older product modules or choose to adopt touch solutions offered by our competitors. Also, we may have difficulty in securing comparable levels of business from other customers to offset any loss of revenue from the loss of any of our key customers.

Our results of operations also depend on the performance and business of our key customers. Accordingly, risks that could seriously harm our key customers could harm us as well, including:

- loss of market share for our key customers' products;
- recession in our key customers' markets;
- failure of their products to gain wide-spread commercial acceptance; and
- our key customers' inability to manage their operations efficiently and effectively.

The launch and market acceptance of our individual key customers' products could significantly impact our product and customer mix, resulting in significant volatility in the demand for the touch solutions we offer and our results of operations. It is also possible that a key customer's market share with respect to its product may decline as its competitors introduce new products, which could adversely affect our results of operations, particularly if we are unable to sell our touch solutions to such competitors. Furthermore, sales of our key customers' products are subject to seasonal fluctuation.

We face risks associated with the expansion into additional end-application markets.

As part of our growth strategy, we plan to expand into additional end-application markets by focusing on providing solutions to leaders in the relevant consumer electronics markets and by integrating our solutions in new and additional end-markets developed by our clients, such as automotives, medical devices and other new touch-enabled devices. To implement this strategy, we must continue to:

- identify market leaders in the relevant consumer electronics markets as our customers;
- co-develop new touch solutions tailored into diverse end-applications with our customers;
- secure adequate production capacities and manufacturing facilities to meet customers' demand;
- manage and adjust our product mix to effectively address the demands of different end-application markets;
- maintain our production yield rate as we continue to offer new solutions;
- maintain a sufficient supply of raw materials and components to support our growth;
- strengthen our research and development efforts;
- control expenses associated with the production of samples for new products; and
- retain and attract qualified employees.

There can be no assurance that we can succeed in meeting all these targets. Furthermore, in order to develop new solutions or adapt to new or alternative technologies for new end-application markets, substantial expenditure on research and development as well as the upgrading or procurement of equipment may be required. If we offer new solutions or migrate to new or alternative technologies, our yield rate may suffer. All of these factors may adversely affect our results of operations.

In addition, while the popularity and application of touch solutions continue to increase across various industries, there can be no assurance that the new end-applications and/or products will gain popularity and generate sufficient demand. In particular, there can be no assurance that automotives or medical devices will gain wide-spread acceptance and commercial success. If the new end-applications and/or products cannot gain wide-spread commercial acceptance and generate sufficient demand, our growth strategy may not be successful, and our business, future prospects, results of operations and financial condition would be adversely affected.

If we are not able to match our manufacturing capacity and output to demand for our touch solutions, or achieve high capacity utilization rates, our results of operations could be materially and adversely affected.

As a result of the cyclicality and volatility of the touch-enabled electronics industry, it is difficult to predict future developments in the markets we serve, making it difficult to estimate future requirements for manufacturing capacity. During periods of high demand for our products, we may experience a shortage of capacity and an increase in lead times for delivery of our touch solutions to our customers. In addition, increases in our manufacturing capacity based on anticipated growth in demand for our touch solutions may exceed demand requirements, leading to overcapacity and excess fixed costs. Our ability to rapidly and effectively adjust our cost structure in response to such downturns is limited by the fixed nature of many of our expenses in the near term and by our need to continue our investment in next-generation product technology. Lower-than-expected demand for our touch solutions may also lead to excess inventory or idle equipment, which could result in write-offs of inventory and impairment of assets. For example, in 2015, we incurred a significant impairment charge of NT$13,639.0 million primarily related to our loss-making business units and idle and obsolete fixed assets. We will continue to implement initiatives to rationalize our use of resources, thus optimizing our resources so that our production capacity may meet the demands of our customers efficiently. However, if we are not successful in these initiatives, we may not be able to maintain our competitive position and/or improve our results of operations.

Furthermore, our operations are characterized by relatively high fixed costs and our results of operations depend in part not only on absolute pricing levels for our touch solutions, but also on equipment utilization rates. High capacity utilization rates allow us to allocate fixed costs over a greater number of products produced. Increases or decreases in capacity utilization rates can significantly impact our profitability. Accordingly, our ability to maintain or improve our profitability will continue to depend, in part, on achieving high capacity utilization rates. A deterioration of our business could result in lower capacity utilization rates, or underutilization of our manufacturing capacity, and we may incur restructuring and asset impairment charges. We cannot assure you that we will be able to achieve high capacity utilization rates in 2017 or beyond. If our capacity utilization rates decrease, our results of operations will be materially and adversely affected.

Our results of operations have fluctuated in the past. We operated at a net loss in 2015 and 2016. If we are unable to maintain our growth and achieve profitability in 2017 or beyond, the value of the GDSs and our Shares may be adversely affected.

Our business is significantly affected by the volatility nature of the touch industry. In recent years, the touch industry has been subject to significant fluctuations due to the changes in technologies and the preferred product structures for end-applications. Our results of operations have fluctuated in the past. Since the second half of 2012, with the adoption of in-cell touch technology, which we do not provide, for certain mainstream smartphone products, our sales to a major customer in smartphones significantly declined. In addition, in 2015, our operating revenue decreased by 6.3% compared to 2014 to NT$121,363.6 million and we incurred a net loss of NT$20,075.7 million, primarily due to a less than expected end-market demand for touch-enabled notebooks and tablets. In 2016, our operating revenue continued to decrease by 26.5% compared to 2015 to NT$89,216.3 million (US$2,936.7 million) and we incurred a net loss of NT$1,504.0 million (US$49.5 million). The decrease in operating revenue in 2016 was primarily due to a decrease in sales for smartphones and wearables. Although we achieved profitability in first half of 2017, we cannot assure you that we will be able to maintain our growth and achieve profitability for the full year of 2017 or beyond. Even if we continued to become profitable, especially as a result of rapidly changing technologies and customer preferences in the consumer electronic industry, we cannot assure you that our profitability will be sustainable or increase on a periodic basis. If we are not able to operate at a profit, our business, financial condition and results of operations would be materially adversely affected and the value of the GDSs and our Shares may decline.

If our customers place lower-than-expected orders, our business may be adversely affected.

As is customary in our industry, we do not obtain firm and long-term volume purchase commitments from our customers. Although we have entered into framework sales agreements with our key customers, which normally include general terms of sale, specification requirements and pricing policy, such agreements do not guarantee a minimum purchase volume. The precise terms for each shipment, such as pricing, product specifications and quantities, are normally confirmed at the time each order is placed. Accordingly, we face the risk that our customers might place lower-than-expected orders, if at all, or cancel existing orders. Although the customers might be contractually obliged to purchase products on specific terms from us for particular orders, we may be unable to or, for other business reasons, choose not to enforce our contractual rights if the customers terminate their orders. Cancellations, reductions or instructions to delay production by a key customer could materially and adversely affect our results of operations by reducing our sales volume, as well as by possibly causing a delay in the customers' repayment of our expenditures for inventory and resulting in lower utilization of our manufacturing facilities, all of which may decrease our profitability. For example, in the first quarter of 2015, one of our key customers placed a lower-than-forecasted order for smartphones due to excess inventory in the last quarter of 2014, resulting in a decrease in our revenues. Furthermore, any real or perceived technical problems, defects or redesigns of our customers' products may have an immediate negative impact on the shipment of such products, which in turn may result in a decrease in our overall monthly shipment. Consequently, our monthly results of operations may be adversely affected and subject to fluctuations.

In addition, we make major decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, number of personnel and other resource requirements, based on estimations of customer requirements. The short-term nature of our customers' commitments and the rapid changes in demand for their products make it difficult for us to accurately estimate future customer requirements. This makes it difficult to schedule production and limits our ability to maximize the utilization of our production capacity.

If we fail to manufacture touch solutions within the acceptable range of quality and at the optimal production yields, our reputation may suffer and our results of operation and financial condition may be adversely affected.

The manufacturing process for our touch solutions is complex and involves a number of precise steps. Defective production can result from a number of factors, including:

- the level of contaminants in the manufacturing environment;
- equipment malfunction;
- process adjustments made to manufacture new solutions;
- use of substandard raw materials or component parts;
- interruption in the availability of utilities;
- inability of existing equipment to manufacture new solutions to certain specification;
- deficiencies in quality control;
- inadequate sample testing; and
- human error.

From time to time, we have experienced, and may in the future experience, lower-than-anticipated production yields as a result of the above factors, particularly in connection with the re-orientation of our capacity, a change in the manufacturing processes or the development of new solutions. In general, the yield on new products will be lower than average as we develop the necessary expertise and experience to produce those products. If we fail to maintain high quality production standards, our utilization rate may decrease and our reputation may suffer and our customers may cancel their orders or return our products for reproduction, which will materially and adversely affect our results of operations and financial condition.

Our strategic alliances or other forms of cooperation with business partners may not be successful.

We seek to grow our business by, among other things, engaging in strategic alliances, joint ventures or other forms of cooperation with business partners where suitable opportunities arise and when the market conditions are appropriate. However, we may experience difficulties in implementing business plans with our business partners or in integrating such businesses into our business model, and therefore incur higher costs than initially anticipated. There can be no assurance that our strategic alliances and other forms of cooperation will yield the anticipated returns and that our expansion, including the resulting diversion of management's attention, will not adversely affect our core business operations. As such, these strategic alliances and other forms of cooperation may not achieve their anticipated commercial benefits. Any failure in successfully maintaining such alliances, any termination of such alliances or our failure to enter into substantially similar strategic alliances or commercial arrangements may adversely affect our competitiveness, our business and our financial condition.

The share subscription agreement for the O-film private placement involves numerous risks.

In March 2017, our board of directors approved the sale of 20 million Shares to O-film through private placement ("O-Film Private Placement") for NT$1.81 billion (US$59.6 million) and approved the execution of a memorandum of understanding between O-Film and TPK for the establishment of a joint venture company ("O-Film Joint Venture") in which TPK will hold a 49% stake, and O-Film will hold the remaining 51% stake. Our joint venture arrangement with O-Film aims to combine the complementary technologies between the two companies in response to customers' demand for integrated services. As part of this strategic alliance arrangement and upon the consummation of the O-Film Private Placement, TPK will also invest up to RMB204 million to subscribe for O-Film shares ("TPK Private Placement," together with the O-Film Private Placement, the "Cross-Shareholding"). We are currently negotiating with O-Film the joint venture agreement for the O-Film Joint Venture. The O-Film Joint Venture is not contingent upon the consummation of the Cross-Shareholding.

Under the terms of the share subscription agreement ("Share Subscription Agreement") we entered into with O-Film for the O-Film Private Placement, both parties agreed that the transaction should be consummated before June 30, 2017, or a date otherwise agreed in writing among the parties. The Share Subscription Agreement further provides that if the transaction has not been completed before June 30, 2017 ("Completion Date"), either party has the right to terminate the Share Subscription Agreement.

As of the date of this offering memorandum, the PRC regulators are still reviewing the source of funds O-Film plans to use for the O-Film Private Placement and has not approved the remittance of the subscription fees to be paid by O-Film for the O-Film Private Placement. Although neither O-Film nor we has exercised its right to terminate the Share Subscription Agreement, the Share Subscription Agreement may be terminated at any time. If the O-Film Private Placement is not consummated, the anticipated benefits we seek to achieve by having a cross-shareholding relationship with O-Film may not be realized. Furthermore, we may also suffer from negative publicity which may result in a material adverse impact on our results of operations and cause fluctuations in the price of our Shares.

We have recorded significant inventory write-off and asset impairment charges in the past and may do so again in the future, which could have a material negative impact on our business.

During the third quarter of 2015, we implemented business re-vamping plans to improve our operational efficiencies in response to changing business requirements in the touch industry. We recorded material asset impairment charges of NT$18,965 million on loss-making business units and idle and obsolete fixed assets, long-term investments and other miscellaneous assets in the third quarter of 2015. As we continue to align our operations with business requirements, we may implement additional cost reduction actions, which would require us to take additional, potentially material asset disposal or exit costs. We may also be required to write-off additional inventory if our facilities are under-utilized or the usage of inventory experience further declines, and such additional write-offs could constitute material charges.

Under Taiwan IFRS, we are required to evaluate our long-lived assets, intangible assets and investments accounted for by the equity method for impairment whenever triggering events or changes in circumstances indicate that the asset may be impaired and carrying value may not be recoverable. We are also required under Taiwan IFRS to evaluate goodwill for impairment at least on an annual basis or more frequently whenever triggering events or changes in circumstances indicate that goodwill may be impaired and the carrying value may not be recoverable.

With respect to assets, in 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, we recognized impairment charges of NT$1,755.5 million, NT$17,399.1 million, NT$184.4 million (US$6.1 million), NT$9.7million and NT$11.2 million (US$0.4 million), respectively, which were primarily related to the impairment charges on loss-making business units and idle and obsolete fixed assets as a result of the closure of certain of our production lines. With respect to goodwill, we recognized impairment charges of NT$62.6 million, NT$687.9 million, nil, nil and nil in 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, respectively, which were primarily related to our certain underperforming subsidiaries. With respect to investments in associate in 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, we recognized impairment loss of NT$290.7 million, NT$1,047.8 million, nil, nil and nil, respectively, which were primarily related to our investment in Cando Corporation.

The valuation of our long-lived assets requires assumptions and estimates of many critical factors, including revenue and market growth, operating cash flows, market multiples, and discount rates. Other adverse changes in market conditions, particularly if such changes have the effect of changing one of the critical assumptions or estimates we used to calculate the amount of impairment charge, if any, could result in a change to the estimation of fair value that could result in future impairment charges. A substantial decline in our stock price, or any other adverse change in market conditions, particularly if such change has the effect of changing one of the critical assumptions or estimates we used to calculate the amount of such impairment charge, could result in a change to the estimation of fair value that could result in an additional impairment charge. Any such additional material charges, whether related to business re-vamping or asset impairment, may have a material negative impact on our operating results and related financial statements. See "Management's Discussion and Analysis on Financial Condition and Results of Operations—Critical Accounting Policies" for a discussion of how we assess if an impairment charge is required and, if so, how the amount is determined.

Our average selling price has fluctuated in the past and may further fluctuate in future periods as a result of the prevailing market price of touch products and the change of our product mix.

Although touch proliferation continues and the demand for touch products remains strong, the prevailing market prices of touch products may continue to decrease as the relevant technologies mature. In addition, as manufacturers of touch products have expanded their production capacities, the supply of touch products has increased significantly, therefore further reducing the prevailing market prices of touch products. The reduction in the prevailing market prices of touch products will have a negative impact on our average selling price.

Our product mix has affected, and is expected to continue to affect, the average selling price of the touch solutions we offer and our profitability. Gross margins on the touch solutions we offer vary between different end-application categories and, accordingly, changes in product mix will affect our results of operations.

Depending on customer preferences and characteristics of the end-applications, sales contribution from different touch solutions may evolve over time, and the shift may impact our average selling price.

Currently, we offer several touch solutions to our customers, including lamination services and integrated touch solutions. Given the differences in raw material costs, manufacturing processes and supply demand, the different touch solutions we offer will result in different profit margin. The mix of products and the different solutions we employ reflect our strategic capacity allocation among different product markets and our assessment of the demand in the different end-application and ecosystems. If we fail to optimize our product mix in line with market demand or in cost-effective ways, our business, financial condition and results of operations may suffer.

Our business and prospects depend on our ability to develop new solutions in a timely and cost-effective manner to address rapidly evolving customer preferences and technological changes.

Our success depends in part on our ability to keep pace with technological developments and evolving industry standards, as well as our ability to respond to evolving customer requirements by evolving our current products and developing and introducing new solutions. There can be no assurance that we will be able to continue to develop new solutions through our research and development efforts, or that we will be able to keep pace with technological changes in our market or that new solutions we introduce will gain market acceptance. Technological advances may lead to rapid declines in prices and sales volumes for products made with older technologies, which may cause the touch solutions we offer to be less competitive in the marketplace or even obsolete. As a result, we may be required to make significant expenditures to acquire and develop new technologies and equipment. However, early product development by itself does not guarantee the success of a new product. We cannot assure you that the launch of any new solutions will be successful, or that we could successfully manage the risks associated with new product production ramp-up issues, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and at expected costs to meet anticipated demand and the risks the new solutions will entail a lower yield rate in the early stages of introduction. Failure to anticipate or respond rapidly to technological advances or to adapt our technologies or manufacturing processes appropriately because of our lack of financial or technical resources, or the failure to gain market acceptance of any new solutions we introduce, would have a material adverse effect on our business, competitive position, results of operations and financial condition.

Our success depends on our ability to maintain and attract key and qualified personnel.

Our success depends in part on our ability to attract and retain highly qualified management, engineers and technical personnel. The process of hiring employees with the combination of skills and characteristics required to implement our strategy can be extremely competitive and time-consuming. Our strategy and development have been managed by the chairman of our board of directors, Mr. Michael Chao-Juei Chiang, since we commenced operations. Since September 1, 2017, Mr. Hwai-Hai Chiang has been appointed as our president and chief executive officer, Mr. Freddie Hsi-Liang Liu has been appointed as our chief strategy officer and Mr. Jonathan Jong-Yih Chen has been appointed as our chief financial officer. Our success may depend to a significant extent on, among other factors, our senior management, including Mr. Michael Chao-Juei Chiang, Mr. Hwai-Hai Chiang, Mr. Freddie Hsi-Liang Liu and Mr. Jonathan Jong-Yih Chen. There can be no assurance that we will be able to retain the members of our management team or other key personnel or replace such personnel in the event of their departure. The loss of the services of key personnel, or the inability to attract additional qualified personnel, could have a material adverse effect on our financial condition, results of operations and future prospects.

Our business may be adversely restrained by exclusivity restrictions with our customers.

We may from time to time enter into supply and other agreements which contain restrictive covenants in relation to the exclusivity of certain of our products and technologies. These restrictive covenants typically prohibit us from conducting certain actions in the course of our operations, including the application of certain technologies for products of other customers and the selling or distributing of certain products to other customers. These exclusivity restrictions may limit our ability to offer certain products and technologies to our other customers, which in turn may adversely affect our business and competitiveness. Any failure to comply with such restrictive covenants will constitute a breach of contract and give rise to claims which may adversely affect our business, results of operations and financial condition. In addition, there can be no assurance that we will not enter into similar exclusivity arrangements with other customers in the future in relation to our other products and technologies.

Increases in costs or shortage of supply of our raw materials and components could decrease our profitability.

The costs of raw materials and components constitute the majority of our cost of sales. The major raw materials and components used in the lamination process include glass substrate, cover glass, flexible printed circuit boards (“FPCBs”), sensors, display panels and optical clear adhesive (“OCA”) or liquid optical clear adhesive (“LOCA”). We currently source our principal raw materials and components from a number of third-party suppliers. We also outsource some of the touch sensors used to produce touch module from certain external suppliers in addition to in-house production or procurement from our affiliates. While the prices of the major raw materials and components used in our production process have been relatively stable during the past several years, there can be no assurance that a significant increase in the price of our raw materials or components will not occur. Increases in the costs of our raw materials and components would increase our cost of sales and we may not be able to pass on all or any of such increased costs to our customers. This may result in decreases in our gross margin and adversely affect our profitability.

In line with industry practice, a majority of our large suppliers do not have long-term supply contracts with us. There can be no assurance that the Company will be able to extend or renew these agreements on similar terms, or at all. A shortage of any key raw materials or components could limit the number of units we are able to produce, and is likely to increase the costs of our products, thereby depressing our profitability to the extent that we are not able to pass on the increased costs to our customers. Because we compete for various components with other participants in the markets, many components used by us, including those that are available from multiple sources, are at times subject to industry-wide shortages. For example, primarily due to production capacity limitation, we have from time to time experienced shortages of cover glass high-end film-based sensors and high-end display panels. Although we have not experienced any significant shortage in supply of other raw materials and components, nor do we have significant concentration or reliance on a single supplier, there can be no assurance that a significant shortage will not take place in the future. Further, although we produce a number of components in-house, there can be no assurance that we will be able to continue to do so in a cost-effective manner.

We face risks associated with the use of debt, including refinancing and non-compliance risk.

We rely on borrowings under our credit facilities and offerings of debt securities to fund our capital expenditures, research and development expenditures and for general corporate requirements. As of June 30, 2017, we had total outstanding debts of approximately NT$30,565.5 million (US$1,006.1 million), including short-term borrowings and current portion of long-term borrowings of NT$17,861.1 million (US$587.9 million), current portion of bonds payable of NT$2,242.5 million (US$73.8 million), long-term borrowings (net of current portion) of NT$4,173.1 million (US$137.4 million) and bonds payable (net of current portion) of

NT$6,288.7 million (US$207.0 million). As of June 30, 2017, our interest-bearing debt to equity ratio was 1.05 to 1, based on our equity of approximately NT$29,112.4 million (US$958.3 million). As of June 30, 2017, our cash and cash equivalent balance was NT$19,344.2 million (US$636.7 million).

Our ability to meet our payment obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors, as well as other factors that are beyond our control. There can be no assurance that our business will generate cash flow from operations, or that additional capital will be available to us, in sufficient amounts to enable us to meet our debt payment obligations, to fund other liquidity needs for our future operations or pay dividends.

If we are unable to generate sufficient cash flow to service our debt obligations or if we are unable to comply with the financial covenants, we may need to refinance or restructure our debt, or seek waivers from the relevant creditors. If the relevant creditors decline to grant waivers for any non-compliance with the covenants, such non-compliance will constitute an event of default, which may trigger a requirement for acceleration of the amounts due under the applicable debt instruments.

Our loan agreements with commercial banks in the ROC and PRC contain certain restrictive covenants, some of which require us to maintain certain financial ratios, such as leverage ratio, interest coverage ratio and tangible net worth. Other restrictive covenants in our loan agreements require us to obtain written consents from the commercial banks before we conduct certain transactions, such as entering into new loan agreements and providing guarantee to third parties and disposal of material asset. In 2016 and 2017, the Company failed to comply with certain financial covenants with respect to leverage ratio, interest coverage ratio and tangible net worth under one of our loan agreements. In addition, certain of our subsidiaries in the PRC breached the restrictive covenants for not obtaining prior written consents from the lending banks before entering into new loan agreements. As of the date of this offering memorandum, we have obtained waivers from the relevant banks for such non-compliances. Furthermore, certain of our debt instruments also contain cross-default provisions enabling creditors under such debt instruments to declare an event of default and/or accelerate repayment when there is a default in other debt instruments. These cross-default provisions may be triggered if any breach of covenants of other loans is not waived in time. Whilst we have timely cured past breaches, we cannot assure you that we will be able to comply with the covenants in our debt instruments, timely cure any breaches and thereby avoid the triggering of any cross-default clauses in our loan agreements or debt instruments in the future.

The restrictive covenants under our debt instruments could limit our ability to plan for or react to market conditions or to meet our capital needs in a timely manner and we may have to curtail some of our operations and growth plans to maintain compliance with such covenants. Moreover, it is possible that the breach of our existing or future debt may significantly and adversely affect our ability to obtain additional loans from the commercial banks in the future. There is also a risk that we may not be able to refinance existing debt or that a refinancing will not be done on favorable terms. The occurrence of any of these events could have a material adverse effect on our financial condition and results of operations.

We may incur further indebtedness and we may be unable to meet our debt payment obligations.

As of June 30, 2017, our debt to equity ratio was 1.68 to 1, based on approximately NT$48,917.2 million (US$1,610.2 million) of total liabilities, and approximately NT$29,112.4 million (US$958.3 million) in equity.

Our debt obligations could adversely impact us. For example, these obligations could:

- require us to use a large portion of our cash flow to pay principal and interest on debt, which will reduce the amount of cash flow available to fund working capital, capital expenditures, acquisitions, research and development expenditures and other business activities;

- limit our future ability to raise funds for capital expenditures, strategic acquisitions or business opportunities, research and development and other general corporate requirements; and
- increase our vulnerability to adverse economic and semiconductor memory industry conditions.

Our ability to meet our payment obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. There can be no assurance that our business will generate cash flow from operations, or that additional capital will be available to us, in amounts sufficient to enable us to meet our debt payment obligations, to fund other liquidity needs for our future operations, or pay dividends. If we are unable to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell our assets, reduce or delay our capital investments, or seek to raise additional capital. If we were unable to implement one or more of these alternatives, we may be unable to meet our debt payment obligations, which could have a material adverse effect on our business and results of operations.

We may have capital requirements in connection with our business strategy and there is no assurance that we will be able to obtain the financing to satisfy our capital requirements.

In connection with our business strategy, we have spent NT$3,642.8 million (US$119.9 million) on capital expenditures in 2016, primarily in connection with the purchase of additional equipment for the introduction of a new feature on a key customer's major product. Currently, subject to further requirements and market condition, we expect to make capital expenditures of approximately NT$3,576.1 million in 2017. We also have funding needs for debt repayment and for general corporate uses. We anticipate funding our capital requirements with proceeds from existing cash balances and credit lines, and cash inflow from operations, together with the expected proceeds of this offering and existing and future bank borrowings. However, in the event of adverse market conditions in the future or changes in our growth plan, manufacturing process, product technologies, prices of machinery and equipment or interest rates, our actual expenditures may exceed our planned expenditures and we may not have sufficient sources of liquidity to affect our current operational plan and would need to secure additional financing from external sources. There can be no assurance that external sources of liquidity will be available to fund our ongoing operations or our product development. The failure to obtain financing would hinder our ability to make continued investments in product development, which could materially and adversely affect our business, results of operations and financial condition.

Principal shareholder's interests may differ from those of other shareholders.

As at June 30, 2017, Mr. Michael Chao-Juei Chiang directly and indirectly, controlled an aggregate of approximately 23.24% of our outstanding Shares. In addition, Mr. Michael Chao-Juei Chiang is the chairman of our board of directors. Mr. Michael Chao-Juei Chiang is expected to continue to have, significant influence in voting relating to certain decisions and transactions, including those involving an actual or a potential change of control. The interests of Mr. Michael Chao-Juei Chiang may differ from the interests of other shareholders.

The loss, shutdown or suspension of operations at any of our production facilities may have an adverse effect on our business, results of operations and financial condition.

Our production facilities are subject to operational risks, such as industrial accidents, which could cause personal injury or loss of human life, the breakdown or failure of equipment, power supplies or processes, performance below expected levels of output or efficiency, obsolescence, labor disputes, natural disasters and the need to comply with relevant regulatory requirements. From time to time, we need to carry out planned shutdowns of our various plants for routine maintenance, statutory inspections and testing, and may need to shut down various plants for equipment upgrades. In addition, due to the nature of our business, and despite compliance with requisite safety requirements and standards, our production process is still subject to operational risks, including discharges or releases of hazardous substances, exposure to particulates and the operation of mobile equipment and manufacturing machinery. These operational risks may cause personal injury or loss of human life and could result in the imposition of civil and criminal penalties. The occurrence of any of these events could have a material adverse effect on the productivity and profitability of a particular production facility and on our business, results of operations and financial condition. Although we have taken precautions to minimize the risk of any significant operational problems at our production facilities, there can be no assurance that our business, results of operations and financial condition may not be adversely affected by disruptions caused by operational hazards at our production facilities. Moreover, our production processes are complex, require advanced and costly equipment and are continuously being modified and updated.

As a result of manufacturing process updates and difficulties in the manufacturing process, from time to time, we may experience production difficulties that could cause shutdowns, delivery delays and quality control problems.

Our insurance coverage may not adequately protect us against certain operating and other hazards, which may have an adverse effect on our business.

We believe that the coverage from our insurance policies for our production facilities is in line with industry norms, adequate for our present operations and includes adequate coverage for risks relating to fires, business interruptions and public liability. However, there can be no assurance that any claim under the insurance policies maintained will be timely honored in full or at all. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our business, results of operations and financial condition may be materially and adversely affected. There can also be no assurance that insurance will continue to be available to provide reasonable, or any, coverage on reasonable commercial terms.

Our operations and those of our customers and suppliers are vulnerable to natural disasters and other events beyond our control, the occurrence of which may have an adverse effect on the supply chain of our customers and suppliers and on our facilities, personnel and results of operations.

Our operations and those of our customers and suppliers are vulnerable to natural disasters, including earthquakes, typhoons, fire accidents, tsunami, droughts, floods, power losses and similar events. We cannot guarantee that such future events will not cause material damage to our, our customers' or suppliers' facilities or property, including work in progress, or cause significant business interruptions. Although we maintain property and business interruption insurance for such risks, there is no guarantee that future damages or business loss from natural disasters will be covered by such insurance, that we will be able to collect from our insurance carriers, should we choose to claim under our insurance policies, or that such coverage will be sufficient.

If we violate environmental regulations, we may be required to pay significant fines, our operations may be delayed or interrupted and our business could suffer.

We are subject to environmental regulations relating to our manufacturing processes, including the use, storage, discharge and disposal of chemical by-products of, and water used in, our production processes. A failure, or a claim that we have failed, to comply with these environmental regulations could result in the assessment of damages or imposition of significant fines, delays in production and capacity re-orientation and negative publicity, all of which could harm our business. New regulations could also require us to acquire costly equipment or to incur other significant expenses. In addition, any failure to control the use of, or adequately restrict the discharge of, hazardous substances could subject us to future liabilities that may have a material adverse effect on our business, results of operations and financial condition.

Any outbreak of severe communicable diseases may materially affect our operations and business.

There have been reports of outbreaks of a highly pathogenic influenza caused by the H7N9, H5N8 and H9N2 viruses in certain regions of Asia and other parts of the world. In recent years, the Ebola virus disease broke out in West Africa, with a number of people having died of the disease in countries such as Guinea, Sierra Leone and Liberia. There are also cases of patients diagnosed with Ebola in the United States and Europe. An outbreak of such contagious diseases in the human population could result in a wide-spread health crisis that could adversely affect the economies and financial markets of many countries. Additionally, a recurrence of SARS, a highly contagious form of atypical pneumonia, similar to the occurrence in 2003 which affected the PRC, Hong Kong, Taiwan, Singapore, Vietnam and certain other countries, would also have similar adverse effects. Since most of our operations and customers and suppliers are based in Asia (mainly in Taiwan and the PRC), an outbreak of H7N9 influenza, H5N8 influenza, H9N2 influenza, SARS, Ebola or other contagious diseases in Asia or elsewhere, or the perception that such an outbreak could occur, and the measures taken by the governments of countries affected, including the ROC and the PRC, could adversely affect our business, financial condition or results of operations.

Our failure to protect our intellectual property may undermine our competitive position.

Technology is an integral part of our manufacturing process and products. We believe that the protection of our intellectual property rights is, and will continue to be, important to the success of our business. We rely primarily on patent, trademark, trade secret, copyright law and other contractual restrictions to protect our intellectual property. Nevertheless, these afford only limited protection and the actions we take to protect our intellectual property rights may not be adequate. As of June 30, 2017, we held 2,110 patents, including 853 patents in Taiwan and 1,257 patents in foreign countries. Among which, we held 1,042 invention patents and 1,068 utility model patents. In addition, we had 1,045 pending patent applications worldwide. Policing unauthorized use of proprietary technology can be difficult and expensive. We cannot assure you that the measures we have implemented could effectively prevent misappropriation or unauthorized use of our technologies, particularly in foreign jurisdictions where the laws may not protect our proprietary rights as effective as in the United States. For example, substantially all of our production activities take place in the PRC, and implementation of PRC intellectual property laws has historically been lacking, primarily because of ambiguities in the PRC laws and difficulties in enforcement. Our failure to protect our intellectual property rights could have a material adverse effect on our business, financial condition, results of operations and prospects.

We also rely upon trade secrets, unpatented proprietary know-how and information, as well as continuing technological innovation in our business. The information we rely upon includes price forecasts, core technology and key customer information. Our current standard employment agreement with our employees contains a confidentiality provision which generally provides that all confidential information developed or made known to the individual during the term of the employment relationship is our exclusive property during and after the employment term. We cannot assure you that our employees will not breach any of their obligations under the employment agreements or that these agreements will be enforceable. Moreover, it is uncertain whether we will have adequate remedies in the event of any breach. Our competitors may come to know about our trade secrets and other proprietary information through a variety of methods. Failure to protect our trade secrets or other know-how could materially and adversely affect our business, financial condition and results of operations.

Disputes over intellectual property rights may be costly and, if determined adversely to us, could cause us to pay significant damages and interrupt our business and operations.

Our success will depend in part on our ability to protect our proprietary right and to operate without infringing on the proprietary right of third parties. There can be no assurance that any of our or our subsidiaries' current or future patent applications will result in issued patents, that the scope of the claims in any patents currently held by or to be issued to us in the future will prevent competitors from introducing competitive products or that any patent currently held by us or to be issued to us in the future would be enforceable if challenged.

The technology industry frequently features disputes over intellectual property. Litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. We have from time to time received allegations that our products or processes infringe intellectual property rights of others or claims challenging the validity of our intellectual property rights resulting in the loss of certain of our intellectual property rights. The validity and scope of claims relating to technology and design patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. Defending against these litigations or proceedings, whether to enforce our patents or other intellectual property rights or to defend ourselves against claims that we have allegedly infringed the intellectual property rights of others, may be costly and could divert management attention and other resources away from our business. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent that we are unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have no means of knowing what patent applications have been filed in the United States or elsewhere in the world until they are published, as such information is not available until such time. In addition, there is a possibility that touch solutions and other products designed and manufactured by us may inadvertently incorporate aspects of existing design patents. We may also use or develop components or technologies which infringe on patents or other intellectual property rights owned by our competitors or other third parties. If any third party were to make valid intellectual property infringement claims against us or our customers, we could be required to:

- discontinue using disputed components, technologies or products incorporating those components or featuring those technologies in certain regions;
- pay substantial monetary damages;
- seek to develop or license non-infringing components or technologies, which may not be feasible; or
- seek to acquire licenses to the components or technologies, which may not be available on commercially reasonable terms, if at all.

This could restrict us from making, using, selling or exporting some of our touch solutions, which could in turn materially and adversely affect our business, result of operations and financial conditions.

Foreign exchange fluctuations may adversely affect our earnings and profitability.

Most of our sales and raw material and component costs are denominated in US dollars, while a substantial portion of our labor cost and assets are denominated in Renminbi. Accordingly, our operations are exposed to fluctuations among US dollar, Renminbi and NT dollar exchange rates and, to a lesser extent, exchange rates between other currencies. The value of the Renminbi is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments, as well as supply and demand in the local market. Effective from July 21, 2005, the Renminbi is no longer pegged solely to the US dollars. Instead, it is pegged against a basket of currencies, determined by the People's Bank of China, against which its value can rise or fall by as much as 0.3% each day. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed range in relation to a basket of specified foreign currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. On June 19, 2010, the PRC government announced its intention to further relax its currency policy, and the Renminbi slightly appreciated against the US dollar. Starting from March 15, 2014, the Renminbi has been permitted to fluctuate within a 2% range. In the past three years, the Renminbi experienced continuous depreciation against the US dollar. However, we cannot assure you that the Renminbi will not experience significant appreciation against the US dollar again. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the US dollar. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars, of our net assets, earnings or any declared dividends.

In addition, under the current foreign exchange regime in the PRC, there can be no guarantee that sufficient foreign currency will be available at a given exchange rate to satisfy the demands of a particular enterprise in full. There can also be no assurance that shortages in the availability of foreign currency will not restrict our ability to obtain sufficient foreign currency to satisfy our foreign currency needs.

The impact of future exchange rate fluctuations among these currencies on our results of operations and financial condition cannot be accurately predicted, and there can be no assurance that our attempt to mitigate the adverse effects of exchange rate fluctuations will be successful or that such exchange rate fluctuations will not in the future have a material adverse effect on our results of operations, financial condition and prospects.

Restrictive covenants in loan agreements could limit our subsidiaries' ability to distribute dividends.

Certain of our subsidiaries are subject to restrictive covenants contained in certain bank credit facilities to which they are a party. Such covenants include provisions restricting our subsidiaries' ability to distribute dividends to us before the repayment of the relevant loans. As we rely on dividends distributed to us from our operating subsidiaries, such restriction may materially and adversely affect our results of operations and financial condition.

Risks relating to the ROC

The value of the shares may be adversely affected by the volatility of the ROC securities market.

The ROC securities market is smaller and more volatile than the securities markets in the United States and in certain European and other countries. The TWSE has experienced substantial fluctuations in the prices and volumes of sales of listed securities and there are currently limits on the range of daily price movements on the TWSE. In 2016, the TWSE Index peaked at 9,392.68 on December 9, 2016, and reached a low of 7,664.01 on January 21, 2016. The daily closing values of the Shares which are listed on the TWSE ranged from NT$45.10 per share to NT$88.20 per share in 2016. On September 5, 2017, the TWSE Weighted Index closed at 10,617.84 and the daily closing value of the Shares was NT$125.00 per share. The TWSE has experienced problems such as market manipulation, insider trading and payment defaults. The recurrence of these or similar problems and restrictions on price movements could adversely affect the market price and liquidity of the securities listed on the TWSE, including the Shares. See "Appendix 1—The Securities Market of the ROC."

In response to major past declines and volatility in the securities market in Taiwan, and in line with similar activities by other countries in Asia, the ROC government formed the National Stabilization Fund in 2000, which has purchased, and may from time to time purchase, shares listed on the TWSE to support these securities markets in Taiwan. In addition, other funds associated with the ROC government have in the past purchased, and may from time to time purchase, shares listed on the TWSE or other securities markets in Taiwan. In the future, market activity by government entities, or the perception that such activity is taking place, may take place or has ceased, may cause fluctuations in the market prices and liquidity of the Shares.

We are subject to risks associated with the political status and international relations of the ROC.

A small portion of our assets and operations are located in Taiwan, and the Shares are listed on the TWSE. Accordingly, our business, results of operations and financial condition and the market price of the Shares may be affected by changes in the ROC governmental policies, law, taxation, inflation, interest rates, social instability and other political, economic, diplomatic or social developments in or affecting the ROC which are outside our control. Taiwan has a unique international political status. Both the governments of the PRC and the ROC assert sovereignty over Taiwan. The ROC asserts that the ROC and the PRC are equal political entities, while the PRC claims that it is the sole government in China and that Taiwan is part of China. Although significant economic and cultural relations have been established in the past decade between Taiwan and the PRC, the PRC has refused to renounce the possibility that it may use force to gain control over Taiwan if Taiwan declared independence or if a foreign power interfered in Taiwan's domestic affairs. Relations between the PRC and the ROC have at times been strained. Strained relations could result in future military actions or economic sanctions or other disruptive activities undertaken by either government. Past tensions between the PRC and the ROC have from time to time adversely affected the value of securities listed on the TWSE, including the price of the Shares. In recent years, there have been indications of improved relations between the PRC and the ROC due to increased dialogue between the PRC and the ROC, among other factors, which is expected to have a positive effect on the property market and the economy in general in the ROC. However, there is no assurance that any improvement in relations between the PRC and the ROC will materialize, or that relations between the PRC and the ROC will not deteriorate further. Tension between the ROC and the PRC and other factors affecting political or economic conditions in the ROC could have a material adverse effect on our results of operations and financial condition, as well as the market price and liquidity of the Shares.

Further, if relations between the ROC and the PRC worsen, it could also have a material adverse effect on the ROC's economy, the availability of the PRC as an export market for our products and our ability to manage and operate our production facilities in the PRC. There can be no assurance that the present relations will not worsen, which could have a significant adverse impact on our financial condition, results of operations and future prospects.

The imposition of foreign exchange restrictions may have an adverse effect on foreign investors' abilities to acquire ROC securities, including the Shares, or to repatriate the interest, dividends or sale proceeds from those securities.

The ROC government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the ROC government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in Taiwan. These restrictions may require foreign investors to obtain the ROC government's approval before acquiring ROC securities, repatriating the interest or dividends from those securities or repatriating the proceeds from the sale of those securities. There can be no assurance that these restrictions, if imposed, will not adversely affect, among other things, the secondary market price of the GDSs.

Financial reporting and accounting standards in the ROC differ from those in certain other countries.

We are subject to financial reporting requirements in Taiwan that differ in significant respects from those applicable to companies in certain other countries, including the United States. Starting from January 1, 2013, companies listed on the TWSE, including us, have been required to report their financial statements under Taiwan IFRS pursuant to the Framework for Adoption of International Financial Reporting Standards by Companies in the ROC promulgated by the FSC on May 14, 2009. Taiwan IFRS differs from IFRS in certain significant respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS may not be timely endorsed by the FSC. See "Summary of Certain Material Differences Between Taiwan IFRS and IFRS." Potential investors should consult their own professional advisers for an understanding of such differences and how they might affect the financial information contained herein.

We publish monthly operating revenue information as part of our ongoing reporting obligations and such information is subject to change due to normal quarter-end closing procedures and excludes certain expenses and other information necessary to be indicative of actual financial results.

We post monthly sales information on the Market Observation Post System ("MOPS") as part of our ongoing reporting obligation as a listed company on the TWSE. Such information is preliminary, and is subject to change, upon adjustments and after the completion of our normal quarter-end closing process. Actual sales could differ materially from the preliminary information posted on MOPS. Furthermore, our preliminary operating revenue only reflects sales information up to August 2017 and may not be indicative of our net profit/loss for the months of July and August 2017. As a result, you should not place undue reliance on such information.

Risks relating to the PRC

We currently take advantage of the availability of low-cost skilled labor in the PRC to maintain our competitive pricing advantage. Any material increases in their wages or potential shortage of skilled labor in the PRC may have a material and adverse effect on our business and results of operations.

Currently, a substantial majority of our total workforce is employed in our production facilities in Xiamen, PRC, and the availability of low-cost labor for our manufacturing facilities in the PRC is one of our competitive advantages. The PRC economy has grown significantly over the past 20 years, which has resulted in an increased average cost of labor, especially in the coastal cities. The overall economy and the average wage in the PRC are expected to continue growing in both coastal and inland regions, thus continuing to diminish the competitive advantage of locating manufacturing facilities in PRC. On June 29, 2007, the PRC National People's Congress enacted the Labor Contract Law, which became effective on January 1, 2008. The Labor Contract Law (as amended on December 28, 2012) formalizes workers' rights concerning overtime hours, pensions, layoffs, employment contracts and the role of trade unions and provides for specific standards and procedure for the termination of an employment contract. In addition, the Labor Contract Law requires the payment of a statutory severance pay upon the termination of an employment contract in most cases, including in cases of the expiration of a fixed-term employment contract. The Labor Contract Law has increased and will continue to increase our operating expenses, in particular our personnel expenses, as the continued success of our business depends significantly on our ability to attract and retain qualified personnel. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law may also limit our ability to effect these changes in a manner that we believe to be cost-effective or desirable, which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, we also take advantage of the availability of relatively inexpensive engineers and researchers in PRC to sustain our research and development activities at a comparatively low cost. We cannot assure you of our continued ability to satisfy our employment requirements of labor and research and development personnel in the future at an acceptable cost. Any shortages in the availability of labor or any material increases in the cost of labor will diminish our competitive advantage and could have a material and adverse effect on our business, financial condition and results of operations.

Beginning in 2012, there have been reports of shortages of skilled labor in various areas in the PRC. While we have not experienced difficulties in recruiting skilled labor for our production facilities in Xiamen, PRC generally, there can be no assurance that we will be able to continue to recruit sufficient skilled labor to manufacture our touch solutions. If we fail to recruit sufficient skilled labor, our production capacity will decrease, which in turn will materially and adversely affect our business and results of operations. In addition, we had an average monthly turnover rate of approximately 12.6%, 12.8%, 13.8% and 12.5% of our total workforce in our production facilities at Xiamen, PRC in 2014, 2015 and 2016 and for the six months ended June 30, 2017, respectively. Even though we did not encounter any material difficulties in filling in these vacancies in the past, we cannot assure you that we will be able to maintain sufficient workforce for our production capacities in our Xiamen, PRC facilities or to recruit additional workforce necessary to increase our production capabilities in a timely manner.

We are subject to the political and economic environment in the PRC.

Currently, most of our production facilities are located in the PRC and we may make further investments in the PRC in the future. Accordingly, our results of operations, financial condition and future prospects are subject, to a significant degree, on the political and economic environment and legal developments in the PRC. There can be no assurance that our investments in the PRC and our production operations in the PRC will not be adversely affected if relations between the PRC and the ROC are further strained.

Prior to 1978, the PRC had adopted a central economic planning system. All production and economic activities in the country were governed by the economic goals set out in the five-year plans and annual plans adopted by central authorities. Since 1978, the PRC government has permitted foreign investment and implemented economic reforms, gradually changing from a planned economy towards a market-oriented economy. However, many of the reforms and economic policies adopted or to be adopted by the PRC government are unprecedented or experimental in nature and may have unforeseen results, which may have an adverse effect on enterprises with substantial business in the PRC, including us.

The PRC government has broad discretion and authority to regulate the technology industry in the PRC, and the government has implemented policies from time to time to regulate economic expansion in the PRC. Although in recent years the PRC government has implemented measures emphasizing the use of market forces for economic reform, it continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the PRC's economy has experienced significant growth in the past 30 years, growth has been uneven both geographically and among various sectors in the economy. The PRC government has implemented various measures to encourage economic growth and guided the allocation of resources. Some of these measures benefit the overall economy of the PRC, but may have a negative effect on us. For example, our business, results of operations and financial condition may be adversely affected by governmental control over capital investments or changes in tax regulations.

Uncertainties in the PRC legal system could adversely affect our business and results of operations.

Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, interpretations of laws, regulations and rules are not always uniform and enforcement involves uncertainties. Despite the development of the legal system, the PRC legal system is not yet complete. Even where laws and regulations exist in the PRC, there may be laws and regulations at the national level or local level, which are peculiar to the PRC and not commonly seen in developed countries and may impose additional procedural or compliance requirements on those subject to such laws and regulations (in certain cases, including us).

In particular, different regulatory authorities may have different interpretations and methods of enforcing the policies regarding technology industry and foreign investment, which require companies to meet the requirements of relevant regulatory authorities issued from time to time, and obtain approvals and complete filings in accordance with the relevant regulatory authorities' interpretations and enforcement of such policies.

The central government of the PRC has required and will from time to time require the local governments to cease from offering investment incentives or benefits (whether tax-based or non-tax-based) to industries. Although a new policy published in 2017 provides that in view of protecting the rights and interests of foreign-invested enterprises and the investors in the PRC, the local governments are allowed to, within their statutory authorities, promulgate preferential policies for inviting investment purpose; however, the relevant regulatory authorities' interpretations and enforcement of such new policy is still to be determined. We have enjoyed certain tax exemptions or preferential income tax rates in 2014, 2015 and 2016. See "Management's Discussion and Analysis on Financial Condition and Results of Operations—Taxation and Incentives—Taxation in the PRC" and "—Any change in the taxation treatment of our PRC subsidiaries may adversely affect our profitability." Any future changes in applicable laws, regulations, administrative interpretations or regulatory documents, or stricter enforcement policies by the relevant PRC regulatory authorities could result in more stringent requirements being imposed on the industry we operate in, and certain investment incentives and benefits currently enjoyed by us would no longer be available. Compliance with such new requirements could substantially raise our cost of doing business or if we fail to meet such new rules and requirements relating to approval, construction, environmental or safety compliance of our operations, we may be ordered by the relevant PRC regulatory authorities to change, suspend construction or close the relevant production facilities. Alternatively, these changes may also relax some requirements, which could be beneficial to our competitors or could lower market entry barriers and increase competition. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Furthermore, the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedural Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedural Law based either on treaty between the PRC and the country where the judgment is made or on reciprocity between jurisdictions. Therefore, in the case a foreign judgment is rendered by a foreign court where the country and the PRC do not have any treaties or other agreements that provide for the reciprocal recognition and enforcement of foreign judgments, such a judgment may not be enforced by a PRC court. The relative inexperience of the PRC's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of laws and regulations of the PRC may be subject to government policies reflecting domestic political changes.

Our activities in the PRC will be subject to administrative review and approval by various national and local agencies of the PRC government. Due to the changes occurring in the legal and regulatory structure of the PRC, we may not be able to secure the required governmental approval for our activities. In addition, local government authorities may adopt their own policies and practices. Failure to obtain the requisite governmental approval or to comply with the local government's policies or practices for any of our activities could adversely affect our business and operating results.

We cannot predict the effects of future developments of the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local regulations by national laws or the overturn of local governments' decisions by the central government. These uncertainties may limit the legal protections available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management's attention.

Availability of credit and fluctuations in the interest rates of bank borrowings and other loans may affect our financial performance.

The PRC government from time to time adopts new measures in its monetary policy, including increasing the reserve ratio of commercial banks, which may have the effect of restricting money supply and the availability of credit. If these measures result in PRC banks reducing their volumes of commercial loans, our access to financing to fund our working capital may be adversely affected.

Any change in the taxation treatment of our PRC subsidiaries may adversely affect our profitability.

Our PRC subsidiaries are subject to Enterprise Income Tax on taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. We have enjoyed tax exemptions or preferential income tax rates in 2014, 2015 and 2016. See "Management's Discussion and Analysis on Financial Condition and Results of Operations—Taxation and Incentives—Taxation in the PRC."

Currently, pursuant to the Enterprise Income Tax Law ("EIT Law") which came into effect on January 1, 2008, and last amended on February 24, 2017, a uniform income tax rate of 25% applies to both domestic enterprises and foreign investment enterprises with certain limited exceptions. These exceptions include, among others, (i) companies that are recognized by the relevant PRC governmental authorities as high-technology enterprises are subject to a preferential income tax rate of 15%, (ii) in addition to the 15% preferential tax rate, high-technology enterprises incorporated on or after January 1, 2008 that are located in and have their operations based in designated PRC economic and technology development zones are subject to a two-year tax exemption and an additional 50% tax deduction (to be deducted based on the payable tax amount calculated at the tax rate of 25%) for the three years following the two-year exemption (the "2-year exemption plus 3-year 50% reduction scheme") and (iii) companies that are located in Pingtan engaging in encouraged industries are subject to the 15% preferential tax rate. Certain of our PRC subsidiaries are subject to the 15% preferential income tax rate treatment due to their status as high-technology enterprises and the Pingtan district policy, and one of those subsidiaries is further entitled to the 2-year exemption plus 3-year 50% reduction scheme because its operations are based in the Xiamen National Torch Hi-Tech Industrial Zone. See "Management's Discussion and Analysis on Financial Condition and Results of Operations—Taxation and Incentives—Taxation in the PRC." However, we cannot assure you that the PRC government will not repeal or unfavorably amend such tax benefits, either of which could materially and adversely affect our business and results of operations.

Profits from our PRC operating subsidiaries available for distribution are determined under PRC GAAP.

We derive a portion of our profits from operating subsidiary companies established in the PRC. The profits available for distribution are therefore dependent on, to a significant extent, the profit available for distribution by the PRC subsidiaries to us which is determined in accordance with generally accepted accounting principles and financial regulations in the PRC ("PRC GAAP"), which differ in certain significant respects from generally accepted accounting principles in certain other countries, such as US GAAP and IFRS. In addition, under the relevant PRC financial regulations, profit available for distribution is determined after offsetting losses in previous years and setting aside a legal capital reserve equal to 10% of the remaining profits, provided that the PRC subsidiary is not required to set aside the legal reserve if the accumulated balance of the legal capital reserve has already accounted for over 50% of such PRC subsidiary's registered capital.

Dividends we receive from our PRC subsidiaries will be subject to PRC withholding tax.

The EIT Law provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are "non-resident enterprises," to the extent such dividends are derived from sources within the PRC, and the State Council has reduced such rate to 10% through the implementation of the EIT Law. Under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, which became effective on January 1, 2007, dividends from our PRC subsidiaries paid to our Hong Kong subsidiary will be subject to a withholding tax at a rate of 5%, subject to the confirmation of the in-charge local tax authorities. Thus, dividends paid to our Hong Kong subsidiary by our PRC subsidiaries may, subject to the confirmation of the in-charge local tax authorities, be lowered to 5% income tax if the Hong Kong subsidiary is considered as a "real operating business other than only holding function and is beneficial owner of such dividend" under the EIT Law.

Revenue generated from activities within the PRC by our non-PRC subsidiaries may be subject to PRC withholding tax.

The EIT Law provides that a maximum income tax rate of 20% may be applicable to the revenue obtained by non-PRC enterprises that are "non-resident enterprises," to the extent such revenue, including, without limitation, revenue from service provision and property transfer, are derived from sources within the PRC by our non-PRC subsidiaries, and the State Council has reduced such rate to 10% through the implementation of the EIT Law. Therefore, subject to the confirmation of the in-charge local tax authorities, the revenue generated from our activities within the PRC by our non-PRC subsidiaries may be subject to a withholding tax at a rate of 10%.

Risks relating to the GDSs or the shares

For a period of four ROC business days after the closing, you will not be able to withdraw the underlying Shares from our GDR facility.

Following the closing date of the GDS offering, we will apply to the TWSE for listing of the underlying Shares. It is expected that the TWSE will approve the listing of the Shares on or about the fifth ROC business day following the closing date of the GDS offering, although we cannot assure you that such approval will be obtained by such date (if at all). Immediately upon such listings, the number of Shares will be delivered to the account of the Depositary's nominee with the Custodian for the GDR facility through the book-entry system maintained by the TDCC. As a result, subject to the approval of the TWSE, for a period of four ROC business days after the closing date of the GDS offering, holders of GDSs offered in this offering will not be able to withdraw the underlying Shares from our GDR facility.

Capital gains from the sale or disposition of the shares or GDSs are exempt from ROC income tax.

As used in this section, a "Non-ROC Resident Individual" is a foreign national individual who owns the Shares or GDSs and is not physically present in the ROC for 183 days or more during any calendar year, and a "Non-ROC Resident Entity" is a corporation or a non-corporate body that owns the Shares or GDSs and is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or business agent in the ROC. "Non-ROC Resident Individuals" and "Non-ROC Resident Entities" are jointly referred to as "Non-ROC Holders."

Under the ROC Income Tax Act, capital gains from the sale or disposition of the shares withdrawn from the GDR facility by Non-ROC Holders are exempt from ROC income tax. Sales or disposal of the GDSs are not regarded as ROC income source and thus any gain generated therefrom by Non-ROC Holders is not subject to ROC income tax. However, we cannot ensure that Non-ROC Holders will continue to be exempted from ROC income tax in the future.

A liquid market for the GDSs may not develop.

The Initial Purchaser may make a market for the GDSs. However, they are not obligated to do so and may discontinue this market-making activity at any time without notice. There has been no trading market for the Shares outside the ROC and the only trading market for the Shares is the TWSE. The GDSs are being offered pursuant to Rule 144A and Regulation S and, as a result, you will only be able to resell the GDSs in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. We have applied to admit the GDSs to the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. The GDSs will not be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where registration may be required. No assurance can be given as to whether an active trading market will develop, the liquidity or sustainability of the trading market for the GDSs, the ability of holders of GDSs to sell their GDSs or the price at which holders will be able to sell their GDSs. If a market for the GDSs cannot be sustained, the trading prices of the GDSs could fall. In addition, it is possible that the GDSs could trade at prices that may be lower than the initial offering prices.

There are legal restrictions on a PRC investor's withdrawal and sale of deposited Shares represented by the GDSs.

Under current ROC laws, regulations and policy, a PRC person is not permitted to withdraw GDSs and to register as a shareholder of the Company unless it is a qualified domestic institutional investor ("QDII"), provided that the total shareholding of the PRC persons with respect to the Company cannot exceed 30%. In addition, there are restrictions on the amount remitted to Taiwan for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make an investment and the investment threshold imposed by the FSC and the TWSE might cause a GDS holder who is a PRC person to be unable to withdraw and hold the Shares. Under current ROC laws, "PRC person" means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency or instrumentality.

You will have limited voting rights as a holder of GDSs.

Holders of GDSs may exercise voting rights with respect to the underlying Shares only in accordance with the provisions of the Deposit Agreements. When a shareholders' meeting is convened, you may not receive sufficient advance notice of a shareholders' meeting to permit you to timely withdraw your Shares to allow you to cast your vote with respect to any specific matter. In addition, the Depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We plan to make all reasonable efforts to cause the Depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the Depositary to vote your GDSs. Subject to the applicable Deposit Agreement, if the Depositary timely receives voting instructions from a holder of GDSs, it will endeavor to vote the Shares represented by the holder's GDSs in accordance with such voting instructions. If the Depositary receives timely voting instructions from a holder of GDSs which fail to specify the manner in which the Shares represented by the holder's GDSs are to be voted, the Depositary will deem the holder of the GDSs to have instructed the Depositary to vote in favor of the items set forth in such instructions. If the Depositary received notice allowing it to timely notify the GDS holders of the meeting or solicitation of vote from the Company, and the Depositary has not received valid voting instructions from a GDS holder, such GDS holder will be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the Company to vote the Shares represented by such holder's GDSs unless the Company informs the Depositary that (i) it does not wish such discretionary proxy to be given, (ii) there exists substantial opposition or (iii) the rights of holders of GDSs or the shareholders of the Company will be materially adversely affected.

Furthermore, the Depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your GDSs are not voted as you requested. In addition, in your capacity as a GDS holder, you will not be able to call a shareholder meeting. The Depositary shall represent all Shares represented by GDSs (whether or not voting instructions have been received) for the purposes of establishing a quorum at a meeting of shareholders.

You may not be able to participate in rights offerings and may experience dilution of your holdings as a result.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. If registration is required in any jurisdiction with respect to the offer of rights to holders of GDSs, or the sale by the Depositary of such rights or the securities or other relevant property to which such rights relate, and if we request the Depositary not to make the rights available to the GDS holders, then the Depositary will not effect such offer or sale with respect to the relevant tranche of GDSs, unless we have obtained an exemption from or effected a registration, in accordance with the requirements of such jurisdiction. However, under the Deposit Agreements, we are under no obligation to register such rights, securities or other property. Accordingly, holders of GDSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result. If the Depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case you will receive no value for these rights.

Non-ROC holders of GDSs who withdraw Shares will be required to register with the TWSE and appoint a local agent and a tax guarantor in the ROC.

Under current ROC law, if a non-ROC person wishes to withdraw and hold underlying Shares from a depositary receipt facility, such non-ROC person will be required to register with the TWSE for making investments in the ROC securities market prior to withdrawing Shares. In addition, a non-ROC person will be required to appoint an eligible agent in the ROC to open a securities trading account with a local brokerage firm and a bank account, to pay ROC taxes, remit funds, exercise shareholders' rights and perform such other functions as such person may designate upon withdrawal. In addition, a non-ROC holder of GDSs will be required to appoint a custodian in the ROC to hold the securities in safekeeping, make confirmation, settle trades and report all relevant information. Without meeting these requirements, the withdrawing holder would be unable to hold or subsequently sell the Shares withdrawn from the depositary receipt facility on the TWSE or otherwise. In addition, these regulations may change from time to time. There can be no assurance that a non-ROC holder of GDSs will be able to register with the TWSE and open the requisite accounts in a timely manner or that current ROC law will remain in effect or that future changes in ROC law will not adversely affect your ability to withdraw the Shares from the GDR facility.

When a non-ROC holder of GDSs withdraws Shares represented by GDSs, that holder will be required to appoint an agent, or a Tax Guarantor, in the ROC for filing tax returns and making tax payments on their behalf. The Tax Guarantor will be required to meet the qualifications set by the ROC Ministry of Finance ("MOF") and will act as the guarantor of such holder's tax payment obligations. Generally, evidence of the appointment of a Tax Guarantor and the approval of such appointment or tax clearance certification may be required as conditions to such holder's repatriation of profits. There can be no assurance that non-ROC holders of GDSs will be able to appoint and obtain approval for a Tax Guarantor in a timely manner.

A holder of the GDSs or its designee requesting the withdrawal of the Shares represented by the GDSs may be required to provide certain information to us, or the Depositary, and failure to provide such information may result in a delay of the withdrawal.

A holder of the GDSs or its designee requesting the withdrawal of the Shares represented by the GDSs may be required to provide certain information to us or the Depositary, including the name and nationality of the person to be registered as the shareholder, the number of Shares to be acquired by such person and the number of Shares acquired by such person in the past through the date of the withdrawal of the Shares underlying the GDSs. Under applicable ROC laws, we are required to report to the FSC if the person to be registered as a shareholder (i) is a "related party" of ours as defined in the Regulations Governing the

Preparation of Financial Reports by Securities Issuers or (ii) will hold, immediately following such withdrawal, more than 10% of the Shares represented by GDSs or 10% of the total number of the outstanding Shares. Failure to provide such information may cause the delay of such withdrawal of the Shares represented by the GDSs.

Restrictions on the ability to deposit the Shares into GDS programs may adversely affect the liquidity and sale of our GDS.

Under the current ROC law, no deposits of Shares may be made in the depositary receipt facilities, and no GDSs may be issued after the closing of the offering against such deposits, without the approval of the FSC, except for the offering and the issuance of additional GDSs in connection with (i) stock dividends on, or free distributions of, Shares, (ii) the exercise by holders of the existing GDSs then outstanding pursuant to the Deposit Agreements of their preemptive rights in the event of capital increases for cash, (iii) the issuance of Shares to holders of convertible or exchangeable bonds in connection with the exercise of conversion or exchange rights of such bondholders (so long as the terms and conditions of such bonds which explicitly allow the Shares issued upon conversion of the bonds or being exchanged to be deposited into a depositary receipt facility have been approved by the FSC prior to the bond issuance), (iv) to the extent previously issued GDSs have been canceled and as permitted under the Deposit Agreements, the deposit of Shares owned or purchased directly by a person or through the Depositary on the TWSE for deposit in the applicable depositary receipt facility, provided that the total number of GDSs outstanding after an issuance described in clause (iv) does not exceed the number of GDSs issued and previously approved by the FSC (plus any GDSs created under clauses (i), (ii) and (iii) above) or (v) upon exchange of Rule 144A GDSs for International GDSs and vice versa, subject to any adjustment to the number of Shares represented by each GDS. As a result of the limitations on the deposit of Shares into our GDR facility, the liquidity of our GDSs may be reduced if a significant number of withdrawal transactions are effected and no additional GDSs are issued against corresponding deposits of the Shares.

Investors may face difficulties in protecting their interests because we are incorporated under Cayman Islands law and Cayman Islands law may provide different remedies to minority shareholders when compared with the laws of other jurisdictions.

Our corporate affairs are governed by our memorandum of association and articles of association adopted by a special resolution on June 12, 2015 (the “Memorandum and Articles”), the Companies Law (2016 Revision) of the Cayman Islands (“Companies Law”) and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders (including the rights of our shareholders to bring shareholders’ suits against our board of directors under Cayman Islands laws) differ in some respects from those established under statutes or judicial precedents in some other jurisdictions. Such differences may mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of other jurisdictions. Therefore, our shareholders may have more difficulty in protecting their interests in connection with actions taken by our management, members of our board of directors or controlling shareholders than they would as shareholders of corporations of other jurisdictions.

Changes in exchange controls that restrict your ability to convert proceeds received from your ownership of GDSs may have an adverse effect on the value of your investment.

The imposition of foreign exchange controls may undermine your ability to convert proceeds received from your ownership of GDSs. Under current ROC law, the Depositary, without obtaining further approval from the CBC or any other governmental authority or agency of the ROC, and a GDS holder, after withdrawing the underlying Shares from the depositary receipt facility and becoming a holder of the Shares, without obtaining further approval from the CBC, may convert NT dollars into other currencies, including US dollars, for the proceeds of the sale of the Shares represented by GDSs or the proceeds of the sale of the Shares received as stock dividends which have been deposited into the depositary receipt facilities.

Nevertheless, the Depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies of the proceeds from the sale of subscription rights for new Shares if the proceeds are in excess of US$100,000 per remittance. Although it is expected that the CBC will grant this approval as a routine matter, we cannot assure you that in the future any approval will be obtained in a timely manner, or at all.

In addition, under the ROC Foreign Exchange Control Law, the Executive Yuan of the ROC government may, without prior notice but subject to subsequent legislative approval, impose foreign exchange controls for certain periods of time in the event of, among other things, a material change in international economic conditions. We cannot assure you that foreign exchange controls or other restrictions will not be introduced in the future.

Future sales of securities by us or our existing shareholders, including pursuant to employee stock bonuses, could dilute the holdings and associated rights with respect to the Shares, and may adversely impact the market price of the GDSs or the Shares.

The market prices of the GDSs and the Shares could decline as a result of sales of a large number of our Shares or any securities that are substantially similar to the Shares, including, but not limited to, any securities that may be exchangeable for, the Shares after this offering or the perception that such sales could occur. A number of our shareholders who, in aggregate, held directly 23.24% of the Shares as of June 30, 2017, have agreed for a period of 90 days after the date of this offering memorandum, subject to certain exceptions, not to sell or otherwise dispose of our Shares without the prior written consent from J.P. Morgan Securities plc. See “Plan of Distribution.” Except for such restrictions, there is no restriction on our ability to issue, sell or otherwise dispose of and these shareholders’ ability to sell or otherwise dispose of, the Shares, and we cannot assure you that we will not issue, sell or otherwise dispose of, or that any of these shareholders will not sell or otherwise dispose of, the Shares. If our shareholders sell a large number of the Shares after this offering, the market price of the GDSs and the Shares could be depressed and the value of your investment could substantially decrease.

Use of proceeds

The net proceeds to be received by us from this offering of the GDSs will be approximately US$233.01 million, after deducting the Initial Purchaser's commission and other estimated expenses relating to the offering of the GDSs. The net proceeds from the Concurrent Employee Offering will be US$0.711 million. We intend to use the net proceeds of the offering of the GDSs and the Concurrent Employee Offering for the procurement of raw materials from overseas.

Dividends and dividend policy

Pursuant to our Memorandum and Articles, our board of directors may, subject to the approval of the shareholders by an ordinary resolution adopted at a shareholders' meeting and the Companies Law, distribute profits in accordance with a proposal prepared by our directors and resolved by our shareholders. When determining the profits, we begin with the Company's audited annual net profit of the Company in respect of the applicable year and first offset our losses from previous years and set aside a legal capital reserve at 10% of the remaining profits, until the accumulated legal capital reserve equals our total capital; then we will set aside a special capital reserve in accordance with the applicable ROC public company rules or as requested by the authorities in charge; and we then may set aside up to 1% of the remaining amount as bonus to directors and up to 10% of the remaining amount as bonus to our employees, including the employees of our subsidiaries, which may be distributed under an incentive program approved pursuant to our Memorandum and Articles. Any balance left over may be distributed as dividends (including cash dividends or stock dividends) or bonuses in accordance with the Companies Law and the applicable ROC public company rules and taking into consideration financial, business and operational factors. The amount distributed as Dividends shall not be less than 10% of such balance. A portion of the dividends will be paid in cash, and such cash portion shall be no less than 10% of the total amount of such dividends; however, if the total amount of dividends payable per share in a given year would be less than NT$1 dollar, the 10% threshold shall not be applicable.

We may, at our sole discretion, pay such dividends, in whole or in part, in the form of cash and/or stock. Subject to the Companies Law and the Memorandum and Articles, the Directors may declare dividends and distributions on the Shares in issue and authorize payment of the dividends or distributions out of the funds of the Company lawfully available therefor. No dividend or distribution shall be paid, except out of the realized or unrealized profits of the Company, or out of the share premium account or as otherwise permitted by the Companies Law. All dividends shall be declared and paid in proportion to the number of Shares held. The directors may deduct from the dividends or distribution payable to any holder all sums of money (if any) then payable by him to us on any account. The directors may also, after obtaining an ordinary resolution, declare that any dividend be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures or securities of any other company or in any one or more of such ways. Should any difficulty arise regarding such distribution, the directors may settle the same as they think expedient and fix the value for distribution of such specific assets or any part thereof and determine that cash payments shall be paid on the basis of the value so fixed in order to adjust the rights of all holders and may vest any such specific assets in trustees as may be deemed expedient to the directors. No dividend or distribution shall bear interest against the Company. Any dividend that is not claimed after six months from the date of declaration may be moved, subject to discretion of directors, to a separate account in the name of us and the dividend shall remain as a debt due to the shareholder. Any dividend which remains unclaimed after six years from the date of declaration shall be forfeited and returned to us.

At our 2014 shareholders' annual general meeting held on May 29, 2014, our shareholders adopted a resolution to distribute a dividend of US$54.7 million in the form of cash. The cash dividend was paid on July 15, 2014. At our 2015 shareholders' annual general meeting held on June 12, 2015, our shareholders adopted a resolution to distribute dividend of a US$5.4 million in the form of cash. The cash dividend was paid on September 15, 2015. At our 2016 shareholders' annual general meeting held on May 27, 2016, our shareholders proposed not to distribute dividends. The 2017 shareholders' annual general meeting was held on May 16, 2017, and our shareholders proposed not to distribute dividends.

Payments of cash dividends and other amounts (including cash distributions) in respect of the GDSs will be made by the Depositary on behalf of persons entitled thereto upon receipt of funds from the Company, subject to our Memorandum and Articles and the laws of the Cayman Islands and the ROC. Payments of dividends in relation to the International GDSs will be made through Euroclear and Clearstream. Whenever we make a cash distribution for the securities on deposit with the Custodian, we will notify the Depositary and deposit the funds with the Custodian. Whenever we make a free distribution of Shares for the securities on deposit with the Custodian, we will notify the Depositary and deposit the applicable number of Shares with the Custodian. Upon receipt of notice of such deposit, the Depositary, subject to applicable law, will either distribute to holders new GDSs representing the Shares deposited or modify the GDS-to-Shares ratio, in which case each GDS will represent rights and interests in the additional Shares so deposited. Only whole new GDSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

Market price information

The Shares have been listed on the TWSE since October 2010.

The table below shows, for the periods indicated, the high and low closing prices and the average daily volume of trading activity on the TWSE for the Shares and the highest and lowest of the daily closing values of the Taiwan Stock Exchange Weighted Index.

	Closing price per Share(1)		Average daily Trading volume(2)	Closing of the Taiwan Stock Exchange Weighted Index	
	High	Low		High	Low
		(NT$)	(Shares)		
2012	522.00	322.50	6,230,500	8,144.04	6,894.66
2013	635.00	153.50	6,571,863	8,623.43	7,616.64
2014	308.00	147.00	10,294,821	9,569.17	8,264.48
2015	242.50	69.20	13,431,656	9,973.12	7,410.34
First Quarter	242.50	190.00	8,808,388	9,758.09	9,048.34
Second Quarter	221.00	178.50	6,994,931	9,973.12	9,189.83
Third Quarter	186.50	69.20	16,172,177	9,379.24	7,410.34
Fourth Quarter	106.00	76.40	20,728,074	8,857.02	8,040.16
2016	88.20	45.10	11,772,531	9,392.68	7,664.01
First Quarter	88.20	56.00	16,117,676	8,812.70	7,664.01
Second Quarter	81.30	58.60	13,364,385	8,716.25	8,053.69
Third Quarter	68.30	49.80	8,946,243	9,284.62	8,575.75
Fourth Quarter	60.30	45.10	9,123,368	9,392.68	8,931.03
2017					
March	108.50	85.20	26,200,451	9,972.49	9,627.89
April	113.50	91.20	20,281,735	9,949.48	9,632.69
May	108.50	92.50	15,562,013	10,108.49	9,899.94
June	96.70	88.80	9,338,701	10,513.96	10,072.46
July	105.00	91.80	14,406,647	10,508.37	10,289.91
August	131.50	101.50	23,161,691	10,585.78	10,225.28
September (through September 5, 2017)	128.50	125.00	17,819,800	10,617.84	10,516.87

Notes:

(1) As reported.

(2) As adjusted retroactively for cash and stock dividends, rights issues and stock splits, but excluding new shares offered in initial public offering.

Source: Bloomberg

The TWSE has experienced substantial fluctuations in the prices of listed securities and there are currently limits on the range of daily price movements. See "Risk Factors—Risks Relating to the ROC—The value of Shares may be adversely affected by the volatility of the ROC securities market" and "Appendix 1—The Securities Market of the ROC."

Exchange rates

Fluctuations in the exchange rate between NT dollars and US dollars will affect the US dollar equivalent of the NT dollar price of the Shares on the TWSE and, as a result, will likely affect the market price of the Shares and the GDSs. Such fluctuations will also affect the conversion of NT dollars proceeds you will receive from any sale of the Shares.

The following table sets forth the average, high, low and period-end average spot rates for buying and selling NT dollars as set forth in the H.10 statistical release of the Federal Reserve Board for the periods indicated.

	NT Dollars per US Dollar			
	Average(1)	High	Low	Period-End
2012	29.56	30.28	28.96	29.05
2013	29.68	30.20	28.93	29.83
2014	30.30	31.80	29.85	31.60
2015	31.74	33.17	30.37	32.79
2016	32.23	33.74	31.05	32.40
2017				
February	30.81	31.75	30.63	30.76
March	30.65	31.03	30.14	30.38
April	30.36	30.63	30.06	30.19
May	30.13	30.30	30.01	30.11
June	30.26	30.46	30.07	30.38
July	30.39	30.61	30.18	30.20
August (through August 25, 2017)	30.26	30.35	30.09	30.09

Note:

(1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages were calculated by using the average of the daily rates during the relevant month.

Capitalization

The following table sets forth under Taiwan IFRS our audited consolidated capitalization as of June 30, 2017, and as of the same date as adjusted to reflect the issuance of (i) 59,820,000 Shares represented by 59,820,000 GDSs in this offering and (ii) 180,000 Shares in the Concurrent Employee Offering without taking into account the bifurcation of embedded derivatives.

The following table should be read in conjunction with our financial statements and the notes thereto included elsewhere herein.

	As of June 30, 2017			
	Actual		As Adjusted	
(in millions)	**NT$**	**US$(1)**	**NT$**	**US$(1)**
Short-term borrowings (including current portion of long-term borrowings)	17,861.1	587.9	17,861.1	587.9
Current portion of bonds payable	2,242.5	73.8	2,242.5	73.8
Long-term liabilities:				
Bonds payable, net of current portion	6,288.7	207.0	6,288.7	207.0
Long-term borrowings, net of current portion	4,173.1	137.4	4,173.1	137.4
Total long-term liabilities	10,461.8	344.4	10,461.8	344.4
Shareholders' equity attributable to owners of the parent:				
Ordinary Shares	3,466.3	114.1	4,066.3	133.9
Capital surplus	21,650.5	712.7	28,150.9	926.6
Legal reserve	3,007.6	99.0	3,007.6	99.0
Unappropriated earnings	(884.8)	(29.1)	(884.8)	(29.1)
Other equity	1,863.6	61.3	1,863.6	61.3
Treasury stock	(243.6)	(8.0)	(243.6)	(8.0)
Total equity attributable to the owners of the parent	28,859.6	950.0	35,960.0	1,183.7
Non-controlling interests	252.8	8.3	252.8	8.3
Total equity	29,112.4	958.3	36,212.8	1,192.0
Total capitalization(2)	39,574.2	1,302.7	46,674.6	1,536.4

Notes:

(1) Translation of amounts from US dollars into NT dollars has been made at the rate prevailing on June 30, 2017 of NT$30.38 = US$1.00.

(2) Total capitalization is total long-term liabilities plus total equity.

Selected financial data

The selected financial data as of and for the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017 set forth below are qualified by reference to, and should be read in conjunction with, our consolidated financial statements included elsewhere in this offering memorandum. Our financial statements as of and for the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017 are prepared and presented in accordance with Taiwan IFRS.

Taiwan IFRS differs from IFRS in certain significant respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS may not be timely endorsed by the FSC. See "Summary of Certain Material Differences between Taiwan IFRS and IFRS" for more information.

You should also read the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, which describes a number of factors that have affected our financial results, including demand for our products, the changes in financial reporting standards and the appreciation or depreciation of the NT dollar against the US dollar.

Consolidated financial data

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2014	2015	2016		2016	2017	
(in millions, except per share data)	NT$	NT$	NT$	US$	NT$	NT$	US$
Statement of Comprehensive Income Data:							
Net operating revenue	129,516.9	121,363.6	89,216.3	2,936.7	38,323.8	43,822.5	1,442.5
Operating costs	(119,035.2)	(127,924.8)	(85,950.0)	(2,829.2)	(38,921.1)	(41,112.0)	(1,353.3)
Gross profit (loss)	10,481.7	(6,561.2)	3,266.3	107.5	(597.3)	2,710.5	89.2
Operating expenses	(10,337.1)	(11,793.2)	(5,138.0)	(169.1)	(2,503.1)	(2,159.8)	(71.1)
Operating income (loss)	144.6	(18,354.4)	(1,871.7)	(61.6)	(3,100.4)	550.7	18.1
Non-operating income and expenses	430.5	(2,664.6)	628.6	20.7	348.4	705.9	23.3
Profit (loss) before income taxes	575.1	(21,019.0)	(1,243.1)	(40.9)	(2,752.0)	1,256.6	41.4
Income taxes	(8.4)	943.3	(260.9)	(8.6)	253.0	(297.4)	(9.8)
Net profit (loss)	566.7	(20,075.7)	(1,504.0)	(49.5)	(2,499.0)	959.2	31.6
Attributable to:							
Owners of the Company	276.8	(20,006.5)	(1,467.4)	(48.3)	(2,447.1)	942.8	31.0
Non-controlling interests	289.9	(69.2)	(36.6)	(1.2)	(51.9)	16.4	0.6
Diluted earnings (loss) per share of the parent	0.84	(57.86)	(4.27)	(0.14)	(7.11)	2.75	0.09

(in millions)	As of December 31, 2014 NT$	2015 NT$	2016 NT$	2016 US$	As of June 30, 2016 NT$	2017 NT$	2017 US$
Balance Sheet Data:							
Cash and cash equivalents	29,539.6	16,393.3	20,490.1	674.5	18,022.4	19,344.2	636.7
Notes and trade receivables, net	13,809.6	12,269.6	7,646.2	251.7	7,050.0	7,346.0	241.8
Inventories, net	7,179.7	8,737.3	7,815.5	257.3	6,597.9	5,604.3	184.5
Total current assets	74,647.5	61,033.7	40,811.1	1,345.7	36,462.5	35,627.9	1,172.7
Property, plant and equipment	63,611.2	48,030.3	40,744.1	1,341.1	43,870.7	37,275.2	1,227.0
Total assets	152,722.8	115,227.7	87,683.4	2,886.2	87,515.1	78,029.6	2,568.5
Short-term borrowings and current portion of long-term borrowings	58,417.9	46,740.4	28,225.6	929.1	33,934.7	17,861.1	587.9
Current portion of bonds payable	6,833.6	–	2,308.8	76.0	–	2,242.5	73.8
Notes and trade payables (including accounts payable–related parties)	20,540.0	14,955.9	12,124.7	399.1	8,216.2	10,344.1	340.5
Total current liabilities	95,305.6	68,417.2	48,471.9	1,595.5	48,043.4	36,327.6	1,195.8
Long-term borrowings, net of current portion	7,927.5	4,829.0	1,122.3	36.9	1,954.6	4,173.1	137.4
Bonds payable, net of current portion	–	7,850.2	6,574.7	216.4	6,488.6	6,288.7	207.0
Total liabilities	106,571.6	83,701.1	58,271.2	1,918.1	58,910.1	48,917.2	1,610.2
Total equity	46,151.2	31,526.6	29,412.2	968.1	28,605.0	29,112.4	958.3

	As of December 31,				As of June 30,		
	2014	2015	2016		2016	2017	
(in millions)	NT$	NT$	NT$	US$	NT$	NT$	US$
Statement of Cash Flow Data:							
Net cash generated from operating activities	15,519.3	5,509.5	12,761.2	420.1	5,617.1	6,575.0	216.4
Net cash generated from (used in) investing activities	(22,606.5)	(6,367.5)	13,509.6	444.7	13,315.5	(435.9)	(14.3)
Net cash generated from (used in) financing activities	(4,190.5)	(14,141.2)	(21,217.0)	(698.4)	(16,740.1)	(6,087.6)	(200.4)
Effect of exchange rate changes	2,517.9	1,852.9	(957.0)	(31.5)	(563.4)	(1,197.4)	(39.5)
Net increase (decrease) in cash and cash equivalents	(8,759.8)	(13,146.3)	4,096.8	134.9	1,629.1	(1,145.9)	(37.8)
Cash and cash equivalents at the beginning of the period	38,299.4	29,539.6	16,393.3	539.6	16,393.3	20,490.1	674.5
Cash and cash equivalents at the end of the period	29,539.6	16,393.3	20,490.1	674.5	18,022.4	19,344.2	636.7
Capital expenditures(1)	13,918.8	5,872.5	3,642.8	119.9	2,176.9	2,431.5	80.0
Depreciation and amortization	8,053.1	9,702.3	8,798.5	289.6	4,397.5	4,321.4	142.2
Other Financial Data:							
Gross profit margin (%)(2)	8.1	(5.4)	3.7	3.7	(1.6)	6.2	6.2
Operating margin (%)(3)	0.1	(15.1)	(2.1)	(2.1)	(8.1)	1.3	1.3
Net margin (%)(4)	0.4	(16.5)	(1.7)	(1.7)	(6.5)	2.2	2.2
EBITDA(5)(7)	8,197.7	(8,652.1)	6,926.8	228.0	(1,297.1)	4,872.1	160.3
EBITDA margin (%)(6)(7)	6.3	(7.1)	7.8	7.8	(3.4)	11.1	11.1

Notes:

(1) Capital expenditure refers to the amount of cash used in connection with the acquisition of (i) property, plant and equipment, (ii) prepayments for equipment, (iii) intangible assets and (iv) long-term prepayments for lease.

(2) Gross profit margin is calculated by dividing gross profit by net operating revenue.

(3) Operating margin is calculated by dividing operating income by net operating revenue.

(4) Net margin is calculated by dividing net profit by net operating revenue.

(5) EBITDA is defined as operating income, plus depreciation and amortization.

(6) EBITDA margin is calculated by dividing EBITDA by net operating revenue.

(7) We have presented EBITDA and EBITDA margin because we consider them important supplemental measures of our operating performance and believe they are frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Our management uses EBITDA and EBITDA margin as additional measurement tools for purposes of business decision-making, including developing budgets, managing expenditures and evaluating potential acquisitions or divestitures. Other companies in our industry may calculate EBITDA and EBITDA margin differently than we do. EBITDA and EBITDA margin are not measures of operating performance under Taiwan IFRS and should not be considered as a substitute for, or superior to, operating income or operating margin prepared in accordance with Taiwan IFRS. EBITDA and EBITDA margin have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under Taiwan IFRS. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating EBITDA and EBITDA margin, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of EBITDA and EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Management's discussion and analysis of financial condition and results of operations

The following discussion should be read in conjunction with our financial statements as of and for the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017 included elsewhere in this offering memorandum. Unless stated otherwise, the discussion and analysis of our financial condition and results of operations as of and for the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017 in this section apply to our financial information based on Taiwan IFRS, which differs in certain material respects from IFRS. For information relating to the nature and effect of significant differences between Taiwan IFRS and IFRS as they relate to us, see "Summary of Certain Material Differences between Taiwan IFRS and IFRS."

Overview

We are the world's leading pure-play touch solution developer and supplier based on 2016 revenues. As the inventor of the transparent glass-based P-Cap touch technology and the leader in precision lamination service, we enable our customers to bring intuitive, interactive and immersive user experiences through touch devices used widely. With advance technological and manufacturing capabilities, we offer versatile integrated touch solutions across a wide array of consumer electronics, including smartphones, tablets, 2-in-1 PCs, all-in-one PCs, automotives, wearable devices and other touch-enabled applications.

Proprietary technology is the backbone of our solutions. Our precision lamination technology, which is essential for all optoelectronic devices with touch functions, enables us to deliver customized high-quality products with even the most complex designs. Being one of the few providers that have the ability to rapidly ramp-up mass production with industry-leading yield rate, we are able to accelerate time-to-market cycles to capture the best market window in the rapidly changing consumer electronic industry. We believe our relentless emphasis on advanced touch technology, manufacturing process enhancement and touch material development not only sustained our market-leading position in the mass-market of touch devices, but also positioned us to proliferate our solutions into long-tail niche products that are not yet touch-enabled.

Since our inception, we have partnered with industry-leading customers to jointly establish technology roadmaps that define industry standards. We design, develop and architect specifications for our clients' products from the blueprint stages of the production cycle. Our close relationship and early engagement with customers enable us to stay at the forefront of technological advancements to deliver highly reliable and quality solutions in a cost-efficient way. We believe our excellence in quality makes us an indispensable partner to market leaders, which in turn fuels our ability to further innovate new designs and specifications for existing and potential clients. This unique bonding fosters a virtuous cycle that sustains our growth. We believe our joint development efforts will allow us to accurately identify emerging trends and capitalize on the growth from the major technological breakthroughs in the industry.

At the core of our services is our highly scalable and flexible infrastructure. Our customers benefit from our in-house developed equipment and high level of automation of our manufacturing facilities. We plan to continuously focus on the rigor of our operational standards, further streamline our automated production lines and dedicate our resources on manufacturing process improvement to achieve higher operational efficiency and improved cost structure.

For the year ended December 31, 2016 and for the six months ended June 30, 2017, we had net operating revenue of NT$89,216.3 million (US$2,936.7 million) and NT$43,822.5 million (US$1,442.5 million), respectively, gross profit margins of 3.7% and 6.2%, respectively, and operating loss of NT$1,871.7 million (US$61.6 million) and operating income of NT$550.7 million (US$18.1 million), respectively, and net loss of NT$1,504.0 million (US$49.5 million) and net profit of NT$959.2 million (US$31.6 million), respectively. Our EBITDA for the year ended December 31, 2016 and for the six months ended June 30, 2017 was NT$6,926.8 million (US$228.0 million) and NT$4,872.1 million (US$160.3 million), respectively, and EBITDA margin was 7.8% and 11.1%, respectively.

Factors affecting our results of operations

We believe the most significant factors that directly or indirectly affect our financial performance and results of operations include:

- industry supply and demand;
- changes in technologies;
- yield management;
- utilization of fixed assets and impairment; and
- changes in our average selling price and product mix.

Industry supply and demand

We principally rely on the continued growth of demand for touch solutions and the overall demand from various industries across mobile device, notebook PCs, consumable electronics and other portable device. For example, in 2016, our revenue generated from small-sized touch devices decreased significantly due to a weaker than expected demand for smartphones and wearable devices. Starting from the beginning of 2017, we have seen gradual growth in our revenue generated from medium-sized touch devices as the industry entered into a new replacement cycle for tablets. Touch solution providers have begun differentiating their product offerings using different technologies, sensor designs, patterning processes, materials, vertical integrations and ultimately by launching new touch solutions. While it is expected that the demand for touch products will steadily grow in future periods due to the wide acceptance of touch solutions across various applications, including new devices such as automotives, medical devices and entertainment systems, any future industry downturns may adversely affect our business and results of operations. We also rely heavily on the continued growth of our customers, and the ability of our customers to design and market successful products in the end-application market and to maintain or increase their market share will affect our profitability.

In addition, the touch-enabled electronics industry is frequently subject to cyclical and volatile market conditions. In recent years, with the significant growth in the demand for smart mobile devices, competition in the industry has greatly intensified with existing players and new market entrants competing primarily through new solutions with enhanced performances, and at times through aggressive pricing and low cost structures. This increase in competition may also result in more intense price competition and potential market-wide oversupply that may affect the average selling price of certain of our touch solutions.

Changes in technologies

Our success depends on our ability to keep pace with technological developments and evolving industry standards. Particularly, we rely on our ability to respond to evolving customer requirements by evolving our current products and developing and introducing new solutions. New or alternative technologies which we currently do not produce may be adopted by our existing customers. For example, whilst it is expected that there will be a gradual transition from the LCD display technology that utilizes the in-cell touch design to the Organic Light-Emitting Diode (“OLED”) display technology that adopts the out-cell touch design which we produce, we cannot ensure that the OLED display technology will become the mainstream technology in the near future. If out-cell design does not gain market popularity or are proven to be less efficient than alternative technologies, our profit margin in terms of integrated touch solutions may be negatively impacted.

In addition, with regard to our precision lamination services, as a significant majority of our revenues is derived from lamination services which are particularly critical for 3D touch sensors (also called "z-axis touch sensor"), if a more innovative sensor is available and thereby rendering 3D touch sensors obsolete, our lamination services business will be adversely affected.

Moreover, in order to develop new solutions or adapt to new or alternative technologies, substantial expenditure on research and development, as well as the upgrading or procurement of equipment may be required. If we offer new solutions or migrate to new or alternative technologies, our yield rate may be compromised. All of these factors may result in a decrease in our profitability.

Yield management

Our ability to maintain and improve our production yield rate is essential in capturing the market window in the rapidly changing consumer electronics industry. The production yield rate of products of a given generation of technology typically improves over the lifetime of that technology, as the manufacturing and technical personnel attain greater familiarity with the particular manufacturing process. A higher production yield rate can enhance our cost structure by reducing the cost of goods and thereby improves our profit margins. With our self-designed lamination equipment and our proprietary know-how for the lamination process, we have been able to achieve and maintain industry-leading yield rates. We will continue to leverage on our in-house developed equipment and the high level of automation of our manufacturing facilities to achieve higher production yield rates and further enhance our cost structure.

Utilization of fixed assets and impairment

Our operations are characterized by relatively high fixed costs, and our profitability depends, in part, not only on absolute pricing levels for our touch solutions, but also on equipment utilization rates. High capacity utilization rates allow us to allocate fixed costs over a greater number of products produced. Increases or decreases in capacity utilization rates can significantly impact our gross margins. Accordingly, our ability to maintain or improve our gross margins will continue to depend, in part, on achieving high capacity utilization rates. A deterioration of our business could result in lower capacity utilization rates, or underutilization of our manufacturing capacity, and we may incur restructuring and asset impairment charges. In 2015, we recognized significant impairment charges on loss-making business units and idle and obsolete fixed assets which resulted in an adverse impact on our operating results.

Changes in our average selling price and product mix

Our operating revenue in a given period are affected primarily by the sales volume of our product solutions in the period, and to a lesser extent, by fluctuations in the realized average selling prices of our product solutions, as a result of the short product life cycles for our and our customers' products. The average selling price and profitability varies across our different product solutions. Changes in product mix, including the mix for our touch solutions use in end-application across size categories, have in the past affected, and are expected to continue to affect, our operating revenue, realized average selling price and gross margin.

Furthermore, the average selling prices of our touch solutions tend to decline over a given product life cycle, reflecting product obsolescence, decreased costs of input components, decreased demand, increased competition as more manufacturers are able to produce similar products in large quantities and improvement in production yield rate, which places downward pressure on prices. In general, touch solutions providers can benefit from higher average selling price if they could achieve a design win with customers early in a given product life cycle. Historically, we have benefited from higher average selling prices for certain categories of our touch solutions because of our early-stage involvement in specific product life cycles and we aim to continue to stay at the forefront of product life cycles by partnering with our key customers in the joint development of touch solutions in promoting new end-application segments. However, if life cycles of new products shorten over time, we may not be able to benefit from the higher average selling prices typically associated with the early phases of a product life cycle.

In addition to the above factors, historically, the average selling price for our solutions has fluctuated in response to periodic changes in supply and demand conditions. Industry-wide demand and the overall market environment, such as market-wide oversupply, may also affect the average selling price of certain of our touch solutions.

Principal statements of comprehensive income components

The principal components of our statements of comprehensive income discussed below include:

Operating revenue

We generate operating revenue primarily through sales of our touch products, including lamination services and integrated touch solutions. Our touch solutions can be used in large-sized and small- and medium-sized touch devices. The following table sets out a breakdown of our operating revenue by geographical region, each expressed as a percentage of our operating revenue, for the periods indicated:

	Year Ended December 31,							Six Months Ended June 30,				
	2014		2015		2016			2016		2017		
(in millions, except percentages)	NT$	%	NT$	%	NT$	US$	%	NT$	%	NT$	US$	%
North America	69,843.0	53.9	77,639.7	64.0	63,313.2	2,084.1	71.0	25,399.3	66.3	32,084.9	1,056.1	73.2
Asia	58,784.6	45.4	43,405.5	35.8	25,622.7	843.4	28.7	12,841.7	33.5	10,981.6	361.5	25.1
Others	889.3	0.7	318.4	0.2	280.4	9.2	0.3	82.8	0.2	756.0	24.9	1.7
Total	129,516.9	100.0	121,363.6	100.0	89,216.3	2,936.7	100.0	38,323.8	100.0	43,822.5	1,442.5	100.0

We currently sell the majority of our touch solutions to direct customers primarily located in North America and Asia, including leading mobile and consumer electronics manufacturers and direct customers. A portion of our touch solutions are delivered to the downstream electronic manufacturing services companies designated by our customers.

Operating costs

Our operating costs consist principally of:

- cost of raw materials and components;
- direct labor costs;
- depreciation and amortization of property, plant and equipment; and
- others, including utility expenses.

The following table sets forth the major components of our cost of sales and services both in absolute terms and as a percentage of the consolidated operating revenue for the periods indicated:

	Year Ended December 31,							Six Months Ended June 30,				
	2014		2015		2016			2016		2017		
(in millions, except percentages)	NT$	%	NT$	%	NT$	US$	%	NT$	%	NT$	US$	%
Raw materials	95,358.7	73.6	91,252.6	75.2	65,945.2	2,170.7	73.9	29,135.8	76.0	32,395.1	1,066.3	73.9
Direct labor costs	9,616.6	7.4	8,391.2	6.9	6,274.0	206.5	7.0	2,897.5	7.6	2,699.8	88.9	6.2
Depreciation and amortization	6,169.1	4.8	7,778.5	6.4	8,028.6	264.3	9.0	3,989.5	10.4	3,996.5	131.6	9.1
Others	7,890.8	6.1	20,502.5	16.9	5,702.2	187.7	6.4	2,898.3	7.6	2,020.6	66.5	4.6
Total operating costs	119,035.2	91.9	127,924.8	105.4	85,950.0	2,829.2	96.3	38,921.1	101.6	41,112.0	1,353.3	93.8

Historically, the cost of raw materials and components has accounted for a significant portion of our operating costs. The major raw materials and components used in the lamination process and production of our integrated touch solutions include glass substrate, cover glass, FPCBs, sensors, display panels and OCA or LOCA. We source our raw materials and components from a number of third-party suppliers. Our largest customer is also our largest supplier. Depreciation of the equipment used in our production process and utility expenses has also been an important part of our operating costs.

Our operating costs as a percentage of our operating revenue increased from 91.9% in 2014 to 105.4% in 2015, and then decreased to 96.3% in 2016, and decreased from 101.6% for the six months ended June 30, 2016 to 93.8% for the six months ended June 30, 2017. The fluctuation of operating costs as a percentage of our operating revenue was primarily driven by (i) significant impairment charges of NT$13,639.0 million recognized for the year ended December 31, 2015 which were primarily related to our loss-making business units and idle and obsolete fixed assets and (ii) an increase in the volume of our products sold for the six months ended June 30, 2017.

Gross profit margin

Gross profit margin represents gross profit divided by operating revenue. Our gross profit margin decreased from 8.1% in 2014 to a negative gross profit margin of 5.4% in 2015 and increased to a gross profit margin of 3.7% in 2016, and increased from a negative gross profit margin of 1.6% for the six months ended June 30, 2016 to a gross profit margin of 6.2% for the six months ended June 30, 2017. The fluctuation of our gross profit margin is directly related to the changes in operating costs as a percentage of operating revenue as discussed above.

Operating expenses

Our operating expenses consist of:

- selling and marketing expenses;
- general and administrative expenses; and
- research and development expenses.

Selling and marketing expenses consist primarily of (i) salaries, welfare benefits and employee bonuses for our sales and marketing teams, (ii) shipping and packaging expenses and (iii) impairment charges allocated to sales and marketing expenses in loss-making business units.

General and administrative expenses consist primarily of (i) salaries, welfare benefits and employee bonuses for our administrative, finance and human resources personnel, (ii) depreciation of equipment and facilities used for administrative purposes and (iii) impairment charges allocated to general and administrative expenses in loss-making business units.

Research and development expenses primarily consist of (i) costs of materials and tool equipment used in our research and development activities and production of samples, (ii) research and development personnel costs, including employee bonuses for our research and development teams and (iii) depreciation of equipment and facilities used for research and development purposes.

Our operating expenses as a percentage of our operating revenue increased from 8.0% in 2014 to 9.7% in 2015 and deceased to 5.8% in 2016, and decreased from 6.5% for the six months ended June 30, 2016 to 4.9% for the six months ended June 30, 2017. The fluctuation of operating expenses as a percentage of our operating revenue was primarily driven by (i) the scale of our operations and the changes in our operating income and (ii) significant impairment charges of NT$4,629.4 million allocated to selling and marketing and general and administrative expenses recognized for the year ended December 31, 2015, which were primarily related to our loss-making business units and idle and obsolete fixed assets.

Taxation and incentives

We are incorporated in the Cayman Islands, and our principal operating subsidiaries are located in the PRC and Taiwan.

Cayman islands taxation

The Cayman Islands currently have no income, corporation or capital gains tax. Payments of dividends in respect of the Shares or GDSs will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend to any holder of the Shares or GDSs.

Taxation in the PRC

Our PRC subsidiaries conduct their businesses in PRC and are subject to taxation in the PRC. Under the EIT Law, effective from January 1, 2008 and last amended on February 24, 2017, both domestic and foreign-invested enterprises are subject to a uniform income tax rate of 25%, with certain limited exceptions. These exceptions include, among others, (i) companies that are recognized by the relevant PRC governmental authorities as high-technology enterprises are subject to a preferential income tax rate of 15%, (ii) in addition to the 15% preferential tax rate, high-technology enterprises incorporated on or after January 1, 2008 that are located in and have their operations based in the designated PRC economic and technology development zones are also subject to the 2-year exemption plus 3-year 50% reduction scheme, and (iii) companies that are located in Pingtan engaging in encouraged industries are subject to the 15% preferential tax rate.

Prior to the implementation of the EIT Law, qualified foreign-invested companies incorporated prior to January 1, 2008 and located in designated economic and technology zones in the PRC were subject to an income tax rate of 15% and entitled to the 2-year exemption plus 3-year 50% reduction scheme. As transitional relief, the PRC tax authorities have allowed those eligible foreign-invested enterprises to continue to enjoy their remaining tax benefits until 2012 by either electing to use their existing benefit under the 2-year exemption plus 3-year 50% reduction scheme or by electing to apply the 15% income tax rate. After the expiration of the transitional relief, starting from January 1, 2013, a uniform 25% tax rate should apply, unless otherwise allowed under an applicable exemption under the EIT Law. Accordingly, during the years between 2008 and 2012, certain of our PRC subsidiaries elected to continue to use their remaining tax benefits under the 2-year exemption plus 3-year 50% reduction tax scheme, while certain of our PRC subsidiaries elected to apply the 15% income tax rate.

Starting from January 1, 2013, only certain of our PRC subsidiaries that are recognized as high-technology enterprises by the relevant governmental authorities in Xiamen or those that are recognized as high-technology enterprises and have operations based in the Xiamen National Torch Hi-Tech Industrial Zone are entitled to the preferential income tax rate of 15% or the preferential income tax rate of 15% plus 2-year exemption plus 3-year 50% reduction tax scheme under the EIT Law exemptions. Among our PRC subsidiaries with operating revenue in 2017, two were subject to the preferential income tax rate of 15%; one was subject to the preferential income tax rate of 15% combined with the 2-year exemption plus 3-year 50% reduction tax scheme; and our other PRC subsidiaries were subject to the 25% uniform income tax rate.

Taxation in the ROC

Our subsidiaries in Taiwan were subject to an income tax rate of 17% for 2014, 2015 and 2016.

Critical accounting policies

The preparation of financial statements and disclosures in conformity with Taiwan IFRS requires management to make judgments, assumptions and estimates that affect the amounts reported in our financial statements and the accompanying notes. The amounts of assets and liabilities reported in our balance sheets and the amounts of revenues and expenses reported for each of the periods are affected by estimates and assumptions which are used for, but not limited to, the accounting for asset impairments and income tax. Actual results could differ from these estimates. Notes 4 and 5 to our audited consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 included elsewhere in this offering memorandum describe the significant accounting policies and methods used in the preparation of the financial statements for the years ended December 31, 2014, 2015 and 2016. The following critical accounting policies are significantly affected by judgments, assumptions and estimates used in the preparation of our financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

Impairment of assets

At the end of each reporting period, we review the carrying amounts of our tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Impairment of goodwill

Goodwill is tested for impairment annually and we test for impairment more frequently if an event occurs or circumstances change that would indicate that the carrying amount may be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. In conducting the future cash flow valuation, we make assumptions about future operating cash flows, the discount rate used to determine present value of future cash flows and capital expenditures. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Impairment of accounts receivables and other receivables

We periodically record a provision for doubtful accounts based on our evaluation of the collectability of our accounts receivable. We first assess whether objective evidence of impairment exists individually in each customer for account receivable, then includes in a group basis with historical collective experience and similar credit risk characteristics and collectively assess them for impairment. When there is objective evidence of impairment loss, we take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Impairment of investment in associate

When there is any indication that the investment may be impaired and the carrying amount may not be recoverable, we immediately recognize impairment loss on the investor's net investment in the associate. We evaluate the impairment based on the estimated future cash flow expected to be generated by the associate. We also take into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

Deferred tax asset

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The realization of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

Inventory

Inventories are recorded at cost when acquired and stated at the lower of cost or net realizable values. Inventories are written down to net realizable value item by item, except for those that may be appropriate to group items of similar or related inventories. Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on future demand and current market conditions and the historical experience of selling products of a similar nature. Changes in future demand and market conditions may have a material impact on the estimation of net realizable value.

Property, plant and equipment

We review the estimated useful lives of property, plant and equipment at each balance sheet date. Property, plant and equipment are stated at cost, less recognized accumulated depreciation and recognized accumulated impairment loss. Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Estimated provisions

Provisions are present obligations arising from past events that are expected to result in outflow of economic resources. Our provisions are estimated expenditure for settling obligation based on past experience. We have provisions for onerous contracts and for warranty. Please refer to note 21 to our audited consolidated financial statements for the years ended December 31, 2014, 2015 and 2016 included elsewhere in this offering memorandum for a detailed description of the carrying amount of provisions as of December 31, 2014, 2015 and 2016.

Results of operations

The following table summarizes our consolidated results of operations as a percentage of net sales for the periods shown.

	Year Ended December 31,							Six Months Ended June 30,				
	2014		2015		2016			2016		2017		
(in millions, except percentages)	NT$	%	NT$	%	NT$	US$	%	NT$	%	NT$	US$	%
Net operating revenue	129,516.9	100.0	121,363.6	100.0	89,216.3	2,936.7	100.0	38,323.8	100.0	43,822.5	1,442.5	100.0
Operating costs	(119,035.2)	(91.9)	(127,924.8)	(105.4)	(85,950.0)	(2,829.2)	(96.3)	(38,921.1)	(101.6)	(41,112.0)	(1,353.3)	93.8
Gross profit (loss)	10,481.7	8.1	(6,561.2)	(5.4)	3,266.3	107.5	3.7	(597.3)	(1.6)	2,710.5	89.2	6.2
Operating expenses:												
Selling and marketing expenses	(902.3)	(0.7)	(989.8)	(0.8)	(769.4)	(25.3)	(0.9)	(373.3)	(1.0)	(347.2)	(11.4)	(0.8)
General and administrative expenses	(4,451.8)	(3.4)	(9,477.1)	(7.8)	(3,459.2)	(113.9)	(3.9)	(1,699.2)	(4.4)	(1,404.0)	(46.2)	(3.2)
Research and development expenses	(4,983.0)	(3.9)	(1,326.3)	(1.1)	(909.4)	(29.9)	(1.0)	(430.6)	(1.1)	(408.6)	(13.5)	(0.9)
Total operating expenses	(10,337.1)	(8.0)	(11,793.2)	(9.7)	(5,138.0)	(169.1)	(5.8)	(2,503.1)	(6.5)	(2,159.8)	(71.1)	(4.9)
Operating income (loss)	144.6	0.1	(18,354.4)	(15.1)	(1,871.7)	(61.6)	(2.1)	(3,100.4)	(8.1)	550.7	18.1	1.3
Non-operating income and expenses	430.5	0.3	(2,664.6)	(2.2)	628.6	20.7	0.7	348.4	0.9	705.9	23.3	1.6
Profit (loss) before income taxes	575.1	0.4	(21,019.0)	(17.3)	(1,243.1)	(40.9)	(1.4)	(2,752.0)	(7.2)	1,256.6	41.4	2.9
Income taxes	(8.4)	0.0	943.3	0.8	(260.9)	(8.6)	(0.3)	253.0	0.7	(297.4)	(9.8)	(0.7)
Net profit (loss)	566.7	0.4	(20,075.7)	(16.5)	(1,504.0)	(49.5)	(1.7)	(2,499.0)	(6.5)	959.2	31.6	2.2

Six months ended June 30, 2017 compared to six months ended June 30, 2016

Operating revenue. Our net operating revenue increased by 14.3% from NT$38,323.8 million for the six months ended June 30, 2016 to NT$43,822.5 million (US$1,442.5 million) for the six months ended June 30, 2017. The increase in our operating revenue was primarily attributable to an increase in sales of our products across all size categories, in particular, smartphones, tablets and 2-in-1 PCs.

Operating costs. Our operating costs increased by 5.6% from NT$38,921.1 million for the six months ended June 30, 2016 to NT$41,112.0 million (US$1,353.3 million) for the six months ended June 30, 2017, primarily due to an increase in the volume of our products sold.

Gross profit. As a result of the foregoing, our gross profit was NT$2,710.5 million (US$89.2 million) for the six months ended June 30, 2017, compared to a gross loss of NT$597.3 million for the six months ended June 30, 2016. Our gross margin increased to 6.2% for the six months ended June 30, 2017 from a negative gross margin of 1.6% for the six months ended June 30, 2016.

Operating expenses. Our total operating expenses decreased by 13.7% from NT$2,503.1 million for the six months ended June 30, 2016 to NT$2,159.8 million (US$71.1 million) for the six months ended June 30, 2017. Our operating expenses as a percentage of our operating revenue decreased from 6.5% for the six months ended June 30, 2016 to 4.9% for the six months ended June 30, 2017, primarily due to the decrease in our general and administrative expenses.

- *Selling and marketing expenses*. Selling and marketing expenses decreased by 7.0% from NT$373.3 million for the six months ended June 30, 2016 to NT$347.2 million (US$11.4 million) for the six months ended June 30, 2017, primarily due to the concentration of our marketing efforts on certain products and services for selected customers.

- *General and administrative expenses*. General and administrative expenses decreased by 17.4% from NT$1,699.2 million for the six months ended June 30, 2016 to NT$1,404.0 million (US$46.2 million) for the six months ended June 30, 2017, primarily due to a decrease in the number of our employees.

- *Research and development expenses*. Research and development expenses decreased by 5.1% from NT$430.6 million for the six months ended June 30, 2016 to NT$408.6 million (US$13.5 million) for the six months ended June 30, 2017, primarily due to decreased sampling activities for new customers and products.

Operating income. As a result of the foregoing, our net operating income was NT$550.7 million (US$18.1 million) for the six months ended June 30, 2017, compared to net operating loss of NT$3,100.4 million for the six months ended June 30, 2016. Our operating loss represented 8.1% of our operating revenue for the six months ended June 30, 2016, and our operating income represented 1.3% of our operating revenue for the six months ended June 30, 2017.

Non-operating income and expenses. Our net non-operating income increased by 102.6% from NT$ 348.4 million for the six months ended June 30, 2016 to NT$705.9 million (US$23.3 million) for the six months ended June 30, 2017. The increase in our net non-operating income was primarily due to disposal of non-core business of subsidiary and investment in associate.

Income tax expense. Our income tax expense was NT$297.4 million (US$9.8 million) for the six months ended June 30, 2017, compared to income tax benefit of NT$253.0 million for the six months ended June 30, 2016. The change was primarily due to a positive taxable income for the six months ended June 30, 2017.

Net profit. As a result of the foregoing, our net loss was NT$2,499.0 million for the six months ended June 30, 2016, compared to net profit of NT$959.2 million (US$31.6 million) for the six months ended June 30, 2017. Our net loss represented 6.5% of our net operating revenue for the six months ended June 30, 2016, and our net profit represented 2.2% of our net operating revenue for the six months ended June 30, 2017.

Year ended December 31, 2016 compared to year ended December 31, 2015

Operating revenue. Our net operating revenue decreased by 26.5% from NT$121,363.6 million in 2015 to NT$89,216.3 million (US$2,936.7 million) in 2016. The decrease in our operating revenue was primarily attributable to a decrease in sales for small-sized touch devices, in particular, smartphones and wearables.

Operating costs. Our operating costs decreased by 32.8% from NT$127,924.8 million in 2015 to NT$85,950.0 million (US$2,829.2 million) in 2016, primarily due to a decrease in sales volume for certain products in 2016 and the incurrence of significant impairment charges on loss-making business units and idle and obsolete fixed assets in 2015.

Gross profit. As a result of the foregoing, our gross loss was NT$6,561.2 million in 2015, and our gross profit was NT$3,266.3 million (US$107.5 million) in 2016. Our gross margin increased to 3.7% in 2016 from a negative gross margin of 5.4% in 2015.

Operating expenses. Our total operating expenses decreased by 56.4% from NT$11,793.2 million in 2015 to NT$5,138.0 million (US$169.1 million) in 2016. Our operating expenses as a percentage of our operating revenue decreased from 9.7% in 2015 to 5.8% in 2016, primarily due to the decrease in our general and administrative expenses.

- *Selling and marketing expenses*. Selling and marketing expenses decreased by 22.3% from NT$989.8 million in 2015 to NT$769.4 million (US$25.3 million) in 2016, primarily due to a decrease in sales volume for certain products in 2016.
- *General and administrative expenses*. General and administrative expenses decreased by 63.5% from NT$9,477.1 million in 2015 to NT$3,459.2 million (US$113.9 million) in 2016, primarily due to lower headcount because of reductions in managerial and administrative staff, as well as the impact of the significant impairment charges incurred in 2015.
- *Research and development expenses*. Research and development expenses decreased by 31.4% from NT$1,326.3 million in 2015 to NT$909.4 million (US$29.9 million) in 2016, primarily due to decreased sampling activities for new customers and products.

Operating income. As a result of the foregoing, our operating loss decreased by 89.8% from NT$18,354.4 million in 2015 to NT$1,871.7 million (US$61.6 million) in 2016. Our operating loss represented 15.1% and 2.1% of our operating revenue in 2015 and 2016, respectively.

Non-operating income and expenses. Our net non-operating income and expenses increased from net non-operating expenses of NT$2,664.6 million in 2015 to net non-operating income of NT$628.6 million (US$20.7 million) in 2016. The change in our net non-operating income and expenses was primarily due to the impairment charges incurred related to our investment in Cando Corporation.

Income tax expense. Our income tax expense was NT$260.9 million (US$8.6 million) in 2016, compared to an income tax benefit of NT$943.3 million in 2015. The change was primarily due to an increase in taxable income in 2016 and the reversal of deferred tax liability previously recognized for certain subsidiaries in 2015.

Net profit. As a result of the foregoing, our net loss decreased by 92.5% from NT$20,075.7 million in 2015 to NT$1,504.0 million (US$49.5 million) in 2016. Our net loss represented 16.5% and 1.7% of our net operating revenue in 2015 and 2016, respectively.

Year ended December 31, 2015 compared to year ended December 31, 2014

Operating revenue. Our net operating revenue decreased by 6.3% from NT$129,516.9 million in 2014 to NT$121,363.6 million in 2015. The decrease in our operating revenue was primarily attributable to a decrease in sales for medium-sized touch devices, in particular, tablets.

Operating costs. Our operating costs increased by 7.5% from NT$119,035.2 million in 2014 to NT$127,924.8 million in 2015, primarily due to the incurrence of significant impairment charges on loss-making business units and idle and obsolete fixed assets in 2015.

Gross profit. As a result of the foregoing, our gross loss was NT$6,561.2 million in 2015, compared to a gross profit of NT$10,481.7 million in 2014. Our gross margin decreased from 8.1% in 2014 to a negative gross margin of 5.4% in 2015.

Operating expenses. Our total operating expenses increased by 14.1% from NT$10,337.1 million in 2014 to NT$11,793.2 million in 2015. Our operating expenses as a percentage of our operating revenue increased from 8.0% in 2014 to 9.7% in 2015, primarily due to the increase in our general and administrative expenses.

- *Selling and marketing expenses*. Selling and marketing expenses increased by 9.7% from NT$902.3 million in 2014 to NT$989.8 million in 2015, primarily due to the impairment expenses allocated to sales and marketing expenses in loss-making business units.

- *General and administrative expenses*. General and administrative expenses increased by 112.9% from NT$4,451.8 million in 2014 to NT$9,477.1 million in 2015, primarily due to the impairment expenses allocated to general and administrative expenses in loss-making business units.

- *Research and development expenses*. Research and development expenses decreased by 73.4% from NT$4,983.0 million in 2014 to NT$1,326.3 million in 2015, primarily due to (i) the concentration of our research and development efforts on products and services for a smaller group of selected customers and (ii) directly matching sampling and engineering expenses initiated by our customers with respect to specific products to operating costs, both (i) and (ii) carried out as part of our strategy to realign our customers' portfolio starting from the beginning of 2015.

Operating income. As a result of the foregoing, our operating income decreased from an operating profit of NT$144.6 million in 2014 to an operating loss of NT$18,354.4 million in 2015. Our operating income represented 0.1% of our operating revenue in 2014 and our operating loss represented 15.1% of our operating revenue in 2015.

Non-operating income and expenses. Our net non-operating income and expenses decreased from net non-operating income of NT$430.5 million in 2014 to net non-operating expenses of NT$2,664.6 million in 2015. The change in our net non-operating income and expenses was primarily due to the impairment charges incurred related to our investment in Cando Corporation.

Income tax expense. Our income tax benefit was NT$943.3 million in 2015, compared to income tax expense of NT$8.4 million in 2014. The change was primarily due to a decrease in taxable income and the reversal of deferred tax liability previously recognized for certain subsidiaries in 2015.

Net profit. As a result of the foregoing, our net loss was NT$20,075.7 million in 2015, compared to net profit of NT$566.7 million in 2014. Our net profit represented 0.4% of our net operating revenue in 2014 and our net loss represented 16.5% of our net operating revenue in 2015.

Liquidity and capital resources

To date, our principal sources of cash have been cash flow from our operating activities. Our primary uses of cash have been to fund capital expenditures related to the expansion of our manufacturing facilities and the acquisition of new equipment and payments of debt or debt-related obligations. We also use an increasing portion of cash for our working capital requirements in connection with increases in inventories and accounts receivable attributable to increases in sales of our products.

The following table sets forth a summary of our cash flows for the periods indicated:

	Year Ended December 31,				Six Months Ended June 30,		
	2014	2015	2016		2016	2017	
(in millions)	NT$	NT$	NT$	US$	NT$	NT$	US$
Net cash generated from operating activities	15,519.3	5,509.5	12,761.2	420.1	5,617.1	6,575.0	216.4
Net cash generated from (used in) investing activities	(22,606.5)	(6,367.5)	13,509.6	444.7	13,315.5	(435.9)	(14.3)
Net cash generated from (used in) financing activities	(4,190.5)	(14,141.2)	(21,217.0)	(698.4)	(16,740.1)	(6,087.6)	(200.4)
Effect of foreign exchange rate changes	2,517.9	1,852.9	(957.0)	(31.5)	(563.4)	(1,197.4)	(39.5)
Net increase (decrease) in cash and cash equivalents	(8,759.8)	(13,146.3)	4,096.8	134.9	1,629.1	(1,145.9)	(37.8)
Cash and cash equivalents at the beginning of the period	38,299.4	29,539.6	16,393.3	539.6	16,393.3	20,490.1	674.5
Cash and cash equivalents at the end of the period	29,539.6	16,393.3	20,490.1	674.5	18,022.4	19,344.2	636.7

Operating activities

Net cash generated from operating activities for the six months ended June 30, 2017 was NT$6,575.0 million (US$216.4 million). Net cash generated from operating activities was primarily attributable to our profit before income tax of NT$1,256.6 million (US$41.4 million), positively adjusted by (i) depreciation and amortization of NT$4,321.4 million (US$142.2 million), (ii) a decrease in other receivables of NT$1,668.3 million (US$54.9 million) and (iii) a decrease in inventory of NT$2,307.8 million (US$76.0 million).

Net cash generated from operating activities for the six months ended June 30, 2016 was NT$5,617.1 million. Net cash generated from operating activities was primarily attributable to our loss before income tax of NT$2,752.0 million, positively adjusted by (i) depreciation and amortization of NT$4,397.5 million, (ii) a decrease in trade and notes receivable of NT$5,228.2 million, (iii) a decrease in other receivables of NT$2,117.2 million and (iv) a decrease in inventory of NT$1,646.2 million.

Net cash generated from operating activities in 2016 was NT$12,761.2 million (US$420.1 million). Net cash generated from operating activities was primarily attributable to our loss before income tax of NT$1,243.1 million (US$ 40.9 million), positively adjusted by (i) depreciation and amortization of NT$8,798.5 million (US$289.6 million) and (ii) a decrease in trade and notes receivables of NT$4,635.1 million (US$152.6 million).

Net cash generated from operating activities in 2015 was NT$5,509.5 million. Net cash generated from operating activities was primarily attributable to our loss before income tax of NT$21,019.0 million, positively adjusted by (i) impairment loss on non-financial assets of NT$18,268.4 million, (ii) depreciation and amortization of NT$9,702.3 million and (iii) a decrease in trade and notes receivables of NT$1,495.1 million. This is partially offset by a decrease in notes and trade payables of NT$5,257.7 million.

Net cash generated from operating activities in 2014 was NT$15,519.3 million. Net cash generated from operating activities was primarily attributable to our profit before income tax of NT$575.1 million, positively adjusted by (i) depreciation and amortization of NT$8,053.1 million, (ii) a decrease in trade and notes receivables of NT$1,017.9, (iii) a decrease in other receivables of NT$2,969.8 million, (iv) a decrease in inventories of NT$2,093.7 million and (v) impairment loss on non-financial assets of NT$1,818.1 million.

Investing activities

Net cash used in investing activities for the six months ended June 30, 2017 was NT$435.9 million (US$14.3 million). Net cash used in investing activities was primarily attributable to an increase in prepayments for equipment NT$2,213.9 million (US$72.9 million), and was partially offset by a disposal of subsidiaries of NT$1,098.9 million (US$36.2 million).

Net cash generated from investing activities for the six months ended June 30, 2016 was NT$13,315.5 million. Net cash generated from investing activities was primarily attributable to a decrease in investments in debt instruments without active market of NT$14,721.6 million and was partially offset by an increase in prepayments for equipment of NT$1,818.5 million.

Net cash generated from investing activities in 2016 was NT$13,509.6 million (US$444.7 million). Net cash generated from investing activities was primarily attributable to the proceeds from the disposal of investments in debt instrument without active market of NT$15,399.7 million (US$506.9 million), the decrease in other receivables of NT$979.1 million (US$32.2 million) and proceeds from disposal of investments accounted for using equity method of NT$516.0 million (US$17.0 million). This was partially offset by an increase in prepayments for equipment NT$ 3,196.5 million (US$105.2 million).

Net cash used in investing activities in 2015 was NT$6,367.5 million. Net cash used in investing activities was primarily attributable to the increase in prepayments for equipment of NT$5,276.3 million, the increase in other receivables of NT$661.7 million and payments for the acquisition of property, plant and equipment of NT$575.3 million in connection with the expansion of our production capacities.

Net cash used in investing activities in 2014 was NT$22,606.5 million. Net cash used in investing activities was primarily attributable to the increase in prepayments for equipment of NT$9,585.5 million, payments for the purchase of property, plant and equipment of NT$3,688.7 million in connection with our facility upgrades and the expansion of our production capacities and the investments in debt instruments without active market of NT$7,477.8 million.

Financing activities

Net cash used in financing activities for the six months ended June 30, 2017 was NT$6,087.6 million (US$200.4 million). Net cash used in financing activities was primarily attributable to a decrease in short-term borrowings of NT$9,159.0 million (US$301.5 million) and the repayment of long-term borrowings of NT$941.3 million (US$31.0 million). This was partially offset by the proceeds from long-term borrowings of NT$4,282.2 million (US$141.0 million).

Net cash used in financing activities for the six months ended June 30, 2016 was NT$16,740.1 million. Net cash used in financing activities was primarily attributable to a decrease in short-term borrowings of NT$9,625.1 million, the repayment of bond payables NT$1,189.3 million and the repayments of long-term borrowings of NT$5,312.2 million.

Net cash used in financing activities in 2016 was NT$21,217.0 million (US$698.4 million). Net cash used in financing activities was primarily attributable to (i) a decrease in short-term borrowings of NT$11,966.9 million (US$393.9 million), (ii) the repayment of long-term borrowings of NT$9,171.8 million (US$301.9 million) and (iii) the repayment of bond payables of NT$1,189.3 million (US$39.1 million).

Net cash used in financing activities in 2015 was NT$14,141.2 million. Net cash used in financing activities was primarily attributable to (i) a decrease in short-term borrowings of NT$14,577.6 million, (ii) the repayments of long-term borrowings of NT$8,982.7 million and (iii) the repayment of bond payables of NT$7,494.4 million.

Net cash used in financing activities in 2014 was NT$4,190.5 million. Net cash used in financing activities was primarily attributable to (i) the repayments of bond payables of NT$11,091.7 million, (ii) the repayments of long-term borrowings of NT$4,071.9 million, (iii) cash dividends paid in the amount of NT$1,646.5 million and (iv) the payment of interest of NT$1,133.3 million, partially offset by (i) an increase in short-term borrowings of NT$10,509.3 million and (ii) an increase in proceeds from long-term borrowings of NT$3,511.4 million.

We use short-term borrowings as sources of short-term credit for our operations and believe that we currently have sufficient access to such short-term credit sources for our operations. As of June 30, 2017, we had outstanding short-term borrowings of NT$16,237.8 million (US$534.5 million), current portion of long-term borrowings of NT$1,623.3 million (US$53.4 million) and current portion of bonds payable of NT$2,242.5 million (US$73.8 million). The interest rates for such loans ranged from 1.74% to 5.00%. In addition, we are a party to a factoring agreement, pursuant to which we have the rights to sell accounts receivable to the respective banks on a non-recourse basis.

As of June 30, 2017, we had outstanding long-term borrowings (net of current portion) totaling NT$4,173.1 million (US$137.4 million). The average interest rates for these long-term borrowings ranged from 2.75% per annum to 4.75% per annum.

In April 2015, we issued unsecured zero coupon convertible bonds with an aggregate principal amount of US$250 million denominated in US dollars with maturities in 2020. The convertible bonds were issued at 100% of their principal amount and will mature on April 8, 2020. Holders of the convertible bonds have the right under the terms of these bonds to convert the bonds into Shares from May 19, 2015 to March 29, 2020. The bondholders are entitled to a put option on April 8, 2018, or in the event of change of control or delisting, to require us to redeem the bonds (in whole or in part) at a redemption price in accordance with the redemption schedule. We have a call option to redeem (in whole but not in part) at an amount that represents for the bondholders a gross yield of 1.50% per annum on a semi-annual basis for each US$250,000 of the bonds (the “Early Redemption Amount”) at any time on or after April 8, 2018 and prior to the maturity date, if the closing price of the Shares on the TWSE, translated into U.S. dollars at the then-prevailing exchange rate, for a period of 20 trading days out of 30 consecutive trading days is at least 130% of the quotient of the Early Redemption Amount divided by the conversion ratio. We intend to satisfy any such payment requirement with cash flow from operations, bank loans and other sources of financing.

Contractual obligations

The following table sets forth, as of June 30, 2017, our future payment obligations under our existing long-term debts, corporate bonds and lease or purchase arrangement conditions:

	Payment Due by Period						
(NT$ in millions)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022 and onwards**	**Total**
Bonds payable	2,242.5	–	–	6,288.7	–	–	8,531.2
Long-term borrowings, including current portions of long-term borrowings	948.9	1,330.7	3,206.6	310.3	–	–	5,796.5
Operating leases	135.7	236.5	109.8	87.1	85.2	441.8	1,096.1
Warranties	960.6	–	–	–	–	–	960.6
Onerous contracts	30.3	–	–	–	–	–	30.3
Total	4,318.0	1,567.2	3,316.4	6,686.1	85.2	441.8	16,414.7

As of June 30, 2017, we have signed agreements and committed to purchase machinery in the amount of NT$853.2 million (US$28.1 million). We have received a portion of the machineries we purchased, but have not yet examined them.

Capital expenditure

We have made substantial capital expenditures in connection with purchasing touch solutions production equipment and technological upgrade of our production facilities in the past. Our aggregate capital expenditures for the year ended December 31, 2016 amount to NT$3,642.8 million (US$119.9 million), primarily in connection with the purchase of additional equipment for the introduction of a new feature on a key customer's major product. Currently, subject to further requirements and market condition, we expect to make capital expenditures of approximately NT$3,576.1 million in 2017. We anticipate funding our capital expenditures with proceeds from existing cash balances and credit lines and cash inflow from operations, together with the expected proceeds of these offering and existing and future bank borrowings.

No significant interruptions

There has been no interruption in our business that has a material adverse effect on our financial position and results of operations in the 36-month period prior to the date of this offering memorandum.

Our industry

Overview

Touch screens and multi-touch interfaces are permanent parts and key enablers of intuitive and interactive experience between human and digital devices. Owing to the proliferation of smart devices, touch screens have ubiquitous presence in our digital life, ranging from phones and tablets to laptops and wearables, and are being adopted in new applications such as automotives, medical devices and other touch-enabled applications.

According to IHS Markit Ltd. ("IHS"), in 2016, 1.9 billion units of touch modules were shipped globally, representing a growth rate of 3.7% from 1.8 billion units in 2015. Compared to the drastic growth seen during the nascent stage of the smart device implementation (2007-2014), the touch module market is expected to become more mature and stable from 2017 onwards, in line with the slowdown in the overall smart device growth cycle. According to IHS, touch module shipments are forecasted to grow at a steady five-year CAGR of 3.5% from 2016 to 2021, with the total shipments reaching 2.2 billion units in 2021.

On top of the slow albeit consistent smart device growth, the next phase of growth for the touch industry is expected to be driven primarily by (i) continued innovations in touch technologies such as 3D touch, (ii) diversification of existing consumer electronics line-up and (iii) introduction of new end-market applications. New touch innovations such as 3D touch added an extra axis in touch screens and introduce new user experience. On top of existing touch-enabled devices such as smartphones and tablets, personal computers ("PCs") have begun transitioning into 2-in-1 PCs and all-in-1 PCs, led by increasing consumer preference for hybrid devices designed for convenience and functionality. Furthermore, new end-markets such as automotive and healthcare are creating realistic and growing demand for touch solutions.

Growth in touch screens driven by increasingly diverse end-applications

Smartphones

Smartphones currently represent the largest application segment of the total module shipment in 2016. According to International Data Corporation ("IDC"), nearly all of the 1.47 billion smartphones shipped in 2016 globally are touch-enabled. Touch function in smartphones will continue to flourish as global smartphone shipments exhibit steady growth, driven by deeper penetration of smartphones in the developing markets and a series of upgrade cycles in the developed ones. IDC forecasts smartphone vendors will ship a total of 1.52 billion units in 2017, growing at a CAGR of 3.6% to reach 1.75 billion units in 2021.

In addition to the growth in volume, consumer preferences for larger screen size acts as another vector that drives opportunities for touch solutions providers, as larger touch screens generally carry higher average selling price on a per-inch basis. An increasing number of vendors are also moving towards a narrow-bezel design, where the screen size is taking a larger proportion of the front cover. The recent successes of narrow-bezel models including Xiaomi MIX launched in 2016, Samsung Galaxy S8 launched in 2017 and Apple iPhone 8 to be launched in 2017, are expected to accelerate the adoption of narrow-bezel display in the smartphone space.

More recently, the development of 3D touch sensors that allows smartphones to react to different levels of pressure applied on a screen further introduced significant upside for the touch industry. As 3D touch sensor is a distinct and separate module from the traditional 2D sensor, its adoption will effectively double the demand for touch modules in each smartphone. While 3D touch was first and exclusively applied in Apple iPhones, it is expected that this feature will rapidly penetrate into Apple's other products, as well as the Android line-up, in the near future.

OLED and AMOLED display are increasingly being adopted by smartphones due to their advanced quality, lower power consumption, and flexibility in design, as compared to LCD screens. In line with this trend and in order to satisfy customers' expectations, smartphone manufacturers have adopted OLED and AMOLED display in their products to provide better visual output for their customers to have a more sophisticated mobile experience, including games and virtual reality. According to Gartner, AMOLED adoption in smartphones will reach 45% by 2020, up from 22% in 2016[*].

Tablets and 2-in-1 PCs

Tablets and 2-in-1 PCs comprise the second largest application for touch module shipments. Within this category, 2-in-1 PCs have experienced significant traction from consumers recently, driven by its value proposition to combine utility and portability. With a tablet-like form factor with light weight and full touch functionality, they run a full-featured desktop operating system with the commensurate central and graphics processing power, software compatibility and overall characteristics of a laptop. Microsoft initiated its line of 2-in-1 PCs with the introduction of Surface Pro series in 2013. Since then, a number of prominent laptop manufacturers, including Dell, HP and Lenovo have also begun releasing their 2-in-1 PCs. IDC estimates that detachable 2-in-1 PCs' shipment will grow at 16.2% CAGR from 2016 to 2021, outpacing the growth of the traditional smaller-sized slate tablets which are expected to decline at 5.4% CAGR from 2016 to 2021E.

Touch-enabled notebooks and all-in-one PCs

As touch screen becomes a more affordable option, an increasing number of notebook manufacturers are using it to offer the interactive experience and versatility that regular notebooks have not been able to provide. Following the launch of Windows 8, an operating system with designated touch-based user interface, vendors including Microsoft, Samsung and Dell, have launched their flagship PC and notebook models featuring touch screens. For example, the Surface Laptop launched by Microsoft in 2016 featured a full touch screen with ultra-thin bezel.

Similarly, in the desktop PC market, there is a prominent rise of all-in-1 PCs, in which all elements of a traditional desktop PC, including display, tower and peripherals, are assembled in support of touch functionality to further enhance user experience. Microsoft, ASUS and Acer have been active in designing and marketing such products.

In addition to display screens, vendors are adding touch functions to other parts of the computing device. For example, the Touch Bar in the latest editions of Apple MacBook Pro is placed along the top of the keyboard, serving as an additional control panel that introduces customization and personalization to its users.

According to IDC, the touch screen penetration in notebooks is expected to increase from 12% in 2016 to 22% in 2020. The increasing number of touch applications in various areas of notebooks and PCs will lead to greater touch screen demand and significant revenue opportunities for the industry.

Automotives

Automotive display has gained traction in the touch industry recently on the back of Google's self-driving initiative and Tesla's electric vehicles. Multiple display devices within an automobile can adopt a touch feature, including the instrument cluster, head-up display, center stack display, rear seat entertainment display, rear view mirror display and portable navigation device. According to IHS, the automotive touch screen shipments were approximately 45 million units in 2016, and are expected to reach over 65 million in 2021.

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* *Claire Wen, Market Trends: Display Innovation in TVs, Smartphones and PCs Will Challenge Semiconductor Vendors published by Gartner Inc. on October 25, 2016.*

Currently, a significant portion of the automotive touch screen shipments are based on resistive modules. However, given the unique usage environment – i.e., inside moving vehicles – and increasing consumer preference for high-end glass touch ergonomics, the mix is expected to reverse and favor capacitive-based screens.

To offer a more intuitive and sophisticated touch experience to consumers, next-generation automotives makers such as Tesla have been adopting large-screen designs in their product lines. For example, Tesla's Model S and Model X both feature a 17-inch touchscreen and the upcoming Model 3 features a 15-inch touchscreen, which is 3 to 5 times larger than traditional infotainment screens. It is expected that this trend will prevail in other premium auto maker's flagship models as well.

Wearables, healthcare and others

Wearable devices, especially smart watches and wristbands, are moving into mainstream consumer product line-ups. In addition, new opportunities in sectors such as healthcare will emerge as touch-enabled health examination and diagnostics devices undergo development. The universe of touch-based end-application remains expansive beyond the traditional consumer electronics.

Touch is key to innovation in and proliferation of consumer electronics

As consumer electronics manufacturers compete to imbue points of differentiation on their flagship products, touch features have become one of the key components for innovation. Some of the major innovations to date include 3D touch that adds a third dimension to the touch sensor, touch bar on notebooks that allows for customized app controls, and fingerprint recognition.

Among others, 3D touch represents an imminent opportunity for touch solutions providers. 3D touch is a pressure-sensitive multi-touch technology that's designed to add another method of input. Currently, this technology is most notably included in Apple iPhone 6S and 7, which has provided new ways of navigating through smartphones.

New innovative designs are typically offered only on high-end devices in the early stage of introduction and may not generate revenues immediately for touch solutions providers. However, as the new innovative designs gain more popularity in the market and become standard features on low-end devices, it is expected that consumer electronics manufacturers will see revenue growth and improvement in profitability.

Touch is a major beneficiary of LCD to OLED transition

OLED display is a thin-film display technology that contains an organic material which emits light when a current is passed through it. Unlike LCD, OLED does not require additional light source. The absence of backlight has two major benefits: (i) fewer components inside the panel allow for a thinner form factor; and (ii) it requires lower power consumption. In addition, OLED technology enables the realization of a curved, potentially bendable and even foldable display form factor, as OLED can be deposited on a flexible plastic substrate, as opposed to LCD that needs to be fabricated on a rigid glass substrate.

In light of such transition, one imminent change for touch solutions providers is that in-cell touch design that incorporates the touch module inside the display panel will not be feasible in OLED displays. Instead, out-cell design that features an add-on stack-up layout where a touch screen is laminated on top of the display panel needs to be utilized. Historically, in-cell touch module manufacturing had been running into the risk of being integrated into the overall panel manufacturing process owned by the display makers. With the switch to out-cell model, touch solutions can become a more independent component from the display panel manufacturing, therefore giving touch solutions providers more control over the overall process.

Advancement in raw material

Traditionally, transparent ITO electrodes have been most commonly used as the material to produce the transparent conductor film layer in a touch screen. ITO is rigid and has relatively high resistance that inhibits fast response for larger touch screens.

As an increasing number of vendors look for flexibility options and larger dimension in their display panels, alternative raw materials such as SNW are gaining traction, as SNW-coated films can withstand rolling at flexible angles. Recently, suppliers of raw materials such as Cambrios have begun to commercialize SNW as the material of choice for flexible displays. SNW is expected to be one of the most compatible and cost-efficient alternatives to ITO in conjunction with the ongoing OLED implementation.

Industry consolidation and the next steps for incumbents

From 2011 to 2013, substantial demands in light of growth in smart devices drove touch solutions providers to seek vertical integration to lower production cost, by building materials factories or acquiring small-sized companies. In 2013, Truly Optoelectronics subscribed for 5.79% stake in Buwon Advanced Coating Technology, and shortly thereafter, Zhejiang Firstar Panel Technology Co. merged with Top Touch Electronics Co.

Vertical integration within the touch industry led to intense competition and bottleneck growth, which also placed downward pressure on product prices. In addition, certain major players in the consumer electronics industry; such as Apple and Samsung, preferred in-cell touch design, which in turn allows display makers to attain more control of touch screen production and also further compressed the market for pure-play touch solutions providers. As a result, pure-play touch solutions providers suffered great loss from the industry consolidation. In 2014, one of the then-largest touch solutions providers by revenue, Wintek Corporation, went bankrupt.

Since 2015, in an effort to overcome the increasing operational and financing adversities resulting from the industry consolidation, touch solutions providers began to focus on their core strengths and business operations and seek less diversification across the production line. As a result, major players in the touch industry today have a more specialized role within their respective products and services, with an aim to expand its coverage across the universe of touch-based end-applications instead of expanding across the production line.

Our business

Overview

We are the world's leading pure-play touch solution developer and supplier based on 2016 revenues. As the inventor of the transparent glass-based P-Cap touch technology and the leader in precision lamination service, we enable our customers to bring intuitive, interactive and immersive user experiences through touch devices used widely. With advance technological and manufacturing capabilities, we offer versatile integrated touch solutions across a wide array of consumer electronics, including smartphones, tablets, 2-in-1 PCs, all-in-one PCs, automotives, wearable devices and other touch-enabled applications.

Proprietary technology is the backbone of our solutions. Our precision lamination technology, which is essential for all optoelectronic devices with touch functions, enables us to deliver customized high-quality products with even the most complex designs. Being one of the few providers that have the ability to rapidly ramp-up mass production with industry-leading yield rate, we are able to accelerate time-to-market cycles to capture the best market window in the rapidly changing consumer electronic industry. We believe our relentless emphasis on advanced touch technology, manufacturing process enhancement and touch material development not only sustained our market-leading position in the mass-market of touch devices, but also positioned us to proliferate our solutions into long-tail niche products that are not yet touch-enabled.

Since our inception, we have partnered with industry-leading customers to jointly establish technology roadmaps that define industry standards. We design, develop and architect specifications for our clients' products from the blueprint stages of the production cycle. Our close relationship and early engagement with customers enable us to stay at the forefront of technological advancements to deliver highly reliable and quality solutions in a cost-efficient way. We believe our excellence in quality makes us an indispensable partner to market leaders, which in turn fuels our ability to further innovate new designs and specifications for existing and potential clients. This unique bonding fosters a virtuous cycle that sustains our growth. We believe our joint development efforts will allow us to accurately identify emerging trends and capitalize on the growth from the major technological breakthroughs in the industry.

At the core of our services is our highly scalable and flexible infrastructure. Our customers benefit from our in-house developed equipment and high level of automation of our manufacturing facilities. We plan to continuously focus on the rigor of our operational standards, further streamline our automated production lines and dedicate our resources on manufacturing process improvement to achieve higher operational efficiency and improved cost structure.

For the year ended December 31, 2016 and for the six months ended June 30, 2017, we had net operating revenue of NT$89,216.3 million (US$2,936.7 million) and NT$43,822.5 million (US$1,442.5 million), respectively, gross profit margins of 3.7% and 6.2%, respectively, and operating loss of NT$1,871.7 million (US$61.6 million) and operating income of NT$550.7 million (US$18.1 million), respectively, and net loss of NT$1,504.0 million (US$49.5 million) and net profit of NT$959.2 million (US$31.6 million), respectively. Our EBITDA for the year ended December 31, 2016 and for the six months ended June 30, 2017 was NT$6,926.8 million (US$228.0 million) and NT$4,872.1 million (US$160.3 million), respectively, and EBITDA margin was 7.8% and 11.1%, respectively.

Our Shares have been listed on the TWSE since October 2010 under the trading code "3673." On September 5, 2017, the closing price per Share on the TWSE was NT$125.0 per Share and our market capitalization was NT$43,329.2 million (US$1,426.2 million).

Our competitive strengths

Research and development-centric, innovation-driven technology leadership

We are currently the world's largest pure-play touch solutions developer and supplier with proven technology leadership based on 2016 revenues. Historically, we have dedicated significant resources in research and development, identifying key trends and emerging technologies that create incremental opportunities for us in the long run. For example, in 2007, we invented the transparent glass-based P-Cap touch technology, which allows enhanced durability and higher sensitivity compared to resistive touch modules. Today, transparent P-Cap touch is the technology used by all leading smartphone providers, and is the most commonly adopted touch solution in the world.

Owing to our prolonged track record in the touch solutions value chain, as well as our partnership with innovation-driven customers, we are also capable of predicting and anticipating where the market is headed in terms of technological advancement. More recently, through collation with key customers, we have developed compact touch solutions with superior touch performance and enhanced durability for wearable products, as well as thin and long integrated touch dynamic control display for notebook PCs. In addition, we have been making investments into developing SNW, which is more conducive to utilization by flexible or bendable screens. While such form factors have not yet reached mass production stage, we believe we have the ability to frontier and capitalize on its implementation in the near future.

Our differentiated ability to innovate is further reinforced by the strategic partnerships we enter with other suppliers in the touch solutions value chain. For example, in March 2017, we announced that we plan to partner with O-film, with whom we plan to develop solutions for smartphones and automotives utilizing our product design expertise and lamination technology and O-film's strength in film-based sensor and camera modules. Our partnership with O-Film is expected to generate complementing synergies and satisfy our customers' demand for one-stop solutions.

Joint development partnership with large and industry-leading customers

We have established close and collaborative product development partnerships with various global brand customers in smartphones, tablets, 2-in-1 PCs, all-in-one PCs, automotives and other touch-enabled applications. A vast majority of our customers are thought leaders and pioneers within their operating sectors who are often the first to design and market disruptive, trendsetting products. Our partnership with these industry-leading customer allows us to gain significant first-mover advantage in the mass production of next generation solutions.

Typically our clients and us undergo a joint development process ranging from six months to two years. During the initial months of our early-stage engagement, we have the opportunity to learn about the product first-hand, understand its specifications and define and cultivate its manufacturing process. Our early involvement enables us to devise efficient manufacturing model and make economical resource allocation without the encumbrance of lengthy trial-and-error process. And ultimately, with almost all of our customers' products currently in the market, we have been able to configure our manufacturing process faster and more efficiently than our competitors, resulting in higher yield rates.

Historically, our approach to customer relationship has been to work with innovation leaders in the high-end consumer electronics segment, and ensuring we have the sufficient engagement with those who ultimately became the winners of the touch-based digital ecosystem. While not all of our early-stage partners became long-term customers, we have today a diversified and stable base of customers that focus on designing and marketing high-end, cutting-edge touch solutions, which we believe will continue to create new and significant revenue and joint development opportunities for us.

Maximum capital and operational efficiency enabled by focused operation and customer engagement

Currently, our primary focus is on the lamination process of the touch solutions value chain, where we believe our in-house equipment and proprietary know-hows, supported by highly automated production line for large-scaled orders, enable greater efficiency in our operations and a lighter cost structure. In 2015, we underwent a large-scale revamping of our business units to eliminate redundant capacity for some of the up-stream manufacturing processes we had been engaged in, which were both capital intensive and margin dilutive. As a result, our production and manufacturing process has become more flexible, with reduced reliance on key component suppliers, especially suppliers of touch sensors. In addition, we achieved meaningful improvement in our cost structure after the revamping.

We also realigned our customer portfolio to focus on the key customers with consistent and large orders, implementing greater selectivity to which customers we supply to and how extensively we work with them. As a result, we have created a more efficient manufacturing environment for our top customers and eliminated the need for numerous, costly customization and process reinvention for those that were less value-additive to our long-term strategy.

We believe our increasingly selective engagement process, both with respect to our core operational competency and customer base, will not only strengthen our position as the go-to touch solutions supplier for our existing customers, but also provide more timely and flexible leeway into new high-potential customers.

Significant growth opportunities in new end-applications and geographical markets

Since the introduction of smartphones, the touch solutions market has been the beneficiary of significant shipment growth with the emergence of tablets, 2-in-1 PCs, all-in-one PCs, touch-enabled notebooks and wearables. As a major supplier to the leading manufacturers of such devices, we have maintained a highly diversified product line-up which enables us to consistently engage in the latest product development in both existing and new end-applications. For example, utilizing our glass-based touch sensor expertise, we jointly developed an alternative touch-based input mechanism for dynamic notebook controls, which is being adopted by the market today.

Also, within the nascent, fast-growing touch-enabled end-applications such as automotive displays and medical devices, we believe we are one of the few touch solutions providers who have made significant progress in capturing these emerging opportunities. For example, in 2013, we have successfully penetrated into the high-end automotive display market as an exclusive supplier to a leading U.S. electric car manufacturer, and in 2017, we also initiated the early-stage joint development process with selected customers in the medical industrial segment.

Furthermore, we are capitalizing on our technology partnership to address previously under-penetrated markets such as China. Via our partnership with O-film, we will be able to identify high-potential customers in China in more traditional touch applications such as smartphones, as well as those in the more nascent automotive industry. Together with our continued focus on increasing the end-application potential of our products, incremental avenues of geographical expansion will ensure our growth remains healthy and consistent.

Visionary management team with extensive industry experience and winning track record

Our senior management team has a proven track record in product innovation, technology research and development, and sales and marketing strategies. Many of our senior managers have been involved in the formation, development, and sophistication of the touch-enabled electronics industry for over 20 years. They have taken a pivotal role in introducing the transparent glass-based P-Cap technology to the market and setting the industry standards, and are the key enablers of our continued operational and financial success today.

Our founder and chairman, Mr. Michael Chao-Juei Chiang, is a pioneer of the touch industry with a long track record of commercial successes and over two decades of experience in the consumer electronics industry; our newly appointed chief executive officer, Mr. Hwai-Hai Chiang, is an industry veteran with rich experience who brings strong expertise in pursuing and executing new business initiatives; our newly appointed chief strategy officer and former chief financial officer, Mr. Freddie Hsi-Liang Liu, by possessing deep industry expertise and having proven track records in leading value-creating mergers and acquisitions, brings strong execution capability on the Company's future strategic directions and corporate developments.

We believe our senior management team's combined experience positions us as a leader in technological advancement and an effective enabler of up- and down-stream value chain alignment.

Our strategies

Continue to enhance our leading research and development capabilities in touch solutions

Our research and development-centric strategy is the core of the success of our business and our leading industry positions in terms of technologies, materials, manufacturing processes, equipment and solutions. Historically, we have focused our research and development efforts to expand the scope of our products and services to cover as many touch end-applications as possible, via the most efficient and reliable process. As a result, we were the first to apply and mass produce P-Cap technology on smartphones and are a leader in developing and adopting the latest touch technologies, including the 3D touch lamination, SNW, and flexible display applications. As an example, we currently possess the rights to a significant proportion of patents globally in relation to SNW, which we expect to be the standard material for OLED and flexible touch lamination in the near future.

To strengthen our technological leadership, we will continue to enhance our research and development efforts and devote resources into developing and further refining integrated 3D touch solutions, active-matrix organic light-emitting diode ("AMOLED") display and narrow-bezel design, among others. Moreover, we will jointly formulate and conduct research programs alongside our partners to strengthen our leading position in the consumer electronics, as well as to capture opportunities in the emerging end-application markets.

Leverage our blue-chip customer portfolio to identify incremental growth opportunities

Our customers are leaders in their respective markets and have diversified product portfolio, among which some are not yet touch-enabled. On back of our strong relationships with our customers, we are well-positioned to identify and capture additional opportunities to proliferate our touch solutions into our customers' other product lines. For example, we have been successfully implementing additional layers of touch-based solutions, such as 3D touch, to our existing customers who may only be utilizing 2D. We believe our continued dedication to rolling out new and improved features to advance our customers' existing product lines not only increases our monetization and growth potential, but also adds significant value to our customers.

Furthermore, we will continue to identify winners in touch-enabled applications and showcase their successes to stimulate touch proliferation in wider industries and end-applications. As our industry-leading customers launch new devices adopting touch solution powered by our technologies, other industry incumbents may be encouraged to follow suit, which can expand penetration of touch application in those industries, as well as our role in supplying those solutions. As we continue to identify and collaborate with blue-chip partners in the fast-growing and emerging sectors, we expect touch solutions to continue to proliferate and incremental revenue opportunities for us to be identified.

Align our business for further industry and technology consolidation

The touch industry is currently undergoing consolidation. With touch manufacturing and design process becoming highly complex, requiring specialized equipment and sophisticated engineering and manufacturing expertise, the need for specialized touch solutions developers will continue to evolve.

In light of this trend, we intend to evaluate and selectively pursue strategic alliances or acquisition opportunities that complement our core strength as a specialized, pure-play touch developer. Given our long operating track record in the touch solutions value chain and our proximity to the end-application markets, we believe we are well-positioned to identify the right partners for technology collaboration. By teaming up with upstream or downstream players, we will continue to provide virtual turn-key services and capture value growth across various end-application markets and ecosystems.

Products and services

Our products and services are applied across a wide variety of consumer electronics. We provide lamination services which can be flexibly applied to all optoelectronic devices on a wide range of substrate forms. In addition, as a result of our comprehensive technology and engineering expertise and flexible infrastructure, we also provide integrated touch solutions, including (i) touch modules and (ii) touch displays, both of which are integrated with our precision lamination services. Our family of product solutions and services allows our customers to solve their interface needs and differentiate their products from those of their competitors.

Our touch solutions

We utilize sputtering, photolithography and etching technologies and specialize in unique lamination, bonding and process handling for all types and sizes of screens and surfaces. We are able to precisely laminate sensors with a variety of substrates regardless of their material, thickness, curvature and bezel width. Lamination is a precision-driven process for which yield rate is critical. We are the joint-developer of LOCA technology and the pioneer in utilizing LOCA in mass production. Compared to conventional non-liquid film type adhesives lamination, LOCA technology is more contaminant-free and performs better in sealing the gap between different material stack-ups. Lamination technology has been proven to yield better optical properties such as higher transmittance rate and low reflection rate, and has also been proven to enhance durability. In addition, we are also exploring alternative material solutions to the traditional ITO film, such as SNW. SNW can withstand rolling at flexible angles, which is expected to be the most compatible and cost-efficient alternative for curved or bendable devices on flexible AMOLED displays. Furthermore, we also have advance engineering and process expertise in handling delicate and sensitive sensors in the lamination process. This allows us to laminate ultra-thin and pressure-sensitive sensors such as 3D touch sensors, with industry-leading yield rates.

In terms of our integrated touch solutions, we currently primarily provide two forms of integrated touch solutions: touch modules and touch displays.

Touch modules

We manufacture touch modules, including its components such as touch sensor and cover glass according to customized specifications and also take into account the different design, performances, costs and pricing considerations. Cover glass and touch sensors are laminated using our precision lamination technology to form a touch module. There are currently two main categories of touch sensors in the market, namely, the glass-based and the film-based touch sensors. Whilst we only manufacture the glass-based sensors, which have proven record in greater sensitivity, transmission capacity and transparency than film-based touch sensors, our strategic partnership with O-Film, an industry leader in film-based sensors, compliments our capacity to offer film-based touch sensors which are lighter and thinner than glass-based touch sensors.

Touch display

A touch display completely integrates a touch module and a display module. The display module consists of a touch module, a bonded FPCB with or without a touch controller mounted to it and a display. The display sits under the touchscreen sensor and is usually separated by an air gap or is directly laminated. Depending on clients' requirements, we can provide in-house manufactured components, such as cover glass and glassed-based touch sensors, or source all components externally.

We also develop and supply innovative products that are not confined to conventional concepts of touch applications. For example, we are the innovator of integrated touch displays that act as an alternative input mechanism for traditional notebook function keys. This touch-enabled dynamic control function bar, laminated on notebook keyboards, provides a more engaging user experience by making software interface readily customizable through interactive touch function, and eliminates the need to input through mouse or keyboards.

End-applications of our touch solutions and services

We focus on providing high-quality touch solutions for mid- to high-end touch devices across different device sizes and customized specifications. Our touch solutions and services can be used in small-sized touch devices, medium-sized touch devices and large-sized touch devices. Our touch solutions are commonly used in small-sized touch devices such as smartphones, E-readers and wearable devices, in medium-sized touch devices such as tablets, and in large-sized touch devices such as 2-in-1 PCs, all-in-one PCs, automotives and other touch-enabled applications.

	Year Ended December 31,							Six Months Ended June 30,				
	2014		2015		2016			2016		2017		
(in millions, except percentages)	NT$	%	NT$	%	NT$	US$	%	NT$	%	NT$	US$	%
Small-sized panels	60,484.4	46.7	67,114.1	55.3	36,132.6	1,189.4	40.5	12,263.6	32.0	17,529.0	577.0	40.0
Medium-sized panels	39,632.2	30.6	23,544.5	19.4	20,162.9	663.7	22.6	10,079.2	26.3	11,875.9	390.9	27.1
Large-sized panels	21,499.8	16.6	25,850.5	21.3	29,084.5	948.5	32.6	13,834.9	36.1	13,278.2	437.1	30.3
Other products	7,900.5	6.1	4,854.5	4.0	3,836.3	135.1	4.3	2,146.1	5.6	1,139.4	37.5	2.6
Total operating revenue	129,516.9	100.0	121,363.6	100.0	89,216.3	2,936.7	100.0	38,323.8	100.0	43,822.5	1,442.5	100.0

Production process

The lamination process includes aligning, bonding and laminating. Our self-designed lamination equipment and our proprietary know-how for the lamination process, coupled with our highly automated manufacturing facilities, enable us to achieve industry-leading yield rates with high efficiency. In addition, our highly automated manufacturing facilities allow us to streamline our automated production lines to achieve higher operational efficiency and improved cost structure.

The production steps of our touch modules and touch display include ITO deposition and patterning, metal trace and insulation processes. We have the capabilities to carry out all production processes and manufacture key components in-house for glass-based P-Cap solutions. We utilize proprietary technologies and/or self-designed processing equipment in the essential stage of touch modules and touch display production.

Raw materials and components

The major raw materials and components used in our lamination process and the production of our integrated touch solutions include glass substrate, cover glass, FPCBs, sensors, display panels and optical clear adhesive OCA or LOCA. We source our raw materials and components from a number of third-party suppliers. Our largest customer is also our largest supplier. We also outsource some of the touch sensors used to produce touch module to certain external suppliers in addition to in-house production or procurement from our affiliates. Because we compete for various components with other participants in the markets, many components, including those that are available from multiple sources, are at times subject to industry-wide shortages. In the event of industry-wide shortages, prices of raw materials may be volatile. We have not experienced any significant shortage in the supply of any other major raw materials or components used in our production. In line with the industry practice, we do not have long-term supply contracts with our suppliers, but typically provide them with annual estimates and monthly rolling forecasts.

Sales and marketing

We sell and market our touch solutions through our sales team located in North America, Taiwan, PRC, Japan and Korea. As of June 30, 2017, our sales team comprised of 94 members.

A substantial portion of our touch solutions are custom designed to meet our customers' requirements and specifications. Our product development team works closely with our customers from the initial design stage to the mass production stage. This process usually takes approximately three to nine months, depending on the specifications of the product, the qualification processes of individual customers and the availability of certain raw materials and components.

The following table sets out a breakdown of our operating revenue by geographical region for the periods indicated:

	Year ended December 31,							Six Months ended June 30,				
	2014		2015		2016			2016		2017		
(in millions, except percentages)	NT$	%	NT$	%	NT$	US$	%	NT$	%	NT$	US$	%
North America	69,843.0	53.9	77,639.7	64.0	63,313.2	2,084.1	71.0	25,399.3	66.3	32,084.9	1,056.1	73.2
Asia	58,784.6	45.4	43,405.5	35.8	25,622.7	843.4	28.7	12,841.7	33.5	10,981.6	361.5	25.1
Others	889.3	0.7	318.4	0.2	280.4	9.2	0.3	82.8	0.2	756.0	24.9	1.7
Total	129,516.9	100.0	121,363.6	100.0	89,216.3	2,936.7	100.0	38,323.8	100.0	43,822.5	1,442.5	100.0

Historically, sales to major customers account for a substantial portion of our operating revenue. In 2014, 2015, 2016 and for the six months ended June 30, 2016 and 2017, sales to our largest customer accounted for 40.2%, 45.8%, 46.5%, 40.6% and 53.7% of our operating revenue, respectively. In aggregate, sales to our five largest customers accounted for 72.7%, 77.4%, 84.3%, 81.0% and 85.9% of our operating revenue in 2014, 2015, 2016 and for the six months ended June 30, 2016 and 2017, respectively. Our key customers include internationally renowned mobile device and consumer electronics companies. We do not enter into sales contracts that specify minimum purchase amounts and fixed prices for a fixed term, but our key customers typically provide us annual estimates and monthly or quarterly rolling forecasts. The purchase amounts, pricing terms and delivery terms depend on the actual purchase orders.

Production facilities

Our principal production facilities for touch modules, touch sensors, cover glass and thin-film touch modules are located in Xiamen and Pingtan, PRC. The following table sets forth the location, gross floor area and principal function or products of our production facilities:

(square meters)	Location	Gross Floor Area	Principal function or products
TPK Touch Solutions (Xiamen) Inc.	Xiamen	458,451	Glass-based touch modules and displays
TPK Touch Systems (Xiamen) Inc.	Xiamen	57,734	Touch systems and film-based touch modules and displays
TPK Glass Solutions (Xiamen) Inc.	Xiamen	185,022	Cover glass and glass-based touch modules
TPK MasTouch Solutions (Xiamen) Inc.	Xiamen	64,142	Large-sized, glass-based touch modules and displays
TPK Film Solution (Xiamen) Inc.	Xiamen	6,913	Silver nanowire film-based touch solutions
TPK Touch Solutions (Pingtan) Inc.	Pingtan	208,803	Glass-based touch modules and displays
TPK Advanced Solutions Inc.	Xiamen	54,408	Glass-based touch modules and displays

Research and development

We place significant emphasis on research and development of new solutions, technologies and designs. In 2014, 2015, 2016 and for the six months ended June 30, 2016 and 2017, our research and development expenses totaled NT$4,983.0 million, NT$1,326.3 million, NT$909.4 million (US$29.9 million), NT$430.6 million and NT$408.6 million (US$13.5 million), respectively. As of June 30, 2017, our research and development team consisted of 402 dedicated staff, among which 80 hold a master or doctorate degree in a relevant field.

We have focused our research and development efforts on technological innovation in connection with human input devices, and vertical integration with cover lens, sensor and display module, especially for 3D, flexible and foldable application. In addition, we have expanded touch proliferation and manufacturing know-how into wearable, automotive, healthcare and augmented reality and virtual reality sectors. We have developed, launched and successfully incorporated a number of innovative products and application and production processes, including:

- 3D touch sensor and curve-shaped cover glass lamination that allow our customers to diversify their end-application products;
- thin and long integrated touch display for dynamic control function bar on notebook PCs;
- compact touch solution which provides for superior performance in terms of thickness for wearable products;
- 3D touch lamination technology; and
- innovative touch solutions for automotives which eliminates cover glass.

We believe our research and development projects and initiatives will enable us to further improve our efficiency and drive future product innovation, including:

- touch solutions that combine 2D touch sensors and 3D touch sensors on the same substrate;

- touch lamination technology catered for flexible AMOLED display;
- narrow-bezel design touch screen for automotive displays; and
- SNW sensor with low-resistance and greater flexibility.

Quality assurance

We believe that the strict quality assurance procedures we implement have been an important factor in our success. Quality assurance procedures are implemented throughout the production process, and products are subject to a number of inspections and control tests. Our output quality assurance system helps to ensure that all final products pass visual inspection and functional testing before being packaged and sold. We work closely with our customers to ensure the quality of our products, and quarterly evaluation is conducted to identify and address areas to be improved in our quality assurance systems.

Our quality assurance procedures include quality assurance of raw materials and components, which includes careful selection of reputable suppliers globally, sourcing critical components from leading manufacturers, quarterly evaluation of our major suppliers and inspection of raw materials and components upon their arrival at our factories. Raw materials that fail our inspection are returned to the suppliers. For certain key components, we also station our quality control staff at our suppliers' sites.

We have received ISO 9001:2008 certification for our quality assurance. More importantly, we have received quality assurance certification from each of our key customers who we believe have imposed a higher and stricter standard than the industry practice.

Competition

The touch-enabled electronics industry is highly competitive. The competitive factors in our industry include price, quality, lead time, service, technical support, the ability to offer total solutions and the size and reach of the sales and marketing network. We believe that our strong technology and production capabilities in relation to touch solutions afford us competitive advantages relative to our competitors. See also "—Our Competitive Strengths."

In recent years, with the significant growth in the demand for smart mobile devices, touch technologies have evolved into a handful of different structures and technologies and competition has greatly intensified. Existing players and new market entrants have been competing primarily through new solutions with enhanced performances, and at times through aggressive pricing and low cost structures in order to maintain or gain market share. This increase in competition may also result in more intense price competition and potential market-wide oversupply, which may lead to further declines in average selling prices of touch products.

Because we offer touch solutions in end-applications across a wide range of industries such as smartphones, tablets, 2-in-1 PCs, all-in-one PCs, automotives, wearable devices and other touch-enabled applications using different touch design and technology categories, we face a broad range of existing and new competitors ranging from large multinational consumer electronics manufacturers to highly specialized pure-play touch solution providers that focus on a limited number of touch solutions. We compete primarily with touch solution providers, such as General Interface Solution Ltd. and Biel Crystal Manufactory Ltd. Due to intense competition, a number of touch providers, including some of which are our direct competitors, have filed for bankruptcy or exited the market. We believe that the touch-enabled electronic industry may undergo further structural changes and reforms as the industry gradually consolidates.

Employees

We had 49,089, 37,478, 28,159 and 29,430 employees as of December 31, 2014, 2015, and 2016 and June 30, 2017, including 31,073, 11,390, one, and one employees from service dispatching company. The following table sets forth the number of our employees in each of our areas of operations and as a percentage of our total workforce as of June 30, 2017:

	As of June 30, 2017	
	Employees	Percentage (%)
Management and administrative	1,333	4.5
Manufacturing and assembly	24,247	82.4
Operations and quality control	3,345	11.4
Research and development	402	1.4
Sales and marketing	103	0.3
Total	29,430	100.0

Our success significantly depends upon our ability to attract, retain and motivate qualified personnel, and our personnel are selected through a rigorous process. We recruit graduates from colleges and universities. We also recruit employees through various other channels, including postings on job recruitment websites and human resource agents. From time to time, we employ senior technical and managerial personnel through executive search firms.

As of June 30, 2017, 12.4% of our employees held college or higher degrees. A number of our employees have overseas education and industry experience. We provide continuous in-house and on-site training to our employees.

We are required to make contributions to employee pension plans in the United States, the PRC and the ROC. In addition, in July 2011, we acquired a subsidiary in Japan. Consequently, we are required to make contributions to employee pension plan in Japan as well. In particular, PRC subsidiaries are required under the PRC law to make contributions to our employee benefit plans, including pension, work-related injury benefits, maternity insurance and medical and unemployment insurance. Our contributions are made based on specified percentages of the salaries, bonuses and certain allowances of our employees. In 2014, 2015, 2016 and for the six months ended June 30, 2016 and 2017, we incurred expenses in connection with such employee benefits required by applicable regulations in the amount of NT$382.5 million, NT$450.7 million and NT$708.7 million (US$23.3 million), NT$355.9 million and NT$312.4 million (US$10.3 million), respectively.

As of June 30, 2017, we have outstanding employee stock option for an aggregate of 18,170,000 Shares. In addition, our employee stock option plan for the issuance of up to 10,000,000 Shares has been approved by the ROC government authority on December 1, 2014. We have not granted any option under such plan as of the date of this offering memorandum.

Our employees are not covered by any collective bargaining agreement. In 2014, 2015, 2016 and for the six months ended June 30, 2017, we did not experience any major disputes with our employees, and we believe that we maintain good working relationships with our employees.

Legal proceedings

We have from time to time been involved in legal proceedings concerning matters arising from our business and operations. These include intellectual property proceedings and other disputes that arise from time to time during the ordinary course of business. The outcome and costs of pending or future proceedings are difficult to estimate and may have a material adverse effect on our business, financial condition and results of operations. In each of the ongoing matters, we are continually evaluating the merits of the respective proceedings and vigorously defending ourselves or pursuing appropriate outcomes as a plaintiff, as the case may be. While we continue to vigorously contest the various proceedings described herein, it is possible that one or more proceedings may result in an unfavorable outcome. See "Risk Factors—Risks Relating to Our Business."

As of the date of this offering memorandum, we were not involved in any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened material legal, arbitral or administrative proceedings against us or any of our Directors which could have a material adverse effect on our business, operations or financial condition.

Intellectual property and licenses

As of June 30, 2017, we held 2,110 patents, including 853 patents in Taiwan and 1,257 patents in foreign countries. Among which, we held 1,042 invention patents and 1,068 utility model patents. In addition, we had 1,045 pending patent applications worldwide.

With respect to, among other things, proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements to safeguard our interests. Many elements of the production process of our touch solutions involve proprietary know-how, technology or data that are not covered by patents or patent applications, including our proprietary technologies and designs in touch solutions manufacturing and glass processing equipment, technical processes, algorithms and procedures. We have taken security measures to protect these elements.

All of our research and development personnel have entered into confidentiality and proprietary information agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of the inventions, designs and technologies they develop during their employment with us. We also require our customers and business partners to enter into confidentiality agreements before we disclose any sensitive aspects of our touch solutions, technologies or business plans.

As of June 30, 2017, we maintained 67 trademark registrations, including 24 in Taiwan. As our brand name is becoming more recognized in the touch industry, we are working to increase, maintain and enforce our rights in our trademark portfolio, the protection of which is important to our reputation and branding.

Environmental health and safety issues

Acidic emissions and wastewater are by-products of the production processes for our products and these pollutants are treated in accordance with all applicable environmental laws and regulations. We believe that our operations are in compliance in all material respects with applicable environmental laws and regulations. We have received ISO14001 certification for environment management.

Our health and safety standards and our implementations of such are reviewed on an ongoing basis. Our operations are also subject to periodic inspections by the government.

Insurance

We have insurance policies covering risks of typhoon, flooding, damage to buildings and machinery due to earthquakes or explosions, land and sea delivery and business interruption which we consider adequate and in line with industry norms. We also have a directors' and officers' insurance policy.

Investment policy

Under our investment policy, we mainly focus on evaluating the risks, profitability and asset growth of potential investments before making an investment decision. For investments in companies, we look at their future prospects as well as their past records in compliance, profitability and liquidity.

Our subsidiaries

We maintain shareholdings in our subsidiaries for long-term strategic investment purposes. In addition to our subsidiaries, we held a 19.78% equity interest in Cando Corporation as of June 30, 2017. As of the date of the offering memorandum, we had not identified any definite acquisition or equity investment target. The following table sets forth certain information as of June 30, 2017, regarding our subsidiaries in which we hold a significant equity interest (all issued shares in these subsidiaries and affiliates are fully paid and non-assessable):

Name and registered address	Book value of our investments as of June 30, 2017	Percentage of shares owned by us as of June 30, 2017(1)	Date of incorporation	Principal function or products
	(in NT$ millions)	%		
Optera TPK Holding Pte. Ltd. (Singapore) 80 Robinson Road, #02-00 Singapore, 068898	1,382.1	100.0	November 24, 2005	Holding company
Improve Idea Investments Ltd. (Samoa) Offshore Chambers, P.O. Box 217 Apia, Samoa	4,074.7	100.0	January 17, 2006	Holding company
Upper Year Holdings Limited (Samoa) Offshore Chambers, P.O. Box 217 Apia, Samoa	26,589.5	100.0	January 17, 2006	Holding company and international trade
TPK Technology International Inc. (Samoa) Offshore Chambers, P.O. Box 217 Apia, Samoa	246.9	100.0	January 8, 2007	International trade
TPK Touch Solutions Inc. (Taiwan) 6F, No. 13-18, Sec. 6, Min Quan East Road Taipei, 114, Taiwan	2,851.3	100.0	May 9, 2003	Research, development and sales
TPK Touch Solutions (Xiamen) Inc. (PRC) No. 199 Ban Shang Road Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone Xiamen, Fujian China 361026	30,888.1	100.0	August 26, 2004	Glass-based touch modules and displays

Name and registered address	Book value of our investments as of June 30, 2017	Percentage of shares owned by us as of June 30, 2017(1)	Date of incorporation	Principal function or products
	(in NT$ millions)	%		
TPK Lens Solutions, Inc. (PRC) No. 40 Haijing Middle Road Amoy Export Processing Zone Haicang, Xiamen, Fujian PRC	(817.9)	100.0	May 30, 2006	Cover glass and in-house touch equipment development
TPK Touch Systems (Xiamen) Inc. (PRC) No. 190 Jimei Ave. Jimei District Xiamen, Fujian PRC	909.6	100.0	June 21, 2006	Touch systems and film-based touch modules and displays
Ray-Star Optical Solutions (Xiamen) Inc. (PRC) Technology Building, No. 18, Xiafei Road Xinyang Industrial Zone Haicang, Xiamen, Fujian PRC	(115.6)	100.0	April 15, 2010	Cover glass
TPK America, LLC 160 Greentree Drive, Suite 101, Dover, Delaware 19904	182.8	100.0	April 16, 2010	International trade
Ray-Star Universal Solutions Limited (Hong Kong) Office No. 43, 2F, Eton Tower 8 Hysan Avenue Causeway Bay, Hong Kong	10,480.6	100.0	December 17, 2010	Holding company
TPK Asia Pacific Sdn. Bhd. (Malaysia) Unit 3(I), Main Office Tower, Financial Park Labuan Jalan Merdeka, 87000 Labuan F.T. Labuan, Malaysia	4,038.6	100.0	December 3, 2010	Holding company
TPK Universal Solutions Limited (Hong Kong) Office No. 43, 2F, Eton Tower 8 Hysan Avenue Causeway Bay, Hong Kong	10,421.0	100.0	December 23, 2010	Holding company and international trade
TPK Glass Solutions (Xiamen) Inc. (PRC) No. 996 Min'an Ave., Xiang An Industrial District of Xiamen Torch Hi-Tech Industrial Development Zone Xiamen, Fujian, PRC	2,138.9	100.0	February 14, 2011	Cover glass and glass-based touch modules
Ray-Star System Solutions Limited (Hong Kong) 31/F., Chinachem Century Tower No. 178 Gloucester Road Wanchai, Hong Kong	649.5	100.0	December 28, 2010	Holding company

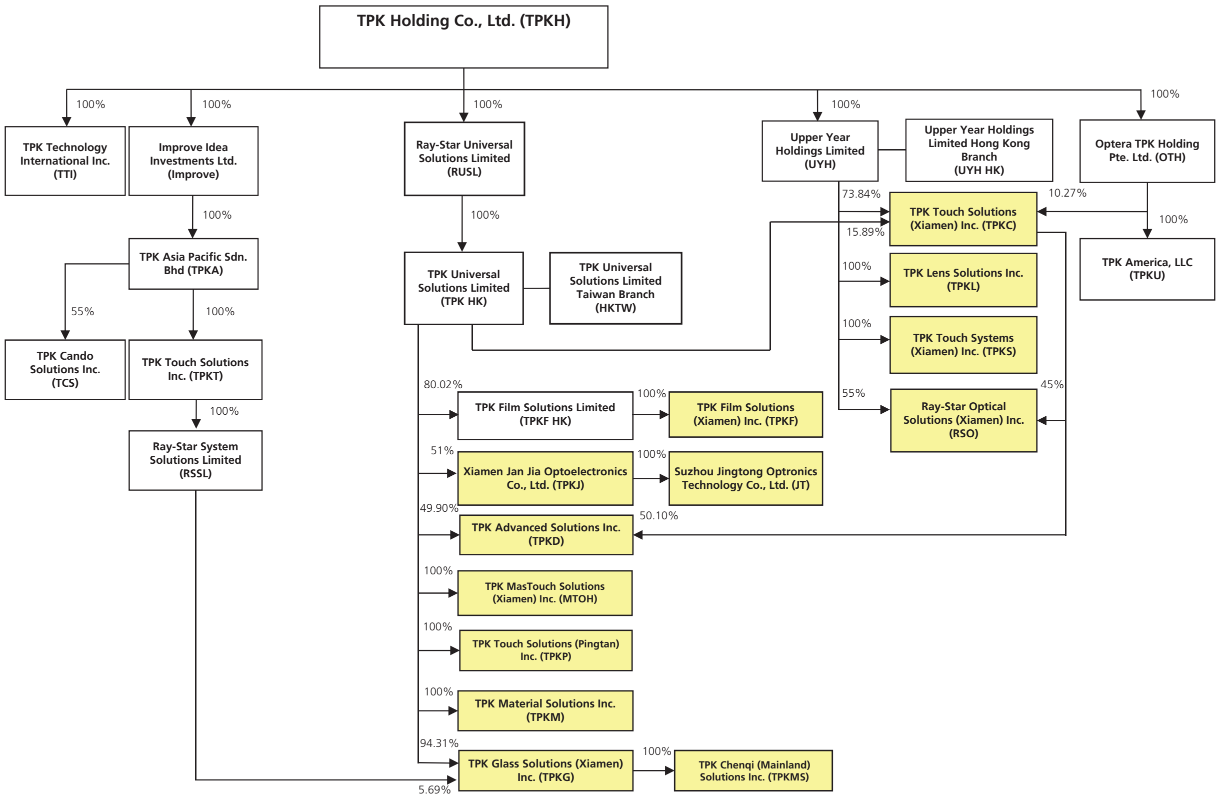
Name and registered address	Book value of our investments as of June 30, 2017	Percentage of shares owned by us as of June 30, 2017(1)	Date of incorporation	Principal function or products
	(in NT$ millions)	%		
Xiamen Jan Jia Optoelectronic Co., Ltd. (PRC) Central Block, No. 1 Xiangming Road Xiangan Industrial District Xiamen, Fujian, PRC	234.8	51.0	January 18, 2007	Protective films and optical adhesive manufacturing and sales
Jin Tong Suzhou Optoelectronic Co., Ltd. (PRC), No. 89, Wangmi Street, New District Suzhou, Jiangsu, PRC	157.9	51.0	June 29, 2005	Protective films and optical adhesive manufacturing and sales
TPK Film Solutions Limited (Hong Kong) 11/F., Wheelock House 20 Pedder Street Central, Hong Kong	(269.3)	80.02	June 14, 2012	Holding company
TPK Film Solutions (Xiamen) Inc. (PRC) Section D, 5/F, Building Complex No. 191 Ban Shang Road Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone Xiamen, Fujian, PRC	(274.6)	80.02	August 7, 2012	Silver nanowire film-based touch solutions
TPK MasTouch Solutions (Xiamen) Inc. (PRC) No. 1, Haijing North Road Haicang District Xiamen, Fujian, PRC	506.3	100.0	December 7, 2007	Large-sized, glass-based touch modules and displays
TPK Touch Solutions (Pingtan) Inc. (PRC) No. 1, East Ruyi Road Beicuo Town Pingtan, Fujian, PRC	(2,088.2)	100.0	February 18, 2013	Glass-based touch modules and displays
TPK Cando Solutions, Inc. (Taiwan) No. 88, Houke South Road Houli District Central Taichung Science Park Bureau Taiwan	115.6	63.9	April 3, 2013	Chemically strengthened glass and other modules research, manufacturing and sales
TPK Material Solutions Inc. (PRC) Economic Development Zone Jinjiang, Fujian, PRC	271.7	100.0	August 1, 2013	Touch related electronic materials, electronic chemicals processing, manufacturing and research

Name and registered address	Book value of our investments as of June 30, 2017	Percentage of shares owned by us as of June 30, 2017(1)	Date of incorporation	Principal function or products
	(in NT$ millions)	%		
TPK Advanced Solutions Inc. (PRC) 2-4F, No. 515, Qi Shan North Road Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone Xiamen, Fujian, PRC	11,800.6	100.0	July 15, 2014	Glass-based touch modules and displays
TPK Chenqi (Mainland) Solutions Inc. (PRC) Section E, 5/F, Building Complex No. 191 Ban Shang Road Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone Xiamen, Fujian, PRC	6.1	100.0	July 31, 2014	Trading business

Note:

(1) Including ordinary shares held directly by us and indirectly through our subsidiaries. See Note 12 to our financial statements as of and for June 30, 2017.

The diagram below illustrates our corporate structure as of June 30, 2017:



The following is a brief description of our significant subsidiaries that contribute to at least 20% of our total assets or total revenue as of December 31, 2016.

TPK Touch Solutions (Xiamen) Inc. (“TPKC”) was established on August 26, 2004, and has been our 100% subsidiary since then. It is an operating company engaging in the research, development, manufacturing and sales of touch modules and displays. As of December 31, 2016, TPKC had a paid-in capital of NT$7,849.5 million (US$258.4 million) and a total reserve in the amount of NT$22,624.2 million (US$744.7 million). TPKC recorded a profit in the amount of NT$90.3 million (US$3.0 million) after tax for the year ended December 31, 2016. We did not receive any dividends from TPKC for the year ended December 31, 2016. The book value and value at which we show the shares of TPKC held in our accounts were NT$32,136.6 million (US$1,057.8 million) and there is no outstanding debt owed to the Issuer by TPKC and the amount of debt owed by the Issuer to TPKC was NT$4,708.5 million (US$ 155.0 million) as of December 31, 2016.

TPK Advanced Solutions Inc. (“TPKD”) was established on July 15, 2014, and has been our 100% subsidiary since then. It is an operating company engaging in the research, development, manufacturing and sales of touch modules and displays. As of December 31, 2016, TPKD had a paid-in capital of NT$4,125.8 million (US$ 135.8 million) and a total reserve in the amount of NT$7,006.4 million (US$230.6 million). TPKD recorded a profit in the amount of NT$2,367.9 million (US$ 77.9 million) after tax for the year ended December 31, 2016. We did not receive any dividends from TPKD for the year ended December 31, 2016. The book value and value at which we show the shares of TPKD held in our accounts were NT$11,169.2 million (US$ 367.6 million) as of December 31, 2016 and there is no outstanding debt owed to or by the Issuer to TPKD as of December 31, 2016.

TPK Universal Solutions Limited (Hong Kong) (“TPK HK”) was established on December 23, 2010, and has been our 100% subsidiary since then. It is an operating company engaging in international trade. As of December 31, 2016, TPK HK had a paid-in capital of NT$14,746.2 million (US$485.4 million) and a total reserve was negative NT$4,507.7 million (US$148.4 million). TPK HK recorded a loss in the amount of NT$1,007.3 million (US$33.2 million) after tax for the year ended December 31, 2016. We did not receive any dividends from TPK HK for the year ended December 31, 2016. The book value and value at which we show the shares of TPK HK held in our accounts were NT$10,523.9 million (US$346.4 million) and there is no outstanding debt owed to the Issuer by TPK HK and the amount of debt owed by the Issuer to TPK HK was NT$3,225.0 million (US$ 106.2 million) as of December 31, 2016.

In addition to the above, as of June 30, 2017, our significant subsidiaries, Upper Year Holdings Limited and Ray Star Universal Solutions Limited, also contribute to at least 20% of our total assets or total revenue, but are excluded from the above, as they are holding companies.

Our management

Directors

Our board of directors has ultimate responsibility for the management of our business and affairs. Our Memorandum and Articles permits our board of directors to consist of no less than seven persons and no more than 11 persons. We currently have nine directors. The following tables contain certain information about each of our directors and senior executive officers. Each of our directors and senior executive officers listed below can be reached at our representative office located at No. 13-18, Section 6, Min Quan East Road, Taipei, Taiwan, ROC.

Name	Position	Position held since
Michael Chao-Juei Chiang	Chairman of the Board	October 20, 2006
Hwai-Hai Chiang (1)	Director	September 1, 2017
Eric Heng-Yao Chang(2)	Director	May 22, 2013
Ted Tsung-Liang Tsai(3)	Director	May 27, 2016
Sammy Shih-Ming Liu(4)	Director	May 27, 2016
Foster Min-Hsien Chiang	Director	May 22, 2013
Jonathan Horng-Yan Chang	Independent Director	January 8, 2010
Daniel Fong-Nien Chiang	Independent Director	May 22, 2013
Albert Ming Jeng Weng	Independent Director	May 22, 2013

Notes:

(1) Hwai-Hai Chiang serves in his capacity as the representative of Capable Way Investments Limited since September 1, 2017. Mr. Chiang also serves as our president and chief executive officer since September 1, 2017. Capable Way Investments Limited has been serving as Director since January 8, 2010.

(2) Eric Heng-Yao Chang has been serving in his capacity as the representative of Max Gain Management Limited since May 22, 2013. Max Gain Management Limited has been serving as Director since November 21, 2005.

(3) Ted Tsung-Liang Tsai has been serving in his capacity as the representative of High Focus Holdings Limited since May 27, 2016. High Focus Holdings Limited has been serving as Director since January 8, 2010.

(4) Sammy Shih-Ming Liu has been serving in his capacity as the representative of Global Yield International Co., Ltd. since May 27, 2016. Global Yield International Co., Ltd. has been serving as Director since May 27, 2016.

Michael Chao-Juei Chiang, aged 63, is the chairman of our board of directors and our founder. Prior to founding our Company, Mr. Chiang was the chairman of TVM Corporation and the president of Taiwan Video & Monitor Corporation. Mr. Chiang received a bachelor's degree in business administration from Fu Jen Catholic University.

Hwai-Hai Chiang, aged 55, is a member of our board of directors and our chief executive officer. Prior to joining the company, Mr. Chiang served as executive vice president of Jabil Circuit Inc. and chief executive officer of Jabil Green Point. Mr. Chiang received a PhD degree in mechanical engineering from Cornell University.

Eric Heng-Yao Chang, aged 51, is a member of our board of directors and our senior vice president. Prior to joining our Company, Mr. Chang worked as the assistant manager of the manufacturing department (China) of Tupo Optoelectronics Incorporated and the assistant manager of the material control and research departments of Chief Industrial Inc. Mr. Chang received a master's degree in mechanical and electrical engineering from the China University of Science and Technology.

Ted Tsung-Liang Tsai, aged 51, is a member of our board of directors and our senior vice president. Prior to joining our Company, Mr. Tsai served as a director of business development at Green Point Incorporated Company. Mr. Tsai received a bachelor's degree in mechanical engineering from Feng Chia University.

Sammy Shih-Ming Liu, aged 49, is a member of our board of directors and our senior vice president. Prior to joining our Company, Mr. Liu worked as an assistant vice president at the office of quality assurance at TVM

(PRC) Corporation and an assistant vice president at Amkor Co. Ltd. Mr. Liu received a bachelor's degree in mechanical engineering from National Chin-Yi University of Technology.

Foster Min-Hsien Chiang, aged 34, is a member of our board of directors and our vice chairman. Prior to joining our Company, Mr. Chiang worked as a global analyst at Lehman Brothers (Hong Kong) Inc. and Nomura Securities (Hong Kong) Limited. Mr. Chiang received a master's degree in International Research and Business Administration from University of Pennsylvania.

Jonathan Horng-Yan Chang, aged 59, is an independent director of our Company. Mr. Chang is also a Supervisor for Soft-World Group and Shih Hsin University. He is a professor of communication management and business administration at Shih Hsin University in Taiwan and an Adjunct professor of business administration at Soochow University in Taiwan. Prior to joining our Company, Mr. Chang worked as the assistant Deputy Chief Financial Officer and Assistant Chief Controller at Interplex Industries Inc. Mr. Chang received a M.B.A. in accounting and business administration at St. John's University.

Daniel Fong-Nien Chiang, aged 59, is an independent director of our Company. He is also the chairman of Purestone Capital Group. He is a director of Chander Electronics Corp and an independent director of Standard Foods Corp. Prior to joining our Company, Mr. Chiang worked as the general manager at Trend Micro Corporation and the chief executive officer at Hua Yuan Information Company. He was also the chairman of Sina.com. Mr. Chiang received his master's degree in public policy and political economy from the University of Texas.

Albert Ming-Jeng Weng, aged 57, is an independent director of our Company. He is also a director of Lion Travel Service Co Ltd. He is an independent director of Egis Technology Inc. and Clientron Corp. He is also the owner of Millerful Capital Partners Inc. Prior to joining our Company. Mr. Weng worked as a vice president of Citi Bank and the General Manager of Citi Solomon Smith Barney (Taipei) Corporation. He was also the chairman of Lehman Brothers Securities (Taiwan) Limited and the president of the Nomura Securities (Taiwan) Limited. Mr. Weng received a M.B.A. degree from the University of Southern California.

Senior management

The following table contains certain information about each of our senior executive officers.

Name	Position	Position held since
Foster Min-Hsien Chiang	Vice Chairman	June 7, 2016
Hwai-Hai Chiang	President, Chief Executive Officer	September 1, 2017
Freddie Hsi-Liang Liu	Chief Strategy Officer	September 1, 2017
Jonathan Jong-Yih Chen	Chief Financial Officer	September 1, 2017
Eric Heng-Yao Chang	Senior Vice President	January 1, 2004
Ted Tsung-Liang Tsai	Senior Vice President	November 6, 2006
Sammy Shih-Ming Liu	Senior Vice President	January 2, 2006
Kevin Yu-Sheng Kai	Vice President	November 4, 2014
Jesse Je-Ni Tai	Vice President	December 16, 2014
Vic Hu-Yao Lin	Accounting Supervisor	September 1, 2017

See "Our Management—Directors" for the biographies of Foster Min-Hsien Chiang, Hwai-Hai Chiang, Eric Heng-Yao Chang, Ted Tsung-Liang Tsai and Sammy Shih-Ming Liu.

Freddie Hsi-Liang Liu, aged 53, has served as our chief strategy officer since September 2017. Mr. Liu joined our Company in 2009 and served as our chief financial officer and vice president from September 2009 to August 2017. Prior to joining our Company, Mr. Liu served as the vice president in finance at Advanced Semiconductor Engineering, Inc., from 1997 to 2009. Prior to that, Mr. Liu served as a vice president at Citibank. Mr. Liu received a master's degree in business administration from the University of Michigan.

Jonathan Jong-Yih Chen, aged 53, has served as our chief financial officer since September 2017. Mr. Chen joined our Company in 2010 and has been in charge of treasury function, foreign exchange and risk management. Prior to joining our Company, Mr. Chen served at Foxconn, Pou Chen and Far Eastern Group and has gained extensive industry experience. Mr. Chen received a master's degree in business administration from Baruch College of City University of New York.

Kevin Yu-Sheng Kai, aged 52, has served as our vice president since November 2014. Prior to joining the Company, Mr. Kai served as the chief investment officer of Touch Video Monitor Corporation. Mr. Kai received a master's degree in the Department of Business Management from Rutgers State University.

Jesse Je-Ni Tai, aged 57, has served as our vice president since December 2014. Prior to joining our Company, Mr. Tai served as sales director for Greater China of Canatu Oy. Mr. Tai received a bachelor's degree in Department of Law from Soochow University.

Vic Hu-Yao Lin, aged 46, has served as our accounting supervisor since September 2017. Mr. Lin joined our Company in 2009 and has been serving in the accounting department. Prior to joining our Company, Mr. Lin had assumed the jobs of accounting supervisor in several public companies. Mr. Lin received a master's degree in accounting from Soochow University.

Share ownership, related party transactions and compensation

As of June 30, 2017, our directors (including the corporate shareholders for whom certain of our directors are representatives) and executive officers beneficially own 81,914,290 Shares (including employee bonus Shares held by a custodian), representing approximately 23.63% of the total issued share capital as of June 30, 2017. See "Principal Shareholder."

As of June 30, 2017, our directors and executive officers held outstanding options convertible into 5,716,000 Shares. The following table sets forth certain information with respect to our Shares and stock options of the Company exercisable for our Shares held by our directors and executive officers as of June 30, 2017. Percentage of beneficial ownership is based on our total issued share capital as of June 30, 2017.

Name of Director or Executive Officer	No. of Shares beneficially held(1)	Percentage of total issued share capital	Number of Stock Options exercisable(2)	Exercise Price of Stock Options	Expiration Date of Stock Options
Michael Chao-Juei Chiang(3)	80,570,509	23.24	0	–	–
Eric Heng-Yao Chang	*	*	*	*	*
Ted Tsung-Liang Tsai	*	*	*	*	*
Sammy Shih-Ming Liu	*	*	*	*	*
Foster Min-Hsien Chiang	0	0	0	–	–
Jonathan Horng-Yan Chang	0	0	0	–	–
Daniel Fong-Nien Chiang	0	0	0	–	–
Albert Ming Jeng Weng	*	*	0	–	–
Freddie Hsi-Liang Liu	*	*	*	*	*
Kevin Yu-Sheng Kai	0	0	*	*	*
Jesse Je-Ni Tai	0	0	*	*	*

(1) Including Shares directly held and Shares beneficially owned through spouse and minor children.

(2) Each option may be converted into one of our Shares. The figures referred herein include options convertible into our Shares scheduled to vest within 60 days as of the date hereof.

(3) Including 25,222,643 Shares Mr. Michael Chao-Juei Chiang beneficially owned through Max Gain Management Limited, 23,139,855 Shares Mr. Michael Chao-Juei Chiang beneficially owned through Capable Way Investments Limited, 13,273,610 Shares Mr. Michael Chao-Juei Chiang beneficially owned through High Focus Holdings Limited, 1,114,000 Shares Mr. Michael Chao-Juei Chiang beneficially owned through Global Yield International Co., Ltd, 100,000 Shares Mr. Michael Chao-Juei Chiang beneficially owned through Panshi Company Limited, and 17,720,401 Shares directly owned by Mr. Michael Chao-Juei Chiang.

* The sum of the number of common shares held and the number of common shares issuable upon exercise of all options held is less than 1.0% of our total outstanding shares.

The aggregate remuneration paid and benefits in-kind granted by us or any of our subsidiaries to our directors and executive officers in these capacities as a group for 2016 was NT$51.1 million (US$1.7 million), of which nil was paid to our directors and NT$51.1 million (US$1.7 million) was paid to our executive officers. There are no outstanding loans granted by us or any of our subsidiaries to any of the members of the board or executive officers, and there are no outstanding guarantees provided by us or any of our subsidiaries for the benefit of any of our directors or executive officers.

None of our directors who are not representatives of our controlling shareholders or executive officers have or have had interests in transactions which are or were unusual in their nature or conditions or significant in relation to our business or any of our subsidiaries and which were effected by us during the current or immediately preceding fiscal year or were effected during an earlier year and remain in any respect outstanding or unperformed.

Principal shareholder

The name of our principal shareholder of record and his share ownership as of June 30, 2017, the most recent record date, is as follows:

Principal Shareholder	Shares held prior to this Offering	
Michael Chao-Juei Chiang[(1)]	80,570,509	23.24%

Note:

(1) Mr. Michael Chao-Juei Chiang is the Chairman of our board of directors. As of June 30, 2017, Mr. Chiang beneficially owned 25,222,643 Shares through Max Gain Management Limited, 23,139,855 Shares through Capable Way Investments Limited, 13,273,610 Shares through High Focus Holdings Limited, 1,114,000 Shares through Global Yield International Co., Ltd, 100,000 Shares through Panshi Company Limited, and directly owned 17,720,401 Shares. As a result, as of June 30, 2017, Mr. Chiang beneficially owned 80,570,509 Shares, representing approximately 23.24% of our total issued share capital as of June 30, 2017.

Changes in issued share capital

According to our Memorandum and Articles, we have only one class of shares in issue. Currently, our Memorandum and Articles provide that our authorized share capital is NT$6,000,000,000, divided into 600,000,000 Shares. All issued Shares are in registered form.

The following table sets forth the changes in our issued share capital since January 1, 2011, not including this offering or the Concurrent Employee Offering:

Date	Description	Number of Shares issued	Number of total issued Shares after issue
August 2011	(1) Authorized share capital increased from NT$3,000,000,000 to NT$4,000,000,000(1); (2) Issuance of 11,203,376 Shares as dividend(2)	11,203,376	235,270,898
May 2012	(1) Authorized share capital increased from NT$4,000,000,000 to NT$6,000,000,000(3); (2) Exercise of employee share options: issuance of 1,690,000 Shares	1,690,000	236,960,898
June 2012	Exercise of employee share options: issuance of 1,589,000 Shares	1,589,000	238,549,898
July 2012	(1) Issuance of 70,581,269 Shares as dividend(4)	70,581,269	309,131,167
August 2012	Exercise of employee share options: issuance of 189,000 Shares	189,000	309,320,167
September 2012	Exercise of employee share options: issuance of 37,000 Shares	37,000	309,357,167
October 2012	(1) Exercise of employee share options: issuance of 23,000 Shares (2) Issuance of Overseas GDR 17,600,000 Shares	17,623,000	326,980,167
November 2012	Exercise of employee share options: issuance of 16,000 Shares	16,000	326,996,167
December 2012	Exercise of employee share options: issuance of 139,000 Shares	139,000	327,135,167
January 2013	Exercise of employee share options: issuance of 5,000 Shares	5,000	327,140,167
February 2013	Exercise of employee share options: issuance of 12,000 Shares	12,000	327,152,167
March 2013	Exercise of employee share options: issuance of 28,000 Shares	28,000	327,180,167
May 2013	(1) Exercise of employee share options: issuance of 1,198,000 Shares (2) Overseas of convertible bonds 129,592 Shares	1,327,592	328,507,759
June 2013	Exercise of employee share options: issuance of 93,000 Shares	93,000	328,600,759
July 2013	Exercise of employee share options: issuance of 253,000 Shares	253,000	328,853,759
August 2013	Exercise of employee share options: issuance of 161,000 Shares	161,000	329,014,759

Date	Description	Number of Shares issued	Number of total issued Shares after issue
September 2013	Exercise of employee share options: issuance of 87,000 Shares	87,000	329,101,759
October 2013	Exercise of employee share options: issuance of 3,000 Shares	3,000	329,104,759
November 2013	Exercise of employee share options: issuance of 5,000 Shares	5,000	329,109,759
December 2013	Exercise of employee share options: issuance of 179,000 Shares	179,000	329,288,759
January 2014	Exercise of employee share options: issuance of 6,000 Shares	6,000	329,294,759
February 2014	Exercise of employee share options: issuance of 15,000 Shares	15,000	329,309,759
March 2014	Exercise of employee share options: issuance of 225,000 Shares	225,000	329,534,759
May 2014	Exercise of employee share options: issuance of 208,000 Shares	208,000	329,742,759
June 2014	Exercise of employee share options: issuance of 993,000 Shares	993,000	330,735,759
July 2014	Exercise of employee share options: issuance of 202,000 Shares	202,000	330,937,759
August 2014	Exercise of employee share options: issuance of 18,000 Shares	18,000	330,955,759
September 2014	Exercise of employee share options: issuance of 180,000 Shares	180,000	331,135,759
October 2014	Exercise of employee share options: issuance of 16,000 Shares	16,000	331,151,759
November 2014	Exercise of employee share options: issuance of 121,000 Shares	121,000	331,272,759
December 2014	Exercise of employee share options: issuance of 22,000 Shares	22,000	331,294,759
January 2015	Exercise of employee share options: issuance of 88,000 Shares	88,000	331,382,759
February 2015	Exercise of employee share options: issuance of 4,000 Shares	4,000	331,386,759
April 2015	Issuance of Overseas GDR 20,000,000 Shares	20,000,000	351,386,759
June 2015	Exercise of employee share options: issuance of 217,000 Shares	217,000	351,603,759
July 2015	Exercise of employee share options: issuance of 14,000 Shares	14,000	351,617,759
August 2015	Exercise of employee share options: issuance of 14,000 Shares	14,000	351,631,759
March 2016	Buyback the first treasury stocks nullifying	4,998,000	346,633,759

Notes:

(1) The increase in authorized share capital was resolved in our shareholders' meeting on June 9, 2011.

(2) The issuance of Shares as dividend was resolved in our board meeting on June 28, 2011, effective on August 8, 2011.

(3) The increase in authorized share capital was resolved in our shareholders' meeting on May 16, 2012.

(4) The issuance of Shares as dividend was resolved in our board meeting on June 11, 2012, effective on July 5, 2012.

Transactions with related parties

From time to time we have engaged in a variety of transactions with our affiliates. Our internal policy on transactions with affiliates is that they must be conducted on terms that are substantially the same as those for comparable transactions with non-affiliates on an arm's-length basis. Set forth below is a summary of our transaction with related parties for the periods indicated. Please refer to Note 34 and 35 to our financial statements as of and for the six months ended June 30, 2017 for a detailed description of our transactions with related parties for the year ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, respectively.

Sales and purchases of goods

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, we purchased raw materials and components from our related parties in the aggregate amount of NT$4,194.3 million, NT$4,190.0 million, NT$924.9 million (US$30.4 million), NT$519.9 million and NT$530.7 million (US$17.5 million), respectively.

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, we sold our products to our related parties in the aggregate amount of NT$512.8 million, NT$1,294.4 million, NT$860.6 million (US$28.3 million), NT$466.7 million and NT$479.8 million (US$15.8 million), respectively.

Leases

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, rental disbursement paid to our related parties that was accounted as overhead amounted to an aggregate of NT$119.5 million, NT$126.2 million, NT$114.1 million (US$3.8 million), NT$62.1 million and NT$49.0 million (US$1.6 million), respectively.

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, rental disbursement paid to our related parties that was accounted as operating expenses amounted to an aggregate of NT$103.1 million, NT$87.6 million, NT$77.5 million (US$2.6 million), NT$38.2 million and NT$36.4 million (US$1.2 million), respectively.

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, rental income from our related parties that was accounted as other income amounted to NT$65.2 million, NT$60.2 million, NT$13.7 million (US$0.5 million), NT$11.2 million and NT$2.0 million (US$0.1 million), respectively.

Sales and purchases of property, plant and equipment

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, we purchased property, plant and equipment from our related parties in the aggregate amount of NT$12.5 million, NT$2.6 million, NT$5.7 million (US$0.2 million), NT$0.6 million and NT$0.1 million (US$0.0 million), respectively.

Other income

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, we recorded other income from our related parties in the amount of NT$1.6 million, NT$2.0 million, NT$2.7 million (US$0.1 million), NT$1.3 million and NT$1.2 million (US$0.0 million), respectively.

Research expenses

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, we recorded research expenses from our related parties in the aggregate amount of NT$185.2 million, NT$13.2 million, NT$7.7 million (US$0.3 million), NT$1.7 million and NT$1.9 million (US$0.1 million), respectively.

Accounts receivable and payable

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, accounts receivable due from our related parties amounted to NT$98.0 million, NT$175.3 million, NT$147.2 million (US$4.8 million), NT$188.3 million and NT$170.1 million (US$5.6 million), respectively.

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, other receivable due from our related parties amounted to NT$15.0 million, NT$766.6 million, NT$662.7 million (US$21.8 million), NT$793.8 million and NT$1.9 million (US$0.1 million), respectively.

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, accounts payable due to our related parties amounted to NT$1,156.9 million, NT$802.4 million, NT$146.5 million (US$4.8 million), NT$263.7 million and NT$232.5 million (US$7.7 million), respectively.

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, accounts payable for equipment due to our related parties amounted to NT$26.7 million, NT$18.3 million, NT$21.9 million (US$0.7 million), NT$19.4 million and NT$5.6 million (US$0.2 million), respectively.

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, other payable due to our related parties amounted to NT$28.7 million, NT$77.6 million, NT$15.2 million (US$0.5 million), NT$20.2 million and NT$14.4 million (US$0.5 million), respectively.

Deposit of cash

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, we deposited cash for our related parties in the aggregate amount of NT$26.1 million, NT$25.7 million, NT$23.6 million (US$0.8 million), NT$24.8 million and NT$23.0 million (US$0.8 million), respectively. The cash was used as deposit for lease of factory and manufacturing facilities for our related parties.

Amounts due from related parties

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, amounts due from our related parties amounted to NT$1,107.8 million, NT$1,334.8 million, NT$547.0 million (US$18.0 million), NT$832.0 million and nil, respectively. We extend unsecured loans to related parties at rates comparable to market interest rates.

Amounts due to related parties

In 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, amounts due to our related parties amounted to NT$11.9 million, nil, nil, nil and nil, respectively. We obtained loans from related parties at rates comparable to market interest rates.

Guarantee

As of December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, our related parties provided guarantee for our short-term and long-term loans of NT$5.1 million, nil, nil, nil and nil, respectively.

Description of our share capital

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our Memorandum and Articles, and the Companies Law. As of June 30, 2017, our authorized share capital is NT$6,000,000,000 divided into 600,000,000 Shares of a par value of NT$10.00 each. As of the date of this offering memorandum, there are 346,633,759 Shares issued and outstanding. All of the Shares issued and outstanding prior to the completion of this offering are and will be fully paid, and all of the Shares to be issued in this offering will be issued as fully paid. The following are summaries of certain provisions of our Memorandum and Articles and the Companies Law and the ROC securities-related regulations insofar as they relate to the terms of the Shares. This summary does not purport to contain all applicable provisions of the Memorandum and Articles and the Companies Law or to contain all applicable qualifications and exceptions.

Shares

General

Subject to the Companies Law, the Memorandum and Articles, the applicable ROC public company rules and to any resolution of our shareholders to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares, the board of directors shall have the power to allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as it thinks proper. We shall have power to redeem or purchase any or all of such Shares and to sub-divide or consolidate the said Shares of any of them and to issue all or partly of its capital whether priority or special privilege or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide, every issue of Shares whether stated to be ordinary, preference or otherwise, shall be subject to the powers on the part of the Company as provided in the Memorandum and Articles.

Dividends

The holders of the Shares are entitled to such dividends as may be declared by our board of directors subject to the approval by the shareholders, the Companies Law and to our Memorandum and Articles. For further details, see "Dividends and Dividend Policy."

Voting rights

Every shareholder of the Company who is present in person or by proxy shall have one vote for each Share of which it is a holder. An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes attached to the shares cast in a shareholders' meeting, while a special resolution requires the affirmative vote of not less than two-thirds of votes cast in a shareholders' meeting. A supermajority resolution requires the affirmative vote of a simple majority of the Shares attended by shareholders who represent two-thirds or more of all issued and outstanding Shares of our Company, or by at least two-thirds of the shareholders present who represent a majority of all issued and outstanding Shares of our Company. A special resolution will be required for matters such as a change of name or making amendments to our Memorandum and Articles and a supermajority resolution will be required for matters such as the removal of any director of our Company.

Our board of directors may determine that the voting power of a shareholder of the Company at a shareholders' meeting may be exercised by way of a written ballot or by way of electronic transmission; *provided, however,* that if a shareholders' meeting is to be held outside of Taiwan or if otherwise required under the applicable ROC public company rules, we shall provide the shareholders of the Company with a method for exercising their voting power by means of a written ballot or electronic transmission.

We have amended our Memorandum and Articles to allow a member holding more than one Share to cast the votes in respect of his Shares in the way where he holds the Share for the benefit of others in accordance with the applicable ROC public company rules. For further details, please see "Description of the Global Depositary Shares—Voting Rights."

Transfer of shares

Subject to the requirements of applicable laws of the Cayman Islands, transfers of uncertificated Shares which are traded on the TWSE may be effected by any method of transferring or dealing in securities introduced by the TWSE or operated in accordance with the applicable ROC public company rules as appropriate and which have been approved by the board of directors for such purpose.

In accordance with the applicable ROC public company rules, we shall issue the Shares in scripless form and the Shares shall be traded on the TWSE during the period of listing.

Liquidation

On the winding up of the Company, when assets available for distribution among the holders of the Shares are more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the shareholders in proportion to the number of Shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to us. If our assets available for distribution among the shareholders are insufficient to repay the whole of the share capital, the assets will be distributed so that, as nearly as may be, the losses shall be borne by our shareholders in proportion to the number of Shares held by them.

Purchase of shares

Subject to the provisions of the Companies Law, our Memorandum and Articles and the applicable ROC public company rules, we may purchase our own Shares on such terms as our board of directors may from time to time decide *provided* that the approval by a majority of the directors at a meeting attended by two-thirds or more of the total number of the directors and the implementation thereof should be reported to the shareholders at the next general meeting in accordance with the ROC public company rules.

Variations of rights of shares

If at any time, our share capital is divided into different classes of Shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied with the sanction of a special resolution passed at a shareholders' meeting of the holders of the Shares of that class. Notwithstanding the foregoing, if any modification or alteration to the Memorandum and Articles is prejudicial to the preferential rights of any class of Shares, such modification or alteration shall be adopted by a special resolution and shall also be adopted by a special resolution passed at a separate meeting of shareholders of that class of Shares.

Meetings of shareholders

Our board of directors may convene the shareholders' meetings whenever they think fit. Shareholders' meetings shall also be convened on the written requisition of any shareholder holding at least 3% of the total number of the outstanding Shares at the time of requisition and whose Shares shall have been held by such shareholder for at least one year. The requisition should be deposited at the registered office of the Company specifying the matters to be discussed at the meeting and the reason therefor signed by such shareholder(s), and if our board of directors does not within 15 days from the date of the deposit of the requisition dispatch the notice of such shareholders' meeting, such shareholder(s) may convene the shareholders' meeting in accordance with the applicable ROC public company rules.

At least 30 days' notice of an annual general meeting, and at least 15 days' notice of an extraordinary general meeting shall be given to each shareholder entitled to attend and vote at such meeting.

Save as otherwise provided by our Memorandum and Articles, the holders of Shares being more than an aggregate of one-half of all shares in issue present in person or by proxy shall constitute a quorum for any shareholders' meeting.

Election and removal of directors

Our board of directors shall consist of no less than seven persons and no more than 11 persons, including independent directors, each of whom shall be appointed to a term of office of three years. We may from time to time by an ordinary resolution increase or reduce the number of Directors subject to the above number limitation *provided* that the requirements by relevant laws and regulations (including but not limited to any listing requirements) are met. There are currently nine directors.

Unless otherwise permitted under the applicable ROC public company rules, there shall be at least three independent directors and, to the extent required by the laws of the ROC, at least one of them shall be domiciled in the ROC and at least one of them shall have accounting or financial expertise.

If the number of independent directors is less than three persons, or, the number of directors is less than five persons, we shall hold an election of independent directors or directors (as the case may be) at the next following shareholders' meeting. If all of the independent directors have resigned or are removed or vacated, or the number of our board of directors equals to one third of the total number of directors elected, our board of directors shall hold, within 60 days, an extraordinary general meeting to elect succeeding independent directors or directors (as the case may be) to fill the vacancies.

Subject to the applicable ROC public company rules, we may at a shareholders' meeting elect any person to be a director pursuant to a cumulative voting mechanism, where the number of votes exercisable by any shareholder shall be the same as the product of the number of Shares held by such shareholder and the number of directors to be elected and the total number of such votes cast by any shareholder may be consolidated for election of one director candidate or may be split for election amongst multiple director candidates, as specified by the shareholder pursuant to the poll vote ballot. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed as elected. Where more than one director is being elected, the top candidates to whom the votes cast represent a prevailing number of votes relative to the other candidates, shall be deemed as elected.

Our shareholders may from time to time by supermajority resolution remove any director from office.

Powers of board of directors

Our Memorandum and Articles provide that, subject to the provisions of the Companies Law, the Memorandum and Articles, applicable ROC public company rules and any shareholder resolutions, our business is to be managed and conducted by our board of directors. The quorum necessary for the transaction of the business of the directors shall be more than one-half of the directors, unless otherwise fixed by the directors.

Our Memorandum and Articles provide that the directors may exercise all powers of the Company to raise or borrow money, to mortgage or charge its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock, mortgages, bonds and other securities whether outright or as security for any debt, liability or obligation of our Company or of any third party.

Inspection of books and records

No shareholder (other than a director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by the Companies Law or authorized by the board of directors of the Company in a shareholders' meeting.

Changes in capital

We may from time to time by special resolution to increase the authorized share capital of the Company by such amount as we think expedient.

We may by a special resolution reduce our share capital in accordance with the Companies Law.

Substantial shareholders and transfer restrictions

Under the ROC Securities and Exchange Law, our directors, managers and shareholders holding more than 10% of the Shares are required to report to us, on a monthly basis, any changes in their shareholding in the Company. Except in certain limited circumstances, the number of Shares that they may sell or transfer on the TWSE on any given day is limited by ROC laws. In addition, they may only sell or transfer such Shares on the TWSE at least three days after they have filed a notification with the FSC in connection with such sale or transfer, *provided* that such notification is not required if the number of Shares to be sold or transferred does not exceed 10,000.

Description of the global depositary shares

Citibank, N.A., or Citibank, is the Depositary for the Global Depositary Shares, or GDSs. Citibank's depositary offices are located at 388 Greenwich Street, New York, 10013, USA. Rule 144A and Regulation S Global Depositary Shares are referred to as "Rule 144A GDSs" and "International GDSs," respectively. In this summary, we intend to use the term "GDSs" to refer to the Rule 144A GDSs and to the International GDSs. Unless we otherwise state, you should assume that the term "GDSs" encompasses both Rule 144A GDSs and International GDSs. GDSs are evidenced by Global Depositary Receipt, or "GDR", certificates. The GDSs we are selling in the United States are referred to and will be issued as Rule 144A GDSs and the GDSs we are selling outside the United States are referred to and will be issued as International GDSs. GDSs represent ownership interests in securities that are on deposit with the Depositary.

The Depositary has appointed a Custodian to hold the securities on deposit in safekeeping. The Custodian is Citibank Taiwan Limited, having its principal office at 9F, No. 16 Nan Jing East Road Sec. 4, Taipei, Taiwan, Republic of China.

We have appointed Citibank as Depositary pursuant to two separate Deposit Agreements, each dated as of October 1, 2012, one for the Rule 144A GDSs, or the Rule 144A Deposit Agreement, and one for the International GDSs, or the Regulation S Deposit Agreement, and as supplemented by the Letter Agreement dated as of April 8, 2015, and a Letter Agreement to be dated on or about the closing date of the GDS offering. A copy of the Deposit Agreements and any supplements or amendments thereto may be obtained from the Depositary. This is a summary description of the material terms of the GDSs and of your material rights as an owner of GDSs. Please remember that summaries by their nature lack the precision of the information summarized and that the rights and obligations of an owner of GDSs will be determined by reference to the terms of the applicable Deposit Agreement and not by this summary. We urge you to review the Deposit Agreements in their entirety. Statements printed in italics in this description are provided for your information but may not be contained in the Deposit Agreements.

Each GDS represents the right to receive one Share, or evidence of the right to receive one Share, on deposit with the Custodian. A GDS will also represent the right to receive any other property received by the Depositary or the Custodian on behalf of the owner of the GDS but that has not been distributed to the owner of the GDSs because of legal restrictions or practical considerations.

If you become an owner of GDSs, you will become a party to the applicable Deposit Agreement and therefore will be bound to its terms and to the terms of the GDR certificate that evidences your GDSs. The Deposit Agreements and the GDR certificates specify our rights and obligations as well as your rights and obligations as an owner of GDSs and those of the Depositary. As a GDS owner you appoint the Depositary to act on your behalf for the Shares represented by your GDSs, either upon (1) your specific instructions, or (2) the specific terms of the applicable Deposit Agreement. The Deposit Agreements are governed by New York law. However, our obligations to the holders of Shares will continue to be governed by Cayman Islands and ROC laws, which may be different from the laws in the United States. In addition, we note that Cayman Islands and ROC law and regulations may restrict the deposit and withdrawal of the Shares into or from the depositary receipt facilities.

Under the laws and regulations of the ROC, as currently in effect, after the initial deposit of Shares pursuant to this offering, without obtaining regulatory approval from the FSC, no shares may be accepted for deposit and no GDSs may be issued under the terms of the Deposit Agreements except in the following circumstances:

1) upon a stock dividend on, or a free distribution of, shares to existing shareholders;
2) upon the exercise by existing shareholders of their preemptive rights in connection with capital increases for cash;

3) the issuance of shares by the Company to holders of bonds in connection with the exercise of conversion or exchange rights of such bondholders (so long as the terms and conditions of such bonds containing such conversion or exchange features have been approved by the FSC prior to their issuance);

4) as permitted under the Deposit Agreements, to the extent previously issued GDSs have been cancelled, the purchase directly by a person or through the Depositary of shares on the TWSE or the delivery by any person of shares held by such person for deposit in the depositary receipt facility; and

5) upon the exchange of Rule 144A GDSs for International GDSs and vice versa;

provided that the total number of GDSs outstanding after an issuance described in clause (4) does not exceed the number of GDSs issued and previously approved by the FSC in connection with the offering *plus* any GDSs created under clauses (1), (2) and (3) described above and subject in all cases to any adjustment on the number of Shares represented by each GDS.

Under the laws and regulations of the ROC, the Shares deposited under the Deposit Agreements may be withdrawn upon cancellation of the corresponding GDSs pursuant to the respective Deposit Agreement subject to the following conditions:

- the appointment of an eligible agent in the ROC to open (1) a securities trading account with an ROC brokerage firm with ROC approval, (2) a TDCC book-entry account and (3) a bank account to pay ROC taxes, remit funds, exercise shareholders' rights and perform such other functions as you may designate upon such withdrawal;
- the appointment of a tax guarantor in the ROC; and
- the appointment of a custodian to hold the securities in safekeeping, make confirmations, settle trades and report relevant information.

In addition, you will be required to register with the TWSE for making investments in the ROC securities market and obtain a foreign investor investment identification prior to withdrawing Shares.

Presently, you may hold your GDSs only through a brokerage or safekeeping account. As such, you must rely on the procedures of your broker or bank to assert your rights as a GDS owner. Please consult with your broker or bank to determine what those procedures are. When we refer to "you", we assume the reader owns GDSs and will own GDSs at the relevant time. When we refer to a "holder", we assume the person owns GDSs and such person's agent, which may be a broker, custodian, bank or trust company, is the holder of the applicable GDR certificate.

Distinctions between Rule 144A GDSs and international GDSs

The Rule 144A GDSs and the International GDSs are similar in many ways but are different primarily on account of the requirements of the U.S. securities laws. The Rule 144A GDSs are "restricted securities" under the U.S. securities laws and as such are subject to limitations on their issuance, transfer and cancellation.

The differences between the Rule 144A GDSs and the International GDSs and the restrictions imposed on the Rule 144A GDSs and the International GDSs cover primarily the following:

- The persons who may own and trade the GDSs:
  - only QIBs and non-U.S. persons (as defined in Regulation S) located outside of the United States may own and trade Rule 144A GDSs; and
  - any person may own and trade International GDSs offered herein.

- The persons who may create additional GDSs:
  - only persons located outside of the United States who are not U.S. persons (as defined in Regulation S) may deposit Shares to receive International GDSs; and
  - only QIBs and persons located outside of the United States who are not U.S. persons (as defined in Regulation S) may deposit Shares to receive Rule 144A GDSs.
  - The persons to whom you may transfer the GDSs, upon sale or otherwise:
  - you may transfer Rule 144A GDSs only to QIBs or persons other than U.S. persons (as defined in Regulation S) located outside of the United States in accordance with Rule 903 and 904 of Regulation S; and
  - you may transfer the International GDSs offered herein to any person.
- The restrictions on the transfers and withdrawal of the Shares represented by the GDSs.
  - Please refer to "—Legends" below.
  - The eligibility for book-entry transfer.
  - Please refer to "—Clearance, Settlement and Safekeeping" below.

These distinctions and the requirements of the U.S. securities laws may require us and the Depositary to treat the International GDSs and the Rule 144A GDSs differently at any time in the future. There can be no guarantee that holders of Rule 144A GDSs will receive the same entitlements as holders of International GDSs and vice versa.

Clearance, settlement and safekeeping

Rule 144A GDSs

The Depositary has made arrangements with DTC to act as securities depository for the Rule 144A GDSs. All Rule 144A GDSs issued in this offering will be registered in the name of Cede & Co., DTC's nominee. One Master Rule 144A GDR certificate will represent all Rule 144A GDSs issued to and registered in the name of Cede & Co. Transfers of ownership interests in Rule 144A GDSs are to be accomplished by entries made on the books of DTC and of the participants in DTC acting on behalf of Rule 144A GDS owners. Owners of Rule 144A GDSs will not receive physical certificates evidencing their ownership interests in the Rule 144A GDSs, except in the event that DTC no longer acts as securities depository and a successor securities depository cannot be appointed. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Rule 144A GDSs evidenced by the Master Rule 144A GDR certificate to such persons may be limited. Because DTC can only act on behalf of direct participants (the "Direct Participants"), who in turn act on behalf of indirect participants (the "Indirect Participants"), the ability of a person owning Rule 144A GDSs evidenced by the Master Rule 144A GDR certificate to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest, may be affected by the lack of physical individual definitive securities in respect of such interest.

So long as DTC, or its nominee, is the registered holder of the Master Rule 144A GDR certificate, DTC or such nominee, as the case may be, will be considered the sole holder of the Rule 144A GDSs evidenced thereby for all purposes under the Rule 144A Deposit Agreement and the Rule 144A GDSs.

DTC may discontinue providing its services as securities depository with respect to the Rule 144A GDSs at any time by giving reasonable notice to the Depositary. Under such circumstances, in the event that a successor securities depository cannot be appointed, Rule 144A GDR certificates will be printed and delivered to the applicable Rule 144A GDS owners.

If at any time DTC ceases to make its respective book-entry settlement systems available for the Rule 144A GDSs, we and the Depositary will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the Depositary will make available Rule 144A GDSs in physical certificate form.

DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that the Direct Participants deposit and facilitates the clearance and settlement of securities transactions among Direct Participants in such securities through electronic computerized book-entry changes in accounts of Direct Participants, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom own DTC, and may include the Initial Purchaser (and/or its affiliates). Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly, or the Indirect Participants. Transfers of ownership or other interests in DTC are to be accomplished by entries made on the books of Direct Participants or Indirect Participants acting on behalf of beneficial owners of GDSs. In addition, beneficial owners of GDSs in DTC will receive all distributions of dividends, GDSs, Shares, rights and other distributions, if any, on the GDSs from the Depositary through Direct Participants and Indirect Participants.

International GDSs

Arrangements have been made with DTC, Euroclear and Clearstream to act as the securities depositories for the International GDSs. All International GDSs issued in this offering will be registered in the name of Cede & Co., DTC's nominee. One Master International GDR certificate will represent all International GDSs issued to and registered in the name of Cede & Co. Transfers of ownership interests in International GDSs are to be accomplished by entries made on the books of Clearstream and Euroclear as participants in DTC and participants in Clearstream and Euroclear and on the books of DTC and of the participants in DTC, acting on behalf of International GDS owners. Owners of International GDSs will not receive physical certificates representing their ownership interests in the International GDSs, except in the event that use of the DTC book-entry system for the International GDSs is discontinued. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer International GDSs evidenced by the Master International GDR certificate to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person owning International GDSs evidenced by the Master International GDR certificate to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest, may be affected by the lack of physical individual definitive securities in respect of such interest.

So long as DTC, or its nominee, is the registered holder of the Master International GDR certificate, DTC or such nominee, as the case may be, will be considered the sole holder of the International GDSs evidenced thereby for all purposes under the Regulation S Deposit Agreement and the International GDSs.

DTC may discontinue providing its services as securities depository with respect to the International GDSs at any time by giving reasonable notice to the Depositary. Under such circumstances, in the event that a successor securities depository cannot be appointed, International GDR certificates will be printed and delivered to the applicable International GDS owners.

If at any time DTC ceases to make its respective book-entry settlement systems available for the International GDSs, we and the Depositary will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the Depositary will make available International GDSs in physical certificate form.

Settlement

Settlement for the GDSs will be made by the Initial Purchaser in immediately available funds. So long as the GDSs are evidenced by Master GDR certificates registered in the name of DTC or its nominee, the GDSs will settle in DTC's Same-Day Funds Settlement System and secondary market trading activity in the GDSs will be required by DTC to settle in immediately available funds.

Subject to compliance with the transfer restrictions applicable to the GDSs described below, cross-market transfers between DTC participants, on the one hand, and directly or indirectly through Clearstream or Euroclear account-holders, on the other, will be effected through DTC in accordance with DTC rules on behalf of Clearstream or Euroclear, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Clearstream or Euroclear, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Clearstream or Euroclear, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the GDSs, as the case may be, and making or receiving payment in accordance with normal procedures for settlement applicable to DTC. Clearstream and Euroclear account-holders may not deliver instructions directly to the depositories for Clearstream or Euroclear.

Because of time zone differences, the securities of a Clearstream or Euroclear accountholder purchasing an interest in a security from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Clearstream or Euroclear, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in such securities settled during such processing day will be reported to the relevant Clearstream or Euroclear account-holder on such day. Cash received by Clearstream or Euroclear as a result of sales of interests in securities by or through a Clearstream or Euroclear account-holder to a DTC participant will be received for value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

DTC will take any action permitted to be taken by an owner of GDSs only at the direction of one or more DTC participants to whose account or accounts with DTC interests in the GDSs evidenced by the Master GDR certificates are credited and only in respect of such portion of the number of GDSs as to which such DTC participant or DTC participants has or have given such direction. Owners of indirect interests in securities evidenced by the Master GDR certificates through DTC participants have no direct rights to enforce such interests while the securities are in global form.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate the transfer of interests in the Master GDR certificates among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time. None of us, the Depositary, the Custodian or any of their agents will have any responsibility for the performance by DTC, Clearstream or Euroclear or their respective participants of their respective obligations under the rules and procedures governing their operations.

Transfer restrictions

The GDSs may be resold, pledged or otherwise transferred only in compliance with the U.S. securities laws and are subject to the following restrictions:

Rule 144A GDSs	International GDSs
The Rule 144A GDSs may be resold, pledged or otherwise transferred only: (i) outside the United States in reliance on Regulation S to a person other than a "U.S. person" (as defined in Regulation S); or (ii) to a "QIB in a transaction meeting the requirements of Rule 144A; or (iii) pursuant to Rule 144 under the Securities Act, if available; or (iv) pursuant to an effective registration statement under the Securities Act.	The International GDSs offered herein shall be freely transferable.
Restrictions Upon Deposit	
Shares will be accepted for deposit only if delivered by, or on behalf of, a person that certifies that it is: (a) not us or our affiliate or a person acting on behalf of us or our affiliate, and (b) is (i) a QIB, or (ii) a person located outside the United States who is not a U.S. person (as defined in Regulation S).	Shares will be accepted for deposit only if delivered by, or on behalf of, a person that certifies that it is: (a) not us or our affiliate or a person acting on behalf of us or our affiliate, and (b) located outside the United States who is not a U.S. person (as defined in Regulation S).
Restrictions Upon Withdrawal	
Shares may be withdrawn from the Rule 144A Deposit Agreement only by a person who certifies that it is: (i) a non-U.S. person located outside of the United States who will be the beneficial owner of the Shares upon withdrawal; or (ii) a QIB who: (x) has sold the Rule 144A GDSs to another QIB, in a transaction meeting the requirements of Rule 144A, or outside the United States in reliance on Regulation S, or (y) will be the beneficial owner of the Shares and agrees to observe the transfer restrictions applicable to Rule 144A GDSs in respect of the Shares so withdrawn.	Shares may be withdrawn under the Regulation S Deposit Agreement by any person and are freely transferable.

Dividends and distributions

As a holder, you generally have the right to receive the distributions we make on the securities deposited with the Custodian. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders will receive such distributions under the terms of the Deposit Agreements in proportion to the number of GDSs held as of a specified record date.

Distributions of cash

Subject always to the laws and regulations of the ROC and the Cayman Islands, whenever we make a cash distribution for the securities on deposit with the Custodian, we will notify the Depositary and deposit the funds with the Custodian. Upon receipt of such notice and of confirmation of the deposit of the requisite funds, the Depositary will arrange for the funds to be converted into US dollars, if necessary and for the distribution of the US dollars to the holders, subject to the laws and regulations of the ROC.

The conversion into US dollars will take place only if necessary and practicable and if the US dollars are transferable to the United States. The amounts distributed to holders will be net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreements. The Depositary will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the Custodian in respect of securities on deposit.

Distributions of shares

Subject always to the laws and regulations of the ROC and the Cayman Islands, whenever we make a free distribution of Shares for the securities on deposit with the Custodian, we will notify the Depositary and deposit the applicable number of Shares with the Custodian. Upon receipt of notice of such deposit, the Depositary will either distribute to holders new GDSs representing the Shares deposited or modify the GDS-to-Shares ratio, in which case each GDS you hold will represent rights and interests in the additional Shares so deposited. Only whole new GDSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new GDSs or, to the extent permitted by applicable law, the modification of the GDS-to-Shares ratio upon a distribution of Shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreements. In order to pay such taxes or governmental charges, the Depositary may sell all or a portion of the new Shares so distributed.

No such distribution of new GDSs will be made if it would violate U.S. law, including the U.S. securities laws, or if it is not operationally practicable. If the Depositary does not distribute new GDSs as described above, it will use its best efforts to sell the Shares received and will distribute the proceeds of the sale as in the case of a distribution of cash.

Distributions of rights

Subject always to the laws and regulations of the ROC and the Cayman Islands, whenever we intend to distribute rights to purchase additional Shares, we will give prior notice to the Depositary and will indicate whether we wish the distribution of rights to be made available to you. In such case, we will assist the Depositary in determining whether it is lawful and reasonably practicable to distribute rights to purchase additional GDSs to holders.

The Depositary, with our assistance, will establish procedures to distribute rights to purchase additional GDSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of GDSs, if we indicate to the Depositary that we wish the distribution of rights to be made available to you and if we provide all of the documentation contemplated in the applicable Deposit Agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new GDSs upon the exercise of your rights. The Depositary is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to purchase new Shares other than in the form of GDSs.

The Depositary will not distribute the rights to you if:

- We do not timely request that the rights be distributed to you or we request that the rights not be distributed to you;
- We fail to deliver satisfactory documents to the Depositary;
- Any rights made available are not exercised and appear to be about to lapse; or
- In the Depositary's determination, it is not lawful and reasonably practicable to distribute the rights.

If registration of the rights or the securities to which such rights relate may be required under the Securities Act or any other applicable law in order for us to offer such rights or such securities to holders and to sell the securities represented by such rights, the Depositary will not distribute rights to holders of GDSs unless and until a registration statement under the Securities Act covering such offering is in effect. We have no obligation under the Deposit Agreements to prepare and file a registration statement for any purpose.

The Depositary will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the Depositary is unable to sell the rights, it will allow the rights to lapse.

Elective distributions

Subject always to the laws and regulations of the ROC and the Cayman Islands, whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional Shares, we will give prior notice thereof to the Depositary and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the Depositary in determining whether such distribution is lawful and reasonably practicable.

The Depositary will make the election available to you only if it determines that it is lawful, reasonably practicable and if we have provided all of the documentation contemplated in the Deposit Agreements. In such case, the Depositary will establish procedures to enable you to elect to receive either cash or additional GDSs, in each case as described in the Deposit Agreements.

If the election is not made available to you, you will receive either cash or additional GDSs, depending on what a shareholder in the ROC would receive upon failing to make an election, as more fully described in the corresponding Deposit Agreement.

Other distributions

Subject always to the laws and regulations of the ROC and the Cayman Islands, whenever we intend to distribute property other than cash, Shares or rights to purchase additional Shares, we will notify the Depositary in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the Depositary in determining whether such distribution to holders is lawful and reasonably practicable.

If the Depositary determines that it is reasonably practicable to distribute such property to you and if we provide all of the documentation contemplated in the Deposit Agreements, the Depositary will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable under the terms of the Deposit Agreements. In order to pay such taxes and governmental charges, the Depositary may sell all or a portion of the property received.

The Depositary will not distribute the property to you and will sell the property if:

- We do not request that the property be distributed to you or if we ask that the property not be distributed to you; or
- We do not deliver satisfactory documents to the Depositary; or
- The Depositary determines that all or a portion of the distribution to you is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution. If the Depositary is unable to sell such property, the Depositary may dispose of such property in any way it deems practicable under the circumstances.

Redemption

To the extent permitted by applicable laws, whenever we decide to redeem any of the securities on deposit with the Custodian, we will notify the Depositary. If it is reasonably practicable and if we provide all of the documentation contemplated in the Deposit Agreements, the Depositary will mail notice of the redemption to the holders.

The Custodian will be instructed to surrender the Shares being redeemed against payment of the applicable redemption price. The Depositary will convert the redemption funds received into US dollars upon the terms of the Deposit Agreements and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their GDSs to the Depositary. You may have to pay fees, expenses, taxes and other governmental charges upon the redemption of your GDSs. If less than all GDSs are being redeemed, the GDSs to be retired will be selected by lot or on a pro rata basis, as the Depositary may determine.

Changes affecting shares

The Shares held on deposit for your GDSs are subject to change from time to time. For example, there may be a change in nominal or par value, a split-up, cancellation, consolidation or reclassification of such Shares or a recapitalization, reorganization, merger, consolidation or sale of assets.

If any such change were to occur, your GDSs would, to the extent permitted by law, represent the right to receive the property received or exchanged in respect of the Shares held on deposit. The Depositary may in such circumstances deliver new GDR certificates to you or call for the exchange of your existing GDR certificates for new GDR certificates. If the Depositary may not lawfully distribute such property to you, the Depositary may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

Deposits

Subject to limitations set forth in the Deposit Agreements and the GDR certificates, after the initial deposit of Shares pursuant to this offering, the Depositary may create GDSs on your behalf if you or your broker deposits Shares with the Custodian. The Depositary will deliver these GDSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the Shares to the Custodian and you provide the applicable deposit certification. Your ability to deposit Shares and receive GDSs may be limited by U.S., Cayman Islands and ROC legal considerations applicable at the time of deposit.

Under the current ROC law, after the deposit of Shares pursuant to this GDS offering, no deposits of Shares may be made in a depositary receipt facility, and no GDSs may be issued against such deposits, without specific approval of the FSC, except in connection with the offering and the issuance of additional GDSs in connection with (i) dividends on, or free distributions of, Shares, (ii) the exercise by holders of the existing GDSs then outstanding pursuant to the Deposit Agreements of their pre-emptive rights in the event of capital increases for cash, (iii) the issuance of Shares to holders of convertible or exchangeable bonds in connection with the exercise of conversion or exchange rights of such bondholders (so long as the terms and conditions of such bonds which explicitly allow the Shares issued upon conversion of the bonds or being exchanged to be deposited into a depositary receipt facility have been approved by the FSC prior to the bond issuance), (iv) as permitted under the Deposit Agreements, to the extent that previously issued GDSs have been canceled, the purchase directly by a person or through the Depositary of Shares on the TWSE or the delivery by any person of Shares held by such person for deposit in the depositary receipt facility, *provided* that the total number of GDSs outstanding after an issuance described in clause (iv) does not exceed the number of GDSs issued and previously approved by the FSC in connection with the offering *plus* any GDSs created under clauses (i), (ii) and (iii) described above and (v) the exchange of Rule 144A GDSs for International GDSs and vice versa, subject to any adjustment on the number of Shares represented by each GDS.

The Depositary and the Custodian will refuse to accept Shares for deposit whenever they are notified in writing that such deposit would result in any violation of applicable laws, including ownership restrictions under the laws of the ROC. The Depositary will also refuse (i) to accept certain Shares for deposit under the Rule 144A Deposit Agreement if notified in writing that such Shares are listed on a U.S. securities exchange or quoted on a U.S. automated inter-dealer quotation system, unless accompanied by evidence satisfactory to the Depositary that any Shares presented for deposit are eligible for resale pursuant to Rule 144A, or (ii) to issue GDSs representing the new Shares that are separate and distinct from GDSs representing the existing Shares.

The issuance of GDSs may be delayed until the Depositary or the Custodian receives confirmation that all required approvals have been given and that the Shares have been duly transferred to the Custodian. The Depositary will only issue GDSs in whole numbers.

When you make a deposit of Shares, you will be responsible for transferring good and valid title to the Depositary. As such, you will be deemed to represent and warrant that:

- Such Shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
- All preemptive (and similar) rights, if any, with respect to such Shares have been validly waived or exercised.
- You are duly authorized to deposit such Shares.
- The Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and, in the case of International GDSs, are not, and the International GDSs issuable upon such deposit will not be, "restricted securities" (as defined in the Regulation S Deposit Agreement).
- The Shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties is incorrect in any way, we and the Depositary may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

When you deposit Shares to receive Rule 144A GDSs, you will be required to provide the Depositary with a deposit certification stating, *inter alia*, that:

- you acknowledge that the Shares and the Rule 144A GDSs have not been and will not be registered under the Securities Act or with any securities regulatory authority in any state or other jurisdiction in the United States; and
- you are not an "affiliate" of ours and you are not acting on behalf of us or one of our "affiliates"; and
- you certify that you are, or are acting on behalf of, (i) a QIB, or (ii) a person located outside the United States who is not a U.S. person (as defined in Regulation S) and will acquire the Shares to be deposited outside the United States; and
- you agree, as the owner of the Rule 144A GDSs, to offer, sell, pledge and otherwise transfer the Rule 144A GDSs or the Shares represented by the Rule 144A GDSs in accordance with the applicable U.S. state securities laws and only:

    (a) to a QIB in a transaction meeting the requirements of Rule 144A, or

    (b) outside the United States only in accordance with Regulation S to a person other than a U.S. person (as defined in Regulation S), or

    (c) in accordance with Rule 144 under the Securities Act, if available, or

    (d) pursuant to an effective registration statement under the Securities Act.

A copy of the form of deposit certification for Rule 144A GDSs is attached to the Rule 144A Deposit Agreement and may be obtained from the Depositary upon request.

When you deposit Shares to receive International GDSs, you will be required to provide the Depositary with a deposit certificate stating, *inter alia*, that:

- you acknowledge that the Shares and the International GDSs have not been and will not be registered under the Securities Act or with any securities regulatory authority in any state or other jurisdiction in the United States;
- you are not an "affiliate" of ours and you are not acting on behalf of us or one of our "affiliates";
- you certify that you are, or are acting on behalf of, (i) a person located outside the United States who is not a U.S. person (as defined in Regulation S) and (ii) a person that is not in the business of buying and selling securities, or, if you or such person is in such business, you or such person did not acquire the Shares to be deposited from us or any affiliate in the initial distribution of International GDSs, Shares and Rule 144A GDSs; and
- you agree, as the owner of the International GDSs (or the person you are acting on behalf of has confirmed its agreement to you), to offer, sell, pledge and otherwise transfer the International GDSs or the Shares represented by the International GDSs in accordance with the applicable U.S. state securities laws:

    (a) to a QIB in a transaction meeting the requirements of Rule 144A in which case you are required to "convert" the International GDSs into Rule 144A GDSs prior to making delivery to the transferee, or

    (b) outside the United States in accordance with Regulation S, or

    (c) in accordance with Rule 144 under the Securities Act, if available, or

    (d) pursuant to an effective registration statement under the Securities Act.

A copy of the form of deposit certification for International GDSs is attached to the Regulation S Deposit Agreement and may be obtained from the Depositary upon request.

Withdrawal of shares upon cancellation of GDSs

On or after the Share Listing Date, which is approximately the fifth ROC business day (as defined herein) from the closing date of the GDS offering, subject to the relevant provisions of the applicable Deposit Agreement, a holder may apply to withdraw the underlying Shares or request Citibank, N.A., as Depositary, acting pursuant to the Deposit Agreements, to sell or cause to be sold on behalf of such holders of the underlying Shares. The new Shares are without physical form and settled through the book-entry system. Your ability to withdraw the Shares may be limited by U.S., Cayman Islands and ROC law considerations applicable at the time of withdrawal.

Under current ROC law, if you (other than PRC persons except for QDII) wish to withdraw and hold underlying Shares from a depositary receipt facility, you will be required to appoint an eligible agent in the ROC to open a securities trading account with a local brokerage firm (after receiving an approval from the TWSE), a TDCC book-entry account and a bank account (the securities trading account, TDCC book-entry account and the bank account collectively, the "Accounts"), to pay ROC taxes, remit funds, exercise shareholders' rights and perform such other functions as you may designate upon such withdrawal. In addition, you will be required to appoint a custodian to hold the securities in safekeeping, make confirmation and settle trades and report all relevant information. Without the opening of such Accounts, the withdrawing owner would be unable to hold or subsequently sell the underlying Shares withdrawn from the depositary receipt facility on the TWSE or otherwise. In addition, you will be required to register with the TWSE for making investments in the ROC securities market prior to withdrawing Shares. These laws may change from time to time. We cannot assure you that current ROC law will remain in effect or that future changes in ROC law will not adversely affect your ability to withdraw the Shares from the applicable GDR facility.

Holders of GDSs withdrawing Shares represented by GDSs are also required under current ROC law and regulations to appoint an agent in the ROC for filing tax returns and making tax payments. Such agent must meet certain qualifications set by the MOF and, upon appointment, becomes a guarantor of such withdrawing owner's ROC tax obligations. Evidence of the appointment of such agent and the approval of such appointment by the ROC tax authorities may be required as conditions to such withdrawing holder's repatriation of the proceeds from the sale of the withdrawn Shares. There can be no assurance that such withdrawing holder will be able to appoint and obtain approval for such agent in a timely manner.

Subject to the withdrawal of deposited property being permitted under ROC and Cayman Islands law and regulations, you may also request that the Shares represented by your GDSs be sold on your behalf. The Depositary may require that you deliver your request for sale in writing. Any sale of the Shares will be conducted according to applicable ROC law through a securities company in the ROC on the TWSE or in another manner as is permitted under applicable ROC law. Any sale will be at your risk and expense. You may also be required to enter into a separate agreement to cover the terms of the sale of the Shares.

Upon receipt of any proceeds from any sale, subject to any restrictions imposed by ROC law and regulations, the Depositary shall convert the proceeds into US dollars and distribute the proceeds to you, net of any fees, expenses, taxes or governmental charges (including, without limitation, any ROC and U.S. taxes) incurred in connection with the sale. Sales of GDSs by a non-ROC holder are not currently subject to ROC income tax. Capital gains realized from sales of the Shares by a non-ROC holder are not subject to ROC income tax, but the sales of Shares will be subject to a securities transaction tax in the ROC.

In order to withdraw or instruct the sale of the Shares represented by your GDSs, you will be required to pay to the Depositary the fees for cancellation of GDSs and any charges and taxes payable upon the transfer of the

Shares being withdrawn and you will be required to provide to the Depositary the applicable withdrawal certification. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the GDSs will not have any rights under the corresponding Deposit Agreement.

If you hold a GDR certificate registered in your name, the Depositary may ask you to provide proof of identity and genuineness of any signature and such other documents as the Depositary may deem appropriate before it will cancel your GDSs. The withdrawal of the Shares represented by your GDSs may be delayed until the Depositary receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the Depositary will only accept GDSs for cancellation that represent a whole number of securities on deposit.

We have reporting obligations under ROC law in respect of the GDR facilities. In order to enable us to gather the information necessary for these reporting obligations, you will be asked to complete a certification upon withdrawal of Shares from the applicable GDR facility. The Depositary will refuse to release the Shares to you until you deliver a completed certification to it.

If the Shares are withdrawn from the depositary facility, such holder will be required to provide information to enable our compliance with our obligations set forth under the laws and regulations of the ROC, including a certification to the Depositary that:

- the holder is or is not a “related person”, as such term is defined in the applicable Deposit Agreement, to us;
- the holder, or the person on whose account he acts, is the beneficial owner of the GDSs surrendered to the Depositary thereby;
- the name, address and nationality of the beneficial owner of the GDSs, and the name, nationality and identity number of the recipient of Shares as included upon presentation of GDSs for cancellation, is true and correct;
- the number of GDSs surrendered and the number of Shares withdrawn, as included upon presentation of GDSs for cancellation, is true and correct;
- if the presenter is a broker-dealer, the owner of the account for which he is acting has confirmed the accuracy of the above representations;
- the holder is or is not a PRC person meeting the qualifications required under the laws of the ROC (a “Qualified PRC Person”), as such term is defined in the applicable laws of the ROC; and
- if the holder is a Qualified PRC Person, it has obtained all government approvals required under the laws of the ROC to hold the Shares underlying the GDSs submitted for cancellation and withdrawal and its ownership of Shares will not result in a violation of applicable laws of the ROC.

The deposit agreements may not be modified to impair your right to withdraw the securities represented by your GDSs unless there are:

- temporary delays because (1) the transfer books for the Shares or GDSs are closed, or (2) register of shareholders is closed due to a shareholders’ meeting or a payment of dividends;
- obligations to pay fees, taxes and similar charges; or
- restrictions imposed by law or regulation.

When you request the withdrawal of the Shares represented by your Rule 144A GDSs, you will be required to provide the Depositary with a withdrawal certification stating, *inter alia*, that:

- you acknowledge that the Rule 144A GDSs and the Shares represented by your Rule 144A GDSs have not been and will not be registered under the Securities Act or with any securities regulatory authority in any state or other jurisdiction in the United States; and
- you certify that either:

  (X) you are a QIB who is the beneficial owner of the Rule 144A GDSs presented for cancellation, or you are acting on behalf of a QIB who is the beneficial owner of the Rule 144A GDSs presented for cancellation and

    (i) you have, or the person on whose behalf you are acting has, sold or agreed to sell the Rule 144A GDSs or Shares to a person outside the United States in accordance with Regulation S, or

    (ii) you have, or the person on whose behalf you are acting has, sold or agreed to sell the Rule 144A GDSs or Shares to another QIB in a transaction meeting the requirements of Rule 144A, or

    (iii) you (or the person on whose behalf you are acting) will be the beneficial owner of the Shares upon withdrawal and you (or the person on whose behalf you are acting) (x) will not deposit the Shares in any depositary receipt facility that is not a "restricted" depositary receipt facility and (y) will sell the Shares only

      (a) to another QIB in a transaction meeting the requirements of Rule 144A, or

      (b) outside the United States in accordance with Regulation S, or

      (c) in accordance with Rule 144 (if available), or

      (d) pursuant to an effective registration statement under the Securities Act; or

  (Y) you are a person other than a U.S. person (as defined in Regulation S), you are located outside the United States and you acquired or agreed to acquire the Rule 144A GDSs or Shares outside the United States and will be the beneficial owner of the Rule 144A GDSs or Shares upon withdrawal.

When you request the withdrawal of the Shares represented by your International GDSs at any time during the "restricted period" (the period of 40 days after the closing of the GDS offering), you will be required to provide the Depositary with a withdrawal certification stating, *inter alia*, that:

- you acknowledge that the International GDSs and the Shares represented by your International GDSs have not been and will not be registered under the Securities Act or with any securities regulatory authority in any state or other jurisdiction in the United States; and
- you certify that

  (X) you are, or are acting on behalf of, a person who is, located outside the U.S. and are (is) the beneficial owner of the International GDSs presented for cancellation, and

either

    (i) you have sold or agreed to sell the Shares to a person outside of the United States in accordance with Regulation S, or

    (ii) you have sold or agreed to sell the International GDSs (or Shares represented thereby) to a QIB in a transaction meeting the requirements of Rule 144A, and will make delivery thereof in the form of Rule 144A GDSs, or

(iii) you (or the person on whose behalf you are acting) will be the beneficial owner of the Shares upon withdrawal and you (or the person on whose behalf you are acting) will at any time during the "restricted period" sell the Shares only

(a) to a QIB in a transaction meeting the requirements of Rule 144A, or

(b) to a person other outside of the United States in accordance with Regulation S

or

(Y) you are a QIB, you have agreed to acquire the International GDSs in a transaction made in reliance on Rule 144A and you will take all action necessary to cause the Shares to be withdrawn and deposited under the Rule 144A deposit agreement for the purpose of receiving Rule 144A GDSs.

- you certify that you (or the person on whose behalf you are acting has confirmed to you) that the total number of Shares to be received by you upon surrender of International GDSs does not exceed 10% of the total number of Shares currently on deposit with the Custodian.

Voting rights

You may instruct the Depositary to exercise the voting rights for the Shares represented by your GDSs only in accordance with the Deposit Agreements as described below. The voting rights of holders of Shares are described in "Description of Our Share Capital—Voting Rights."

The Depositary will mail to you any notice of shareholders' meeting received from us together with information explaining how to instruct the Depositary to exercise the voting rights of the securities represented by GDSs. If we fail to provide in a timely manner the Depositary with an English language translation of our notice of meeting or other materials related to any meeting of owners of Shares, the Depositary will endeavor to cause all the deposited securities represented by GDSs to be present at the applicable meeting, insofar as practicable and permitted under applicable law, but will not cause those securities to be voted.

Subject to the applicable Deposit Agreement, if the Depositary timely receives voting instructions from a holder of GDSs, it will endeavor to vote or cause the Custodian to vote the Shares represented by the holder's GDSs in accordance with such voting instructions. If the Depositary receives timely voting instructions from a holder of GDSs which fail to specify the manner in which the Shares represented by the holder's GDSs are to be voted, the Depositary will deem the holder of the GDSs to have instructed the Depositary to vote in favor of the items set forth in such voting instructions. If the Depositary received notice allowing it to timely notify the GDS holders of the meeting or solicitation of vote from the Company, and the Depositary has not received valid voting instructions from a GDS holder, such GDSs holder will be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the Company to vote the Shares represented by such GDSs. No discretionary proxy will be given with respect to any matter as to which the Company informs the Depositary that (i) the Company does not wish such proxy to be given, (ii) there exists substantial opposition, or (iii) the rights of holders of GDSs or the shareholders of the Company will be materially adversely affected.

By accepting and continuing to hold GDSs or any interest therein, a holder will be deemed to have agreed to the voting provisions set forth in the applicable Deposit Agreement, as such provisions may be amended from time to time to comply with applicable Cayman Islands law or ROC law.

Please note that the ability of the Depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the Depositary in a timely manner.

Fees and charges

As a GDS holder, you will be required to pay the following service fees to the Depositary:

Service	Fees
Issuance of GDSs	Up to US$0.05 per GDS issued
Cancellation of GDSs	Up to US$0.05 per GDS canceled
Distribution of GDSs pursuant to securities dividends, free securities distributions or exercise of rights	Up to US$0.05 per GDS held
Distribution of cash dividends or other cash distributions	Up to US$0.05 per GDS held
Distribution of securities other than GDSs or rights to purchase additional GDSs	Up to US$0.05 per GDS held
Depositary services fee	US$0.05 per GDS held as of any record date established by the Depositary
Transfer of GDR certificates	US$1.50 per certificate presented for transfer

As a GDS holder you will also be responsible to pay certain fees and expenses incurred by the Depositary and certain taxes and governmental charges such as:

- fees for the transfer and registration of Shares charged by the registrar and transfer agent for the Shares in the ROC upon deposits and withdrawals of Shares;
- expenses incurred for converting foreign currency into US dollars;
- expenses for cable, telex and fax transmissions and for delivery of securities;
- taxes and duties upon the transfer of securities when Shares are deposited or withdrawn from deposit;
- fees and expenses incurred in connection with the delivery or servicing of Shares on deposit; and
- fees and expenses incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Shares, other deposited securities, GDSs and GDR certificates.

Certain of the depositary fees and charges (such as Depositary service fee) may become payable shortly after the closing of the GDS offering. We have agreed to pay certain other charges and expenses of the Depositary. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the Depositary. You will receive prior notice of such changes.

Amendments and termination

We may agree with the Depositary to modify the Deposit Agreements at any time without your consent. We undertake to give GDS holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the Deposit Agreements. We will not consider to be materially prejudicial to your substantial rights any modifications or supplements that are reasonably necessary for the (i) GDSs to be registered under the Securities Act, and (ii) GDSs to be settled in electronic book-entry form, in each case without imposing or increasing the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the Deposit Agreements if you continue to hold your GDSs after the modifications to the applicable Deposit Agreements become effective. The Deposit Agreements cannot be amended to prevent you from withdrawing the Shares represented by your GDSs (except as permitted by law).

We have the right to direct the Depositary to terminate the Deposit Agreements. Similarly, the Depositary may in certain circumstances on its own initiative terminate the Deposit Agreements. In either case, the Depositary must give notice to the holders at least 30 days before termination.

After termination, the Depositary will continue to collect distributions received (but will not distribute any such property until you request the cancellation of your GDSs) and may sell the securities held on deposit. After the sale, the Depositary will hold the proceeds from such sale and any other funds then held for the holders of GDSs in a non-interest bearing account. At that point, the Depositary will have no further obligations to holders other than to account for the funds then held for the holders of GDSs still outstanding (after deduction of applicable fees, taxes and expenses).

Books of the depositary

The Depositary will maintain GDS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the GDSs and the Deposit Agreements.

The Depositary will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of GDSs. These facilities may be closed from time to time, to the extent not prohibited by law.

Limitations on obligations and liabilities

The Deposit Agreements limit our obligations and the Depositary's obligations to you. Please note the following:

We and the Depositary are obligated only to take the actions specifically stated in the Deposit Agreements without negligence or bad faith.

The Depositary disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the Deposit Agreements.

The Depositary disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in Shares, for the validity or worth of the Shares, for any tax consequences that result from the ownership of GDSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the Deposit Agreements, or for the timeliness of any of our notices or for our failure to give notice.

- We and the Depositary will not be obligated to perform any act that is inconsistent with the terms of the Deposit Agreements.
- We and the Depositary disclaim any liability if we are prevented or forbidden from acting on account of any law or regulation, any provision of our Memorandum and Articles, any provision of any securities on deposit or by reason of any act of God or war or terrorism or other circumstances beyond our control.
- We and the Depositary disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreements or in our Memorandum and Articles or in any provisions of securities on deposit.

- We and the Depositary further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting Shares for deposit, any holder of GDSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the Depositary also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit which is made available to holders of Shares but is not, under the terms of the Deposit Agreements, made available to you.
- We and the Depositary may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.
- We and the Depositary also disclaim any liability for consequential or punitive damages for any breach of the terms of the applicable Deposit Agreements.

Pre-release transactions

To the extent permitted by applicable laws and regulations, the Depositary may, in certain circumstances, issue GDSs before receiving a deposit of Shares. These transactions are commonly referred to as "pre-release transactions." The Deposit Agreements limit the aggregate size of pre-release transactions, subject to such limit being disregarded by the Depositary, and impose a number of conditions on such transactions, including the need to receive collateral, the type of collateral required and the representations required from brokers. The Depositary may retain the compensation received from the pre-release transactions.

Taxes

You will be responsible for the taxes and other governmental charges payable on the GDSs and the securities represented by the GDSs. We, the Depositary and the Custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The Depositary may refuse to issue GDSs, to deliver, transfer, split and combine GDR certificates or to release securities on deposit until all taxes and charges are paid by the applicable holder. The Depositary and the Custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the Depositary and to the Custodian proof of taxpayer status and residence and such other information as the Depositary and the Custodian may require to fulfill legal obligations. You are required to indemnify us, the Depositary and the Custodian for any claims with respect to taxes based on any tax benefit obtained for you.

Foreign currency conversion

Subject to ROC law, the Depositary will arrange for the conversion of all foreign currency received into US dollars if such conversion is practicable, and it will distribute the US dollars in accordance with the terms of the Deposit Agreements. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practicable or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the Depositary may take the following actions in its discretion:

- convert the foreign currency to the extent practicable and lawful and distribute the US dollars to the holders for whom the conversion and distribution is lawful and practicable;
- distribute the foreign currency to holders for whom the distribution is lawful and practicable; or
- hold the foreign currency (without liability for interest) for the applicable holders.

Legends

The Rule 144A GDRs issued to represent the Rule 144A GDSs offered for sale herein shall contain, and all owners of Rule 144A GDSs shall be bound by the terms of, the following legend:

NEITHER THIS RULE 144A GDR, NOR THE RULE 144A GDSs EVIDENCED HEREBY, NOR THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS RULE 144A GDR AND THE RULE 144A GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY (1) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED UNDER REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.

THE BENEFICIAL OWNER OF RULE 144A DEPOSITED SECURITIES RECEIVED UPON CANCELLATION OF ANY RULE 144A GDS MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SECURITIES INTO ANY DEPOSITARY RECEIPT FACILITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SECURITIES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE RULE 144A DEPOSITED SECURITIES OR THE RULE 144A GDSs.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS RULE 144A GDR OR A BENEFICIAL INTEREST IN THE RULE 144A GDSs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

The International GDRs issued to represent the International GDSs offered for sale herein shall contain, and all owners of International GDSs shall be bound by the terms of, the following legend:

NEITHER THIS REGULATION S GDR, NOR THE REGULATION S GDSs EVIDENCED HEREBY, NOR THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS REGULATION S GDR, THE REGULATION S GDSs EVIDENCED HEREBY AND THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY EACH IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS REGULATION S GDR AND THE REGULATION S GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH, THE REGULATION S GDSs EVIDENCED HEREBY AND THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT.

Information relating to the depositary

Citibank, N.A. ("Citibank") has been appointed as Depositary pursuant to the Deposit Agreements. Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

Citibank was originally organized on June 16, 1812, and is now a national banking association organized under the National Bank Act of 1864 of the United States of America. Citibank is primarily regulated by the United States Office of the Comptroller of the Currency. Its principal executive office is at 388 Greenwich Street, New York, NY 10013. Citibank's telephone number is (212) 559-1000.

Citibank's Consolidated Balance Sheets are set forth in Citigroup's most recent Annual Report (audited balance sheet) and Quarterly Report (unaudited balance sheet), each on file on Form 10-K and Form 10-Q, respectively, with the United States Securities and Exchange Commission.

Citibank's Articles of Association and By-laws, each as currently in effect, together with Citigroup's most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q are available for inspection at the Depositary Receipt office of Citibank, 388 Greenwich Street, New York, New York 10013 and may be accessed on the website of the United States Securities and Exchange Commission at www.sec.gov.

Taxation

We are incorporated in the Cayman Islands, and our principal operating subsidiaries are located in the PRC and Taiwan.

Cayman Islands taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. Payments of dividends and capital in respect of the Shares or GDSs will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the Shares or GDSs, nor will the withdrawal of Shares from the GDR facility, or the gains derived from the disposal of the Shares or GDSs be subject to Cayman Islands income or corporation tax. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made to or by the Company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

ROC taxation of non-residents

The following is a summary under present ROC law of the principal tax consequences of the ownership and disposal of the Shares or GDSs by a non-ROC Resident Individual or Non-ROC Resident Entity (each a “Non-ROC Holder”). As used in the preceding sentence, a “Non-ROC Resident Individual” is a foreign national individual who owns Shares or GDSs and is not physically present in the ROC for 183 days or more during any calendar year and a “Non-ROC Resident Entity” is a corporation or a non-corporate body that owns Shares or GDSs and is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or business agent in the ROC.

You should consult your tax advisors concerning the ROC tax consequences of owning the Shares or GDSs and the laws of any relevant taxing jurisdiction to which you are subject.

Dividends on the shares and GDS

According to the MOF Ruling No. 9704086730, dated September 23, 2008, dividends (whether in cash or Shares) declared by the Company are not ROC sourced income. Accordingly, for Non-ROC Holders, dividends paid to them are not subject to ROC income tax.

Withdrawal of shares

The receipt of Shares upon a withdrawal of Shares from the GDR facility is not subject to ROC tax.

Capital gains

Capital gains from the sale or disposal of the shares

Capital gains realized from the sale or disposal of the Shares are exempt from ROC income tax under Article 4-1 of the ROC Income Tax Act.

Capital gains from the sale or disposal of the GDSs

GDSs are not regarded as ROC securities, and thus any capital gains generated from the sale or disposal of GDSs are not ROC sourced income. Accordingly, Non-ROC Holders are not subject to ROC income tax on any capital gains generated from the sale or disposal of GDSs.

Securities transaction tax

Securities transaction tax ("STT"), at 0.3% of the sales price, will be withheld by a securities broker upon a sale of the Shares by the seller. A transfer of the GDSs, however, is not subject to this tax, nor would a withdrawal of the Shares from the GDR facility.

Estate tax and gift tax

A foreign national individual will be subject to the ROC gift tax for giving away any property located in the ROC or the ROC estate tax if he/she had any property located in the ROC at the time of death. Estate tax and gift tax are currently imposed at progressive rates of 10%, 15% and 20%. Under ROC estate and gift tax laws, the Shares and the GDSs issued by us are deemed properties located outside of the territory of the ROC. Therefore, a foreign national individual who holds the Shares or GDSs will not be subject to the ROC estate or gift tax.

United States federal income tax considerations

The following are certain U.S. federal income tax consequences of ownership and disposition of the Shares and GDSs to the U.S. Holders described below. This discussion applies only to Shares and GDSs purchased in this offering held as capital assets. This discussion does not describe all of the tax consequences that may be relevant to an investor in light of the investor's particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, or to investors subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities that use the mark-to-market method of tax accounting;
- persons holding Shares or GDSs as part of a hedge, "straddle," integrated transaction or similar transactions;
- persons whose functional currency is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities;
- persons that own, or are deemed to own, 10% or more of the total combined voting power of all classes of stock entitled to vote of the Company; or
- persons holding the Shares or GDSs in connection with a trade or business outside the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns Shares or GDSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnerships owning Shares or GDSs and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences of owning and disposing of the Shares or GDSs.

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein. It is also based in part on certain representations by the Depositary and assumes that each obligation under the Deposit Agreement and any related agreement will be performed in accordance with its terms. Persons considering the purchase of GDSs are urged to consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Share or a GDS that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Except as described below, this discussion assumes that the Company is not, and will not become, a passive foreign investment company.

Shares and GDSs

In general, if a U.S. Holder owns GDSs, the U.S. Holder will be treated as the owner of the underlying Shares represented by those GDSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges GDSs for the underlying Shares represented by those GDSs.

The U.S. Treasury has expressed concern that parties to whom depositary shares are pre-released before shares are delivered to the depositary, or intermediaries in the chain of ownership between beneficial owners and the issuer of the security underlying the depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of depositary shares. Accordingly, the creditability of non-U.S. taxes (if any), could be affected by actions taken by such parties or intermediaries.

Taxation of Distributions. Distributions paid on GDSs or Shares, other than certain pro rata distributions of Shares, will be treated as dividends to the extent paid out of the Company's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends. Dividends will not be eligible for the dividends received deduction generally allowed to U.S. corporations under the Code and will not be eligible for reduced tax rates in the hands of non-corporate U.S. Holders. Dividends will be treated as foreign source income, which may be relevant to certain U.S. Holders in calculating their foreign tax credit limitation.

Dividends will be includible in the income of a U.S. Holder when received by the Depository in the case of GDSs, or the U.S. Holder in the case of Shares. The amount of any dividend income paid in NT$ with respect to Shares will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of such receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder of Shares should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder of Shares may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Sale or Other Disposition of Shares or GDSs. For U.S. federal income tax purposes, gain or loss a U.S. Holder realizes on the sale or other disposition of Shares or GDSs will generally be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the Shares or GDSs for more than one year. The amount of the

U.S. Holder's gain or loss will be equal to the difference between the U.S. Holder's tax basis in the Shares or GDSs disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. Any gain or loss realized on the sale of Shares or GDSs generally will be U.S.-source for foreign tax credit purposes, which may be relevant to certain U.S. Holders for calculating their foreign tax credit limitations. Long-term capital gains recognized by non-corporate U.S. Holders will be subject to reduced tax rates. The deductibility of capital losses may be subject to limitations.

Passive Foreign Investment Company Rules. In general, a foreign corporation will be a "passive foreign investment company" (a "PFIC") for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. If a corporation owns at least 25% (by value) of the stock of another corporation, the corporation will be treated, for purposes of the PFIC tests, as owning its proportionate share of the 25%-owned corporation's assets and receiving its proportionate share of the 25%-owned corporation's income. "Passive income" generally includes interest, dividends, rents, royalties and certain gains. The Company believes that it was not a PFIC for its most recent taxable year and does not expect to be a PFIC for its current taxable year or in the foreseeable future. However, because PFIC status depends on the composition of a company's income and assets and the market value of its assets (including assets of 25%-owned subsidiaries) from time to time which may be determined in part by reference to the market price of our Shares and GDSs, there can be no assurance that the Company will not be a PFIC for any taxable year. If the Company were treated as a PFIC for any taxable year during which a U.S. Holder held GDSs or Shares, certain adverse consequences could apply to the U.S. Holder.

If the Company were treated as a PFIC for any taxable year, gain recognized by such U.S. Holder on a sale or other disposition (including certain pledges) of the GDSs or Shares would be allocated ratably over the U.S. Holder's holding period for the GDSs or Shares. The amounts allocated to the taxable year of the sale or other exchange and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax on such amount. Further, to the extent that any distribution received by a U.S. Holder on its GDSs or Shares exceeds 125% of the average of the annual distributions on the GDSs or Ordinary Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as described immediately above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the GDSs or the Shares. U.S. Holders should consult their tax advisors to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances.

Backup Withholding and Information Reporting. Information returns may be filed with the Internal Revenue Service in connection with dividends on the Shares or GDSs and the proceeds from a sale or other disposition of the Shares or GDSs. A U.S. Holder may be subject to U.S. backup withholding on these payments if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Transfer restrictions

The GDSs and the Shares represented by such GDSs have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The GDSs are not being offered or sold in the United States except through the U.S. selling agents of the Initial Purchaser only to QIBs, as defined in Rule 144A, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

The GDSs sold outside the United States and the ROC will be offered by the Initial Purchaser outside of the United States in reliance on Regulation S.

Except in certain limited circumstances, interests in the GDSs may only be held through owning beneficial interests in the Master GDRs. Such interests in the Master GDRs will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the restrictions described below will not be recognized by us, the Depositary, as the case may be. In addition, until the end of the 40th calendar day after commencement of the offering, an offering or sale of the GDSs within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Transfer restrictions on the Rule 144A GDSs

Each owner of an interest in Rule 144A GDSs, by its acceptance thereof, will be deemed to have acknowledged and represented to and agreed with us, the Depositary and the Initial Purchaser that (terms used herein that are defined in Rule 144A or Regulation S are used as defined therein):

1. such owner has received a copy of the offering memorandum related to the offering of the Rule 144A GDSs and such other information as it deems necessary to make an informed investment decision;

2. the Rule 144A GDSs and the Shares represented thereby have not been and are not expected to be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

3. such owner is purchasing the Rule 144A GDSs for:

   - its own account or an account and it is a QIB, or

   - an account with respect to which it exercises sole investment discretion or for transfer to an account as it may lawfully direct the Depositary and that such account is a QIB;

4. such owner is aware that the transferor of such securities is relying on the exemption from registration under the Securities Act provided by Rule 144A for the transfer;

5. such owner will not offer, sell, pledge or otherwise transfer any interest in the Rule 144A GDSs or Shares represented thereby except as permitted by the applicable legend set forth in paragraph (6) below;

6. the Rule 144A GDRs will bear legends to the following effect, unless we and the Depositary determine otherwise in compliance with applicable law, and that such owner will observe the restrictions contained therein:

   NEITHER THIS RULE 144A GDR, NOR THE RULE 144A GDSs EVIDENCED HEREBY, NOR THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS.

   THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS RULE 144A GDR AND THE RULE 144A GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY

   (1) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED UNDER REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT,

   (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A,

   (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR

   (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.

   THE BENEFICIAL OWNER OF RULE 144A DEPOSITED SECURITIES RECEIVED UPON CANCELLATION OF ANY RULE 144A GDS MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SECURITIES INTO ANY DEPOSITARY RECEIPT FACILITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SECURITIES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE RULE 144A DEPOSITED SECURITIES OR THE RULE 144A GDSs.

   EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS RULE 144A GDR OR A BENEFICIAL INTEREST IN THE RULE 144A GDSs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

Transfer restrictions on the International GDSs

Each owner of an interest in International GDSs, by its acceptance thereof, will be deemed to have acknowledged and represented to and agreed with us, the Depositary and the Initial Purchaser that (terms used herein that are defined in Rule 144A or Regulation S are used as defined therein):

1. such owner has received a copy of the offering memorandum related to the offering of the International GDSs and such other information as it deems necessary to make an informed investment decision;

2. such owner is purchasing the International GDSs in an "offshore transaction" (as defined in Regulation S);

3. such owner is aware of the restrictions on the offer and sale of the International GDSs and the Shares represented thereby described in this offering memorandum;

4. the International GDSs and the Shares represented thereby have not been and are not expected to be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

5. such owner will not offer, sell, pledge or otherwise transfer any interest in the International GDSs or Shares represented thereby, and the Company shall not recognize any offer, sale, pledge or other transfer of any interest in the International GDSs or Shares represented thereby, except as permitted by the applicable legend set forth in paragraph (6) below;

6. the International GDRs will bear legends to the following effect, unless we and the Depositary determine otherwise in compliance with applicable law, and that such owner will observe the restrictions contained therein:

   NEITHER THIS REGULATION S GDR, NOR THE REGULATION S GDSs EVIDENCED HEREBY, NOR THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS REGULATION S GDR, THE REGULATION S GDSs EVIDENCED HEREBY AND THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY EACH IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS REGULATION S GDR AND THE REGULATION S GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH REGULATION S GDR, THE REGULATION S GDSs EVIDENCED HEREBY AND THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT.

Plan of distribution

J.P. Morgan Securities plc is the sole bookrunner of this offering.

Subject to the terms and conditions stated in a GDS purchase agreement, dated as of September 5, 2017, entered into between us and J.P. Morgan Securities plc as the Initial Purchaser, the Initial Purchaser has agreed to purchase from us, and we have agreed to sell to the Initial Purchaser, the number of GDSs set forth opposite its name:

Initial Purchaser	**Number of GDSs**
J.P. Morgan Securities plc	59,820,000
Total	59,820,000

The purchase agreement provides that the obligations of the Initial Purchaser to purchase the GDSs included in this offering are subject to certain conditions, including receipt of certain legal opinions. The Initial Purchaser is obligated to purchase all the GDSs if any of the GDSs are purchased.

The purchase price for the GDSs will be the initial offering price set forth on the cover page of this offering memorandum (the "GDS Offering Price"). The Initial Purchaser proposes to resell the GDSs at the GDS Offering Price within the United States to persons reasonably believed to be QIBs in reliance on Rule 144A and outside the United States in reliance on Regulation S. After the GDSs are released for sale, the offering price and other selling terms may from time to time be varied by the Initial Purchaser.

The GDSs and the Shares have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions." The GDSs will not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

We have applied to have the GDSs listed on the Luxembourg Stock Exchange. However, we cannot assure you that the prices at which the GDSs will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the GDSs will develop and continue after this offering. The Initial Purchaser has advised us that it currently intends to make a market in the GDSs. However, it is not obligated to do so and it may discontinue any market-making activities with respect to the GDSs at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the GDSs. In connection with the offering, the Initial Purchaser may purchase and sell the GDSs in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, and stabilizing purchases.

- Short sales involve secondary market sales by the Initial Purchaser of a greater number of securities than it is required to purchase in the offering.
- Covering transactions involve purchases of securities in the open market after the distribution has been completed in order to cover short positions.
- Stabilizing transactions involve bids to purchase securities so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Initial Purchaser for its own accounts, may have the effect of preventing or retarding a decline in the market price of the GDSs. It may also cause the price of the GDSs to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Initial Purchaser may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchaser commences any of these transactions, it may discontinue them at any time.

We expect to deliver the GDSs against payment for the GDSs on or about the date specified in the last paragraph of the cover page of this offering memorandum.

We expect to make delivery of the GDSs, against payment in same-day funds on or about September 8, 2017. Rule 15c6-1 under the Exchange Act, as amended, generally requires that trades in the secondary market settle in two business days, unless the parties to any such trade expressly agree otherwise. This offering memorandum may provide that the original issue date for the GDSs may be more than two scheduled business days after the trade date for the GDSs. Accordingly, in such a case, if you wish to trade securities on any date prior to the two business day before the original issue date for the GDSs, you will be required, by virtue of the fact that the GDSs initially are expected to settle in more than two scheduled business days after the trade date for the GDSs, to make alternative settlement arrangements to prevent a failed settlement.

For a period of 90 days after the date of this offering memorandum, without the prior written consent from J.P. Morgan Securities plc, we and several shareholders holding an aggregate of 23.24% of our total issued and outstanding share capital as of June 30, 2017, will not (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares or any securities convertible into or exercisable or exchangeable for the Shares, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of the Shares or such other securities, in cash or otherwise, other than (a) the GDSs to be sold pursuant to this offering memorandum, (b) any Shares issued upon the exercise of options granted under existing employee stock option plans, (c) any Shares to be sold pursuant to the Concurrent Employee Offering and (d) any Shares issued and sold to O-film pursuant to the share subscription agreement entered into between the Company and O-Film dated March 21, 2017. Notwithstanding the foregoing, we may (A) issue employee bonus shares (including in the form of newly issued shares or treasury shares) and stock dividends consistent with past practice, (B) implement stock splits and employee stock option plans or employee share purchase plans, (C) issue common stock issuable upon the conversion of securities or the exercise of warrants outstanding as of the date of this offering memorandum and as described in this offering memorandum, and (D) make any application or filing with any applicable regulatory authority for issuance and offering of new shares approved by the shareholders prior to the date of this offering memorandum.

The Initial Purchaser has performed commercial banking, investment banking and advisory services for us from time to time for which it has received customary fees and reimbursement of expenses. The Initial Purchaser may, from time to time, engage in transactions with and perform services for us in the ordinary course of its business for which it may receive customary fees and reimbursement of expenses. In addition, affiliates of the Initial Purchaser are lenders, and in some cases agents or managers for the lenders, under our credit facility.

Pursuant to the purchase agreement, we have agreed to indemnify the Initial Purchaser against certain liabilities, including civil liabilities under the Securities Act, or to contribute to payments that the Initial Purchaser may be required to make in respect thereof.

Notice to prospective investors in the ROC and restrictions on subscription under ROC law

The GDSs may not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

Under applicable ROC laws and regulations, we and the Initial Purchaser are prohibited from offering and selling the GDSs to (i) any of our strategic investors, or (ii) "related parties" as defined in the Regulations Governing Preparation of Financial Reports by Securities Issuers or as specified in Section 36 of the Taiwan Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms.

Investors who purchase the GDSs are deemed to have represented to us and to the Initial Purchaser that (i) they are not one of our strategic investors or a "related party", and (ii) the source of the funds used to purchase the GDSs are in compliance with Article 8.1(13) of the ROC Regulations Governing the Offering and Issuance of Securities by Foreign Issuers.

Notice to prospective investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer of securities described in this offering memorandum may not be made to the public in that Relevant Member State, other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of securities shall require the Issuer or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any of the securities described in this offering memorandum in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Relevant Member State, by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to prospective investors in the United Kingdom

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person"). This offering memorandum and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to prospective investors in France

Neither this offering memorandum nor any other offering material relating to the securities described in this offering memorandum has been submitted to the clearance procedures of the Autorité des Marchés Financiers or of the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this offering memorandum nor any other offering material relating to the securities has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the securities to the public in France. Such offers, sales and distributions will be made in France only:
- to qualified investors (investisseurs qualifiés), and/or to a restricted circle of investors (cercle restreint d'investisseurs), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code monétaire et financier and article 211-2 of the General Regulations (Règlement Général) of the Autorité des Marchés Financiers, does not constitute a public offer (appel public à l'épargne).

The securities may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier.

Notice to prospective investors in the United States

The GDSs and the Shares represented thereby have not been and will not be registered under the Securities Act for offer or sale as part of their distribution and may not be offered or sold in the United States except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the Securities Act. Accordingly, the GDSs are being offered and sold by the Initial Purchaser only (1) in the United States to persons reasonably believed to be QIBs pursuant to Rule 144A, and (2) outside the United States in reliance upon Regulation S.

The Initial Purchaser has agreed that it will not offer, sell or deliver any GDS as part of its distribution at any time within the United States except to persons whom it reasonably believes to be QIBs pursuant to Rule 144A, and that it will have sent to each dealer to which it sell the GDSs a confirmation or other notice setting forth the restriction on offers and sales of GDSs within the United States.

Notice to prospective investors in Hong Kong

The GDSs and the Shares represented thereby may not be offered or sold in Hong Kong by means of any document other than to persons whose ordinary business it is to buy or sell shares, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong and no advertisement, invitation or document relating to the securities, whether in Hong Kong or elsewhere, has been or will be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

Notice to prospective investors in Japan

The securities offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948) (as amended) (the "FIEA"). Accordingly, the securities have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEA and otherwise in compliance with the FIEA and other applicable provisions of Japanese laws, regulations and governmental guidelines. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to prospective investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) whose sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor; or
- shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 of the SFA except:
  - to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
  - where no consideration is or will be given for the transfer;
  - where the transfer is by operation of law;
  - as specified in Section 276(7) of the Securities and Futures Act; or
  - as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notice to prospective investors in the United Arab Emirates

This offering memorandum is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (the "UAE"). The GDSs have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market, or with any other UAE exchange.

The offering of the GDSs has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities in the UAE, and do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

In relation to its use in the UAE, this offering memorandum is being distributed to a limited number of investors, and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The GDSs may not be offered or sold directly or indirectly to the public in the UAE.

Notice to prospective investors in the PRC

This offering memorandum is not intended to constitute a public offer of the GDSs, whether by way of sale or subscription, in the PRC. The GDSs are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC other than to QDIIs in the PRC. Pursuant to the Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors, with the exception of QDIIs in the PRC, the GDSs may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Notice to prospective investors in Canada

This offering memorandum constitutes an “exempt offering document” as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the GDSs. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this offering memorandum or on the merits of the GDSs and any representation to the contrary is an offense.

The GDSs may be sold only to purchasers in Canada purchasing, or deemed to be purchasing, as principal that (i) are “accredited investors”, as defined in National Instrument 45-106 Prospectus Exemptions (NI 45-106), or in Ontario, as defined in subsection 73.3 (1) of the Securities Act (Ontario), and (ii) are “permitted clients”, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

The offer and sale of the GDSs in Canada is being made on a private placement basis only and is exempt from the requirement that the Company prepares and files a prospectus under applicable Canadian securities laws. Any resale of the GDSs acquired by a Canadian purchaser in this offering must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, pursuant to a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the GDSs outside of Canada.

Securities legislation in certain of the Canadian jurisdictions provides certain purchasers of securities pursuant to an offering memorandum (such as this offering memorandum), including where the distribution involves an “eligible foreign security” as such term is defined in Ontario Securities Commission Rule 45-501 Ontario

Prospectus and Registration Exemptions and in Multilateral Instrument 45-107 Listing Representation and Statutory Rights of Action Disclosure Exemptions, as applicable, with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum, or other offering document that constitutes an offering memorandum, and any amendment thereto, contains a "misrepresentation" as defined under applicable Canadian securities laws. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed under, and are subject to limitations and defenses under, applicable Canadian securities legislation. In addition, these remedies are in addition to and without derogation from any other right or remedy available at law to the purchaser.

Canadian purchasers are advised that this offering memorandum has been prepared in reliance on section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105). Pursuant to section 3A.3 of NI 33-105, this offering memorandum is exempt from the requirement that the Company and the Initial Purchaser provide Canadian purchasers with certain conflicts of interest disclosure pertaining to "connected issuer" and/or "related issuer" relationships that may exist between the Company and the Initial Purchaser as would otherwise be required pursuant to subsection 2.1(1) of NI 33-105.

Prospective Canadian purchasers are hereby notified that: (a) we may be required to provide personal information pertaining to the purchasers as required to be disclosed in Schedule I of Form 45-106F1 under NI 45- 106 (including, without limitation, the purchaser's name, address, telephone number and the aggregate purchase price of any GDSs purchased) ("personal information"), which Form 45-106F1 may be required to be filed by us under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (the "OSC") in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase GDSs in this offering will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Any discussion of taxation and related matters contained in this offering memorandum does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a Canadian purchaser when deciding to purchase the GDSs and, in particular, does not address any Canadian tax considerations. No representation or warranty is hereby made as to the tax consequences to a resident, or deemed resident, of Canada of an investment in the GDSs or with respect to the eligibility of the GDSs for investment by such purchaser under relevant Canadian federal and provincial legislation and regulations.

Upon receipt of the offering memorandum, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the GDSs described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

Summary of certain material differences between Taiwan IFRS and IFRS

Our audited consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 and reviewed consolidated financial statements as of and for the six months ended June 30, 2016 and 2017 are prepared and presented in accordance with Taiwan IFRS. Taiwan IFRS and IFRS differ in certain significant respects. A brief description of certain significant differences between Taiwan IFRS and IFRS is set forth below. The regulatory organizations that promulgate Taiwan IFRS and IFRS have projects ongoing that could affect future comparisons such as the comparison below. The summary does not and is not intended to provide a comprehensive listing of all existing or future differences between Taiwan IFRS and IFRS, including those specifically related to the Company or to the industries in which it operates. No attempt has been made to identify future differences between Taiwan IFRS and IFRS as a result of prescribed changes in accounting standards, or disclosure, presentation or classification differences that would affect the manner in which transactions and events are reflected in the financial statements of the Company or the notes thereto. Further, had the Company undertaken to identify the differences specifically affecting the financial statements presented in this offering memorandum, other potentially significant differences which are not in the following summary may have come to their attention. Accordingly, there can be no assurance that this summary provides a complete description of all differences which may have a significant impact on the Company's financial statements. Management of the Company has not quantified the effects of the differences between Taiwan IFRS and IFRS on any of the financial results of the Company.

Subject	Taiwan IFRS	IFRS
Tax on Undistributed Earnings	Under Taiwan IFRS, companies in the ROC are subject to 10% surtax on profits earned and retained since December 31, 1997. If the retained profits are distributed to the shareholders in the fiscal year following the year of earnings, the surtax could be avoided. If the earnings are not fully distributed to the shareholders, surtax is recorded as income tax expenses in the fiscal year when shareholders' decision on distribution is made.	Under IFRS, current and deferred tax assets and liabilities are measured at the tax rate applicable to the undistributed profits. Consequently, tax on undistributed earnings should be accrued during the period the earnings arise and adjusted to the extent of the distributions approved by the shareholders in the following year.
Retirement Benefit Costs	As IAS 19 "discount rate" has not been endorsed by the ROC FSC, there are no such requirements.	Under IFRS, net interest on the net defined benefit liability or asset is determined by multiplying the net defined benefit liability or asset over the reporting period by the discount rate. The discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds, or where there is no deep market in such bonds, by reference to market yields on government bonds.

Subject	Taiwan IFRS	IFRS
Recoverable Amount Disclosures for Non-financial Assets	As IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets” has not been endorsed by the ROC FSC, there are no such requirements.	Under IFRS, an entity is required to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. Such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Company is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs disposal measured using a present value technique.

Legal matters

Certain legal matters with respect to validity of the Shares underlying the GDSs will be passed upon for us by Maples and Calder (Hong Kong) LLP as to Cayman Islands law. Legal matters with respect to ROC law will be passed upon for us by Lee and Li, Attorneys-at-Law, and L&L-Leaven, Attorneys-at-Law as to PRC law. Certain legal matters with respect to U.S. federal and New York state law in connection with the offering of the GDSs will be passed upon for the Initial Purchaser by Davis Polk & Wardwell.

Independent auditors

The consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 included in this offering memorandum have been audited by Deloitte & Touche, independent auditors, as indicated in their report with respect thereto, included herein.

With respect to our unaudited consolidated financial information as of and for the six months ended June 30, 2016 and 2017, included in this offering memorandum, Deloitte & Touche, independent auditors, reported that they have applied limited procedures in accordance with ROC Statement of Auditing Standards No. 36 “Review of Financial Statements” for a review of such information. However, their report with respect thereto included in this offering memorandum states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Such review report also included an explanatory paragraph relating to convenience translation of NT Dollar amounts into US Dollar amounts.

Deloitte & Touche are located at 12th Floor, Hung Tai Financial Plaza, No. 156, Section 3, Min Sheng East Road, Taipei, Taiwan.

General information

We are incorporated in the Cayman Islands as an exempted company with limited liability on November 21, 2005 under registration number 158246. Our registered office is located at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. According to paragraph 3 of our Memorandum and Articles, the object of which we are established is unrestricted and we shall have full power and authority to carry out any object not prohibited by the Companies Law. As at June 30, 2017, our authorized share capital was NT$6,000,000,000, divided into 600,000,000 Shares with a par value of NT$10.00 per Share, and our issued share capital was NT$3,466,337,590 divided into 346,633,759 Shares. We are not a subsidiary of any entity.

The International GDSs and Rule 144A GDSs have been accepted for clearance and settlement by DTC, Euroclear and Clearstream. Relevant trading information is set forth below.

	ISIN	Common Code	CUSIP	SEDOL
The GDSs:				
International GDSs	US87264G2012	070009056	87264G201	B4L3D51
Rule 144A GDSs	US87264G1022	070009021	87264G102	B3RZHR4

Applications have been made to admit the GDSs to the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. As of the date of this offering memorandum, there are currently 6,000 outstanding Existing International GDSs and 1,000 Existing Rule 144A GDSs. The International GDSs offered hereby will be listed as the same security as the Existing International GDSs on the Luxembourg Stock Exchange and will be fungible with the Existing International GDSs. The Rule 144A GDSs offered hereby will be listed as the same security as the Existing Rule 144A GDSs on the Luxembourg Stock Exchange and will be fungible with the Existing Rule 144A GDSs. Subject to limitations under ROC and U.S. law as described in this offering memorandum, our GDR facilities permit the ongoing issuance of global depositary shares as a result of deposits of Shares by the holders and the cancellation of outstanding global depositary shares which results in the release of Shares to the holders. As a result, the balance of our outstanding global depositary shares may fluctuate. Any new global depositary shares issued as result of a deposit of Shares are fully fungible with the GDSs outstanding at any given time. As long as the GDSs are listed on the Luxembourg Stock Exchange, Deutsche Bank Luxembourg S.A. will serve as intermediary between the Luxembourg Stock Exchange and persons connected with the issuance and listing of the GDSs.

We will apply to the TWSE for the listing of the Shares underlying the GDSs and the Shares issued for the Concurrent Employee Offering as soon as practicable after the closing date of this offering. It is expected that the TWSE will approve the listing of the Shares on or about the fifth business day in the ROC following the closing date of this offering and the Concurrent Employee Offering, although there is no assurance that such listing approval will be obtained by such date (if at all).

We have obtained all necessary consents, approvals and authorizations in connection with the issue of the Shares and the GDSs. The issue of the Shares and the GDSs was authorized by the shareholders at a meeting held on May 16, 2017 and by the resolutions of our board of directors passed on March 21, 2017 and August 7, 2017. Our shareholders waived their preemptive rights in respect of the Shares to be represented by the GDSs pursuant to a resolution passed at the same shareholders' meeting held on May 16, 2017. In addition, certain of our employees have collectively subscribed for up to 180,000 newly issued Shares in the Concurrent Employee Offering.

Except as disclosed, there has been no significant change in our financial or trading position since June 30, 2017, or any material adverse change in our financial position or prospects since June 30, 2017.

Except as disclosed at "Our Business—Legal Proceedings", neither we nor any of its subsidiaries is involved in any litigation or arbitration proceedings which may have, or have had during the period recently preceding the date of this offering memorandum, a material adverse effect on our financial position, nor, so far as any of them is aware, are any such proceedings pending or threatened except as may be otherwise disclosed or referred to herein.

In 2016, no public takeovers relating to us have taken place, and we conducted an initial public offering and listed the Shares on the TWSE on October 29, 2010.

No company in which we have a direct or indirect holding of more than 50% of capital or issued shares holds any Shares.

Copies (and certified English translations where the documents are not in English) of the following documents may be inspected, free of charge, at the specified offices of the Depositary and the Luxembourg Intermediary, Deutsche Bank Luxembourg S.A. in Luxembourg, so long as the GDSs remain outstanding:

- our Memorandum and Articles;
- the Deposit Agreements relating to the GDSs;
- the purchase agreement relating to the GDSs;
- this offering memorandum; and
- a copy of our audited consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 and unaudited consolidated financial statements as of and for the six months ended June 30, 2016 and 2017.

In addition, copies of this offering memorandum, the most recent annual audited consolidated financial statements of the Company and any interim unaudited consolidated financial statements published by the Company will be available for collection free of charge at the specified office of the Depositary and the Luxembourg Intermediary, Deutsche Bank Luxembourg S.A. in Luxembourg, so long as the GDSs are listed on the Luxembourg Stock Exchange. The Company publishes both its annual and interim financial statements. For as long as the GDSs are traded on the Euro MTF Market, we will publish all notices to holders of GDSs on the website of the Luxembourg Stock Exchange, which is www.bourse.lu.

Index to financial statements

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
TPK Holding Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of TPK Holding Co., Ltd. and its subsidiaries (collectively, the "Group") as of June 30, 2016 and 2017, and the related consolidated statements of comprehensive income for the three months ended June 30, 2016 and 2017 and six months ended June 30, 2016 and 2017, and changes in equity and cash flows for the six months ended June 30, 2016 and 2017. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

Our reviews also comprehended the translation of New Taiwan dollar amounts into U.S. dollar amounts, and based on our reviews, such translation has been made in conformity with the basis stated in Note 4 e. such U.S. dollar amounts are presented solely for the convenience of readers.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 7, 2017

<u>*Notice to Readers*</u>

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

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	June 30, 2016 (Reviewed) NT$	December 31, 2016 (Audited) NT$	June 30, 2017 (Reviewed) NT$	June 30, 2017 (Reviewed) US$ (Note 4)
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 18,022,362	$ 20,490,079	$ 19,344,190	$ 636,741
Financial assets at fair value through profit or loss (Note 7)	-	-	72,751	2,394
Debt investments with no active market - current (Notes 9, 33 and 35)	2,064,933	1,386,857	1,525,590	50,217
Notes and trade receivables, net (Notes 10 and 34)	7,050,035	7,646,236	7,346,033	241,805
Other receivables, net (Notes 10, 13 and 34)	2,162,096	3,294,521	1,581,067	52,043
Current tax assets (Note 4)	163,426	138,770	6,382	210
Inventories (Note 11)	6,597,939	7,815,506	5,604,290	184,473
Other current assets (Note 17)	401,675	109,095	147,617	4,859
Total current assets	36,462,466	40,881,064	35,627,920	1,172,742
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 8, 12 and 29)	150,011	150,011	257,885	8,489
Investments accounted for using equity method (Note 13)	353,222	195,824	-	-
Property, plant and equipment (Notes 14, 34 and 35)	43,870,677	40,744,104	37,275,158	1,226,964
Investment properties, net (Notes 15 and 34)	405,377	393,876	475,511	15,652
Intangible assets (Note 16)	140,453	129,151	110,323	3,631
Deferred tax assets (Note 4)	2,335,098	2,043,945	1,946,431	64,070
Prepayments for equipment	1,899,886	1,307,484	1,044,877	34,394
Refundable deposits (Notes 31 and 34)	69,053	55,638	147,176	4,844
Long-term prepayments for leases (Note 17)	1,828,618	1,782,145	1,144,256	37,665
Other non-current assets	211	145	76	2
Total non-current assets	51,052,606	46,802,323	42,401,693	1,395,711
TOTAL	$ 87,515,072	$ 87,683,387	$ 78,029,613	$ 2,568,453

LIABILITIES AND EQUITY	June 30, 2016 (Reviewed) NT$	December 31, 2016 (Audited) NT$	June 30, 2017 (Reviewed) NT$	June 30, 2017 (Reviewed) US$ (Note 4)
CURRENT LIABILITIES				
Short-term borrowings (Notes 9, 18, 33, 34 and 35)	$ 29,369,550	$ 26,699,756	$ 16,237,772	$ 534,489
Financial liabilities at fair value through profit or loss - current (Notes 7 and 19)	116,388	214,550	151,940	5,001
Notes and trade payables	7,952,474	11,978,245	10,111,565	332,836
Trade payables to related parties (Note 34)	263,736	146,490	232,540	7,654
Payables for purchase of equipment (Notes 20 and 34)	1,617,412	1,140,455	1,940,613	63,878
Other payables - others (Notes 20 and 34)	2,718,456	2,653,689	2,056,968	67,708
Current tax liabilities (Note 4)	43,737	333,562	201,669	6,638
Warranty provisions - current (Note 21)	1,220,122	1,098,763	960,619	31,620
Provisions for onerous contracts - current (Notes 11 and 21)	19,735	17,723	30,340	999
Current portion of long-term borrowings and bonds payable (Notes 18 and 19)	4,565,189	3,834,600	3,865,908	127,252
Other current liabilities	156,555	354,044	537,666	17,698
Total current liabilities	48,043,354	48,471,877	36,327,600	1,195,773
NON-CURRENT LIABILITIES				
Bonds payable (Note 19)	6,488,613	6,574,659	6,288,695	207,001
Long-term borrowings (Notes 14, 18 and 34)	1,954,639	1,122,300	4,173,097	137,363
Deferred tax liabilities (Note 4)	2,404,742	2,087,541	1,968,209	64,786
Accrued pension liabilities (Notes 4 and 22)	12,772	11,589	11,333	373
Guarantee deposits received (Note 31)	5,944	2,106	147,370	4,851
Other non-current liabilities	-	1,116	949	32
Total non-current liabilities	10,866,710	9,799,311	12,589,653	414,406
Total liabilities	58,910,064	58,271,188	48,917,253	1,610,179
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 12, 13, 19, 23, 28 and 30)				
Share capital				
Ordinary shares	3,466,338	3,466,338	3,466,338	114,099
Capital surplus	21,401,943	21,537,232	21,650,451	712,655
Retained earnings				
Legal reserve	3,952,487	3,952,487	3,007,586	98,999
Accumulated deficits	(3,751,280)	(2,772,489)	(884,810)	(29,125)
Total retained earnings	201,207	1,179,998	2,122,776	69,874
Other equity				
Exchange differences on translating foreign operations	3,264,911	3,232,790	1,863,593	61,343
Treasury shares	(243,595)	(243,595)	(243,595)	(8,018)
Total equity attributable to owners of the Company	28,090,804	29,172,763	28,859,563	949,953
NON-CONTROLLING INTERESTS	514,204	239,436	252,797	8,321
Total equity	28,605,008	29,412,199	29,112,360	958,274
TOTAL	$ 87,515,072	$ 87,683,387	$ 78,029,613	$ 2,568,453

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
OPERATING REVENUE, NET (Notes 24 and 34)	$ 17,084,665	$ 22,407,087	$ 737,560	$ 38,323,782	$ 43,822,517	$ 1,442,479
OPERATING COSTS (Notes 11, 14, 16, 21, 22, 25, 28, 31 and 34)	18,672,834	20,896,938	687,852	38,921,083	41,112,047	1,353,260
GROSS PROFIT (LOSS)	(1,588,169)	1,510,149	49,708	(597,301)	2,710,470	89,219
OPERATING EXPENSES (Notes 10, 14, 16, 22, 25, 28, 31 and 34)						
Selling and marketing expenses	164,281	192,561	6,338	373,257	347,151	11,427
General and administrative expenses	779,952	681,864	22,445	1,699,227	1,403,985	46,214
Research and development expenses	211,128	205,317	6,758	430,581	408,601	13,450
Total operating expenses	1,155,361	1,079,742	35,541	2,503,065	2,159,737	71,091
PROFIT (LOSS) FROM OPERATIONS	(2,743,530)	430,407	14,167	(3,100,366)	550,733	18,128
NON-OPERATING INCOME AND EXPENSES						
Government grant revenue	94,575	286,033	9,415	337,146	324,124	10,669
Interest income (Notes 25 and 34)	47,871	54,458	1,793	163,572	110,405	3,634
Other income (Notes 10, 25, 31 and 34)	104,603	51,569	1,697	163,853	70,877	2,333
Gains on sale of investments (Notes 13 and 29)	-	1	-	-	813,923	26,791
Gain on financial products at fair value through profit or loss (Note 7)	-	79,860	2,629	-	182,734	6,015
Gains on sale of financial instruments (Note 19)	10,209	-	-	200,638	-	-
Foreign exchange gains, net (Note 37)	60,311	-	-	-	-	-
Finance costs (Notes 18, 19, 25 and 34)	(240,307)	(257,075)	(8,462)	(538,224)	(547,551)	(18,023)
Foreign exchange losses, net (Note 37)	-	(124,435)	(4,096)	(53,371)	(223,989)	(7,373)
Other losses (Note 15)	(3,228)	(5,071)	(167)	(18,338)	(24,604)	(810)
Loss on financial products at fair value through profit or loss (Note 7)	(74,962)	-	-	(27,618)	-	-
Share of profit of associates (Note 13)	68,941	-	-	120,731	-	-
Total non-operating income and expenses	68,013	85,340	2,809	348,389	705,919	23,236
PROFIT (LOSS) BEFORE INCOME TAX	(2,675,517)	515,747	16,976	(2,751,977)	1,256,652	41,364
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 26)	161,341	(175,786)	(5,786)	252,969	(297,430)	(9,790)
NET PROFIT (LOSS) FOR THE PERIOD	(2,514,176)	339,961	11,190	(2,499,008)	959,222	31,574

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
OTHER COMPREHENSIVE INCOME (LOSS)						
Item that will not be reclassified subsequently to profit or loss:						
Exchange differences on translating to presentation currency (Note 23)	$ 97,648	$ 96,233	$ 3,168	$ (508,248)	$ (1,633,530)	$ (53,770)
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations (Note 23)	(96,073)	(7,768)	(256)	30,155	270,965	8,919
Share of the other comprehensive income (loss) of associates (Notes 13 and 23)	(5,766)	-	-	(8,413)	(9,715)	(319)
Other comprehensive income (loss) for the period, net of income tax	(4,191)	88,465	2,912	(486,506)	(1,372,280)	(45,170)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ (2,518,367)	$ 428,426	$ 14,102	$ (2,985,514)	$ (413,058)	$ (13,596)
NET PROFIT (LOSS) ATTRIBUTABLE TO:						
Owners of the Company	$ (2,499,058)	$ 326,948	$ 10,762	$ (2,447,109)	$ 942,778	$ 31,033
Non-controlling interests	(15,118)	13,013	428	(51,899)	16,444	541
	$ (2,514,176)	$ 339,961	$ 11,190	$ (2,499,008)	$ 959,222	$ 31,574
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:						
Owners of the Company	$ (2,472,208)	$ 411,113	$ 13,532	$ (2,928,713)	$ (426,419)	$ (14,036)
Non-controlling interests	(46,159)	17,313	570	(56,801)	13,361	440
	$ (2,518,367)	$ 428,426	$ 14,102	$ (2,985,514)	$ (413,058)	$ (13,596)
EARNINGS PER SHARE (Note 27)						
Basic	$ (7.28)	$ 0.95	$ 0.03	$ (7.11)	$ 2.75	$ 0.09
Diluted	$ (7.28)	$ 0.95	$ 0.03	$ (7.11)	$ 2.75	$ 0.09

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company								
			Retained Earnings		Other Equity				
	Share Capital (Note 23)	Capital Surplus (Notes 19, 23 and 28)	Legal Reserve (Note 23)	Accumulated Deficits (Notes 23 and 30)	Exchange Differences on Translating Foreign Operations (Note 23)	Treasury Shares (Note 23)	Total	Non-controlling Interests (Notes 12, 23 and 30)	Total Equity
BALANCE AT JANUARY 1, 2016	$ 3,516,318	$ 21,483,184	$ 3,952,487	$ (1,161,660)	$ 3,746,515	$ (433,358)	$ 31,103,486	$ 423,092	$ 31,526,578
Net loss for the six months ended June 30, 2016	-	-	-	(2,447,109)	-	-	(2,447,109)	(51,899)	(2,499,008)
Other comprehensive loss for the six months ended June 30, 2016, net of income tax	-	-	-	-	(481,604)	-	(481,604)	(4,902)	(486,506)
Total comprehensive loss for the six months ended June 30, 2016	-	-	-	(2,447,109)	(481,604)	-	(2,928,713)	(56,801)	(2,985,514)
Change in equity components of convertible bonds redeemed by the Company	-	(17,727)	-	-	-	-	(17,727)	-	(17,727)
Recognition of employee share options by the Company	-	201,903	-	-	-	-	201,903	-	201,903
Buy-back of ordinary shares	-	-	-	-	-	(255,118)	(255,118)	-	(255,118)
Cancellation of treasury shares	(49,980)	(265,417)	-	(129,484)	-	444,881	-	-	-
Increase in non-controlling interests	-	-	-	(13,027)	-	-	(13,027)	147,913	134,886
BALANCE AT JUNE 30, 2016	$ 3,466,338	$ 21,401,943	$ 3,952,487	$ (3,751,280)	$ 3,264,911	$ (243,595)	$ 28,090,804	$ 514,204	$ 28,605,008
BALANCE AT JANUARY 1, 2017	$ 3,466,338	$ 21,537,232	$ 3,952,487	$ (2,772,489)	$ 3,232,790	$ (243,595)	$ 29,172,763	$ 239,436	$ 29,412,199
Legal reserve used to offset accumulated deficits	-	-	(944,901)	944,901	-	-	-	-	-
Net profit for the six months ended June 30, 2017	-	-	-	942,778	-	-	942,778	16,444	959,222
Other comprehensive loss for the six months ended June 30, 2017, net of income tax	-	-	-	-	(1,369,197)	-	(1,369,197)	(3,083)	(1,372,280)
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	942,778	(1,369,197)	-	(426,419)	13,361	(413,058)
Recognition of employee share options by the Company	-	113,219	-	-	-	-	113,219	-	113,219
BALANCE AT JUNE 30, 2017	$ 3,466,338	$ 21,650,451	$ 3,007,586	$ (884,810)	$ 1,863,593	$ (243,595)	$ 28,859,563	$ 252,797	$ 29,112,360
BALANCE AT JUNE 30, 2017 (IN U.S. DOLLARS)	$ 114,099	$ 712,655	$ 98,999	$ (29,125)	$ 61,343	$ (8,018)	$ 949,953	$ 8,321	$ 958,274

Note: The exchange rate from New Taiwan dollars to U.S. dollars as of June 30, 2017 was US$1=NT$30.38.

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Six Months Ended June 30		
	2016	2017	
	NT$	NT$	US$ (Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before income tax	$ (2,751,977)	$ 1,256,652	$ 41,364
Adjustments for:			
Depreciation expenses	4,362,117	4,299,067	141,510
Amortization expenses	35,355	22,378	737
(Reversal of) impairment losses recognized on trade receivables	(109,196)	8,288	273
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	22,406	(125,365)	(4,127)
Finance costs	538,224	547,551	18,023
Interest income	(163,572)	(110,405)	(3,634)
Compensation costs of employee share options	201,903	113,219	3,727
Share of profit of associates	(120,731)	-	-
Gain on disposal of property, plant and equipment	(120,745)	(246,046)	(8,099)
Gain on disposal of intangible assets	-	(40)	(1)
Gain on disposal of investments	-	(443,476)	(14,597)
Gain on disposal of associates	-	(370,447)	(12,194)
Impairment losses recognized on non-financial assets	9,655	11,211	369
(Reversal of) inventory write-downs	516,916	(159,147)	(5,239)
Gain on redemption of bonds payable	(200,638)	-	-
Amortization of prepayments for leases	12,415	12,312	405
Recognition of provisions	357,406	164,709	5,422
Changes in operating assets and liabilities			
Decrease in trade and notes receivable	5,228,157	291,658	9,600
Decrease in other receivables	2,117,220	1,668,328	54,915
Decrease in inventories	1,646,184	2,307,814	75,965
Decrease (increase) in other current assets	102,610	(38,656)	(1,272)
Decrease in notes and trade payables	(6,201,044)	(1,852,391)	(60,974)
Increase (decrease) in trade payables to related parties	(69,573)	86,050	2,832
Decrease in other payables	(147,944)	(624,029)	(20,541)
Decrease in provisions	(488,638)	(225,788)	(7,432)
Increase in other current liabilities	1,905	183,622	6,044
Decrease in accrued pension liabilities	(238)	(256)	(8)
Cash generated from operations	4,778,177	6,776,813	223,068
Interest received	477,839	118,450	3,899
Income tax (paid) refund	361,069	(320,229)	(10,541)
Net cash generated from operating activities	5,617,085	6,575,034	216,426

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Six Months Ended June 30		
	2016	2017	
	NT$	NT$	US$ (Note 4)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in debt investments with no active market	$ 14,721,627	$ (138,733)	$ (4,566)
Proceeds from sale of financial assets measured at cost	-	11	-
Acquisition of associates	(64,520)	-	-
Net cash inflow on disposal of associates	-	567,529	18,681
Net cash inflow on disposal of subsidiaries	-	1,098,885	36,171
Payment for property, plant and equipment	(354,355)	(62,639)	(2,062)
Proceeds from disposal of property, plant and equipment	248,973	558,896	18,397
Decrease (increase) in refundable deposits	12,347	(91,538)	(3,013)
Decrease in other receivables	570,663	-	-
Payments for intangible assets	(4,042)	(8,429)	(277)
Proceeds from disposal of intangible assets	3,200	493	16
Decrease in other assets	73	69	2
Increase in prepayments for equipment	(1,818,462)	(2,213,858)	(72,872)
Increase in long-term prepayments for leases	-	(146,589)	(4,825)
Net cash generated from (used in) investing activities	13,315,504	(435,903)	(14,348)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings	(9,625,092)	(9,158,981)	(301,481)
Repayments of bond payables	(1,189,282)	-	-
Proceeds from long-term borrowings	-	4,282,150	140,953
Repayments of long-term borrowings	(5,312,237)	(941,276)	(30,983)
Proceeds from (refund of) guarantee deposits received	(2,771)	145,265	4,781
Decrease in other liabilities	-	(167)	(5)
Payments for transaction costs attributable to buy-back of treasury shares	(255,118)	-	-
Interest paid	(490,471)	(414,607)	(13,647)
Increase in non-controlling interests	134,886	-	-
Net cash used in financing activities	(16,740,085)	(6,087,616)	(200,382)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(563,438)	(1,197,404)	(39,414)

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Six Months Ended June 30		
	2016	2017	
	NT$	NT$	US$ (Note 4)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 1,629,066	$ (1,145,889)	$ (37,718)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	16,393,296	20,490,079	674,459
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 18,022,362	$ 19,344,190	$ 636,741

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

1. GENERAL INFORMATION

TPK Holding Co., Ltd. (the "Company") was incorporated as a limited company under the provisions of the Company Law of the Cayman Islands on November 21, 2005.

The Company and its subsidiaries (collectively, the "Group") are mainly engaged in the business of developing, manufacturing and selling touch modules, touch displays and ITO glass related products.

The Company's shares have been listed on the Taiwan Stock Exchange since October 29, 2010.

The functional currency of the Company is the U.S. dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company's shares are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on August 7, 2017.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is the fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Levels 2 or 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. When the amendment is applied retrospectively from January 1, 2017, there is no material impact on the related disclosures for the Group.

2) Annual Improvements to IFRSs 2010-2012 Cycle

Several standards, including IFRS 2 "Share-based Payments", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments", were amended in this annual improvement.

The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group but also of other entities outside the Group. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions are accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combinations with acquisition dates on or after January 1, 2017.

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker. Upon the retrospective application of the amendment from January 1, 2017, there is no material impact on the related disclosures for the Group.

3) Annual Improvements to IFRSs 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 "Investment Property", were amended in this annual improvement.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether investment properties acquired are acquisitions of assets or business combinations. The amendment will be applied prospectively to acquisitions of investment properties on or after January 1, 2017.

4) Annual Improvements to IFRSs 2012-2014 Cycle

Several standards including IFRS 7 "Financial Instruments: Disclosures" and IAS 34, were amended in this annual improvement. The amendment will be applied prospectively to the transactions on or after January 1, 2017.

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

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post-implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

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

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 34 for related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

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

The impact of the application of the aforementioned IFRSs endorsed by the FSC on the Group's consolidated financial statements is as follows:

1) IFRS 9 "Financial Instruments"

Recognition, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When debt instruments are derecognized or reclassified, the cumulative gains or losses previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gains or losses previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Regarding the Group's financial assets and the existing facts and circumstances as of June 30, 2017, the Group has performed a preliminary assessment of the impact of IFRS 9 on the classification and measurement of such financial assets as follows:

a) Unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides, unlisted shares measured at cost will be measured at fair value instead.

b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because it was found at initial recognition that the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the expected credit loss model. A loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment whereby the Group will apply a simplified approach for recognizing lifetime expected credit losses for trade receivables. In relation to debt instruments, the Group will assess whether there has been a significant increase in the credit risk to determine whether to recognize 12-month or full lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit loss model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior periods when applying the requirements for the recognition, measurement and impairment of financial assets under IFRS 9 and will provide the disclosures related to the classification and adjustments upon initial application of IFRS 9. Furthermore, the Group will provide disclosure of the differences in amounts if the Group continues to apply the existing accounting treatments for the year 2018.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

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

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

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

The Group elects to retrospectively apply IFRS 15 to contracts that are not completed as of January 1, 2018 and recognize the cumulative effect of the changes in retained earnings on January 1, 2018.

In addition, the Group will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for the year 2018.

3) Amendments to IAS 40 "Transfers of Investment Property"

The amendments clarify that the Group should make transfers to, or from, investment property when, and only when, an item of property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use. In isolation, a change in management's intentions for the use of an item of property does not provide evidence of a change in use. The amendments also clarify that the evidence of change in use is not limited to those illustrated in IAS 40.

The Group will reclassify items of property as necessary according to the amendments to reflect the conditions that exist at January 1, 2018. In addition, the Group will disclose the reclassified amounts for the year 2018 and the reclassified amounts of January 1, 2018 should be included in the reconciliation of the carrying amounts of investment properties.

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

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence in an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the entity's share of the gain or loss is eliminated.

2) IFRS 16 "Leases"

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

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities and cash payments for the interest portion are classified within financing activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

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

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

See Note 12 and Tables 7 and 8 following the Notes to Consolidated Financial Statements for detailed information on subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2016.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to the interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

e. U.S. dollar amounts

A translation of the New Taiwan dollar ("NT$") amounts into U.S. dollars ("US$") in the consolidated financial statements for the six months ended June 30, 2017 is included solely for the convenience of the readers, and has been made at the exchange rate set forth in the statistical release of the U.S. Federal Reserve Board of the United States, which was NT$30.38 to US$1.00 as of June 30, 2017. The translation should not be construed as a representation that the NT$ amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2016 have been followed in these consolidated financial statements.

6. CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Cash on hand	$ 2,490	$ 1,733	$ 1,691	$ 56
Checking accounts and demand deposits	14,178,578	9,206,652	13,990,492	460,516
Cash equivalents				
Time deposits with original maturities of less than three months	3,841,294	11,281,694	5,352,007	176,169
	$ 18,022,362	$ 20,490,079	$ 19,344,190	$ 636,741

Interest rates for deposits in the bank on the balance sheet date were as follows:

	June 30, 2016	December 31, 2016	June 30, 2017
Deposits	0%-1.00%	0%-1.90%	0%-2.00%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Financial assets at FVTPL - current				
Financial assets held for trading				
Derivative financial assets (not under hedge accounting)				
Foreign exchange forward contracts	$ -	$ -	$ 72,751	$ 2,394
Financial liabilities at FVTPL - current				
Financial liabilities held for trading				
Derivative financial liabilities (not under hedge accounting)				
Redemption options and put options of convertible bonds	$ 116,388	$ 214,550	$ 151,940	$ 5,001

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows (as of December 31, 2016 and June 30, 2016: None):

	Currency	Maturity Date	Notional Amount (In Thousands)
June 30, 2017			
Sell USD/Buy RMB	USD/RMB	July 5, 2017-August 16, 2017	USD110,000/RMB763,450

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, the derivative contracts do not meet the criteria for hedge accounting. Hence, foreign exchange forward contracts are classified as financial assets or financial liabilities held for trading.

Gains and losses on foreign exchange forward contracts, redemption options and convertible bond put options for the three months ended June 30, 2016 and 2017 and the six months ended June 30, 2016 and 2017 were as follows:

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Foreign exchange forward contracts' gains (losses)	$ (5,540)	$ 115,993	$ 3,818	$ (5,212)	$ 129,914	$ 4,276
Redemption options and convertible bond put options' gains (losses)	(69,422)	(36,188)	(1,191)	(22,406)	52,765	1,737
Structured deposits' gains	-	55	2	-	55	2
	$ (74,962)	$ 79,860	$ 2,629	$ (27,618)	$ 182,734	$ 6,015

8. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Domestic unlisted ordinary shares	$ 150,000	$ 150,000	$ 150,000	$ 4,938
Overseas unlisted ordinary shares	11	11	107,885	3,551
	$ 150,011	$ 150,011	$ 257,885	$ 8,489
Classified according to financial asset measurement categories				
Available-for-sale financial assets	$ 150,011	$ 150,011	$ 257,885	$ 8,489

In June 2014, the Group acquired 16.57% of the ordinary shares of Kingyoup Optronics Co., Ltd. ("KYO") for $150,000 thousand (approximately US$4,938 thousand).

Due to the fact that the demands of the market did not meet expectations and the cost structure was not competitive enough, the operations of Hallys Corporation ("Hallys"), a subsidiary of CIM Corporation ("CIM"), still had no improvement. On August 24, 2015, TPK Universal Solutions Limited ("TPK HK"), a subsidiary of the Company, sold its equity interest in CIM at the price of its initial acquisition cost, and the ownership percentage of TPK HK in CIM declined from 80% to 0.08%. Because the Group has lost control over this subsidiary, any investment retained in the former subsidiary was reclassified to financial assets measured at cost - non-current. In addition, the Company signed an agreement on claims and liabilities and a supplemental agreement with CIM and Hallys (collectively, the "Hallys Group") to approve TPK HK selling its remaining 0.08% interest in CIM at the price of JPY41 thousand to Palladisio Capital Asia Limited ("Palladisio") on May 12, 2017. The sale proceeds were received on June 14, 2017. Refer to Note 10 for more information.

As the industry of JSX is not the core business of the Company, at January 26, 2017, the Company's board of directors resolved to sell its interest in JSX to Ruei-Shin Investment (Pingtan) Co., Ltd. in order to concentrate and utilize the Company's limited resources. In March 2017, TPKP sold 91% of its interest in JSX at the price of RMB246,192 thousand, and TPKP's percentage of ownership decreased from 100% to 9% aftermath. Since the Group has lost control over JSX, any investment retained in JSX was reclassified to financial assets measured at cost - non-current. Refer to Note 29 for information related to the disposal of the subsidiary.

Management believed that the fair values of the above unlisted equity investments held by the Group cannot be reliably measured due to the significant range of reasonable fair value estimates; therefore, such fair values were measured at cost at the end of reporting period.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Current				
Restricted bank deposits and financial products	$ 9,847	$ 631,163	$ 600,650	$ 19,771
Financial products	1,516,093	755,694	924,940	30,446
Time deposits with original maturities of more than 3 months	538,993	-	-	-
	$ 2,064,933	$ 1,386,857	$ 1,525,590	$ 50,217

Financial products include principal and interest guaranteed investment products which were traded from the bank by subsidiaries. As of June 30, 2016, December 31, 2016 and June 30, 2017, the relevant product details were as follows:

	June 30, 2016	December 31, 2016	June 30, 2017
Annual returns rates	2.25%-2.85%	2.10%-2.75%	2.25%-2.85%
Maturity dates	July 1, 2016 - July 31, 2016	January 9, 2017 - January 10, 2017	July 3, 2017 - July 25, 2017

Interest rates of time deposits and restricted bank deposits on the balance sheet date were as follows:

	June 30, 2016	December 31, 2016	June 30, 2017
Time deposits and restricted bank deposits	0.30%-0.99%	0.30%-4.50%	4.5%

Restricted bank deposits and financial products are mainly in use as guarantees to banks for loans and for payments of tariffs from importing raw materials.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Notes and trade receivables (a)				
Notes receivable	$ 3,894	$ -	$ 3,044	$ 100
Trade receivables	7,093,207	7,690,150	7,374,317	242,736
	7,097,101	7,690,150	7,377,361	242,836
Less: Allowance for impairment loss	(47,066)	(43,914)	(31,328)	(1,031)
	$ 7,050,035	$ 7,646,236	$ 7,346,033	$ 241,805
Other receivables (b)				
Tax refund receivable	$ 1,022,762	$ 875,344	$ 736,610	$ 24,246
Factored but unused receivables	351,014	1,643,635	659,060	21,694
Loans receivable (Note 34)	823,023	771,283	-	-
Reimbursements	500,000	376,136	-	-
Receivables from disposal of investments (Note 13)	-	268,452	-	-
Others	567,865	755,996	259,645	8,547
	3,273,664	4,690,846	1,655,315	54,487
Less: Allowance for impairment loss	(1,111,568)	(1,396,325)	(74,248)	(2,444)
	$ 2,162,096	$ 3,294,521	$ 1,581,067	$ 52,043

a. Trade receivables

The average credit period on sales of goods is 45 to 60 days after the end of the month in which sales occur. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of reporting period. The Group assessed the allowance for impairment by reference to the collectability of receivables by considering an aging of receivables analysis, historical experience and the credit ratings of respective customers.

The aging of receivables was as follows:

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Less than 60 days	$ 6,673,901	$ 7,508,959	$ 7,333,378	$ 241,388
61-90 days	73,172	5,247	3,275	108
91-180 days	155,811	100,008	6,301	207
More than 180 days	194,217	75,936	34,407	1,133
	$ 7,097,101	$ 7,690,150	$ 7,377,361	$ 242,836

For the trade receivables balances that were past due at the end of the reporting period (refer to the below schedule), the Group did not recognize an allowance for impairment loss, because there was no significant change in the credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances. Moreover, the Group does not have the legal right to offset receivables and payables against the same counterparty.

The aging of receivables that were past due but not impaired was as follows:

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Less than 60 days	$ 667,617	$ 512,694	$ 414,507	$ 13,644
61-90 days	72,150	4,100	1,949	64
91-180 days	139,308	91,785	1,696	56
More than 180 days	154,825	28,494	21,325	702
	$ 1,033,900	$ 637,073	$ 439,477	$ 14,466

The aging of impaired trade receivables was as follows:

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Less than 60 days	$ 3,521	$ -	$ 18,733	$ 617
61-90 days	1,022	1,148	1,326	44
91-180 days	16,503	8,222	4,605	151
More than 180 days	39,392	47,442	13,082	430
	$ 60,438	$ 56,812	$ 37,746	$ 1,242

The above aging schedule was based on the past-due date.

The movements of the allowance for doubtful trade receivable were as follows:

	Individually Assessed for Impairment NT$	Collectively Assessed for Impairment NT$	Total NT$
Balance at January 1, 2016	$ 34,665	$ 20,963	$ 55,628
Less: Reversed impairment losses	(3,452)	(3,571)	(7,023)
Effects of foreign currency exchange differences	(1,324)	(215)	(1,539)
Balance at June 30, 2016	$ 29,889	$ 17,177	$ 47,066
Balance at January 1, 2017	$ 22,498	$ 21,416	$ 43,914
Add: Impairment losses recognized on receivables	18,471	-	18,471
Less: Reversed impairment losses	-	(8,309)	(8,309)
Less: Amounts written off during the period as uncollectable	$ (21,130)	$ -	$ (21,130)
Effects of foreign currency exchange differences	(1,158)	(460)	(1,618)
Balance at June 30, 2017	$ 18,681	$ 12,647	$ 31,328

	Individually Assessed for Impairment US$ (Note 4)	Collectively Assessed for Impairment US$ (Note 4)	Total US$ (Note 4)
Balance at January 1, 2017	$ 740	$ 705	$ 1,445
Add: Impairment losses recognized on receivables	608	-	608
Less: Reversed impairment losses	-	(273)	(273)
Less: Amounts written off during the period as uncollectable	(695)	-	(695)
Effects of foreign currency exchange differences	(38)	(16)	(54)
Balance at June 30, 2017	$ 615	$ 416	$ 1,031

b. Other receivables

As of June 30, 2016, December 31, 2016 and June 30, 2017, the Group's other receivables mainly consist of factored but unused receivables, tax refund receivable, loans receivable, receivables from the disposal of investments and reimbursements. Apart from loans receivable (each of which is due within one year), reimbursements, receivables from the disposal of investments and tax refund receivable, the aging of the remaining receivables is less than 60 days (based on the invoice date).

Due to the consideration of the operating capital and the requirements of repayments for borrowings, Cando Corporation ("Cando") had issued its first secured domestic convertible bonds with a face value of NT$500,000 thousand. The Group acquired these bonds with a face value of NT$100,000 thousand and provided guarantees within the amount of NT$520,200 thousand for the convertible bonds issued by Cando. However, the convertible bonds were delisted at December 1, 2015, since Cando applied to the court for reorganization and disposal on November 5, 2015. The Group had made the payment for the principal of these bonds in the amount of NT$500,000 thousand on behalf of Cando and recognized as another receivable from Cando. Given that Cando and its subsidiaries, which had suffered huge financial difficulties, were unable to repay the debt, the Company has recognized an allowance for impairment losses on both trade receivables and other receivables from Cando after assessing the net amount of receivables and payables. Due to the indications showing that there was no improvement toward the recovery of the debt, the Group wrote off the receivables and the allowance for doubtful receivables in the amount of NT$988,545 thousand (approximately US$32,539 thousand) from Cando and its subsidiaries in June 2017. Refer to Note 34 for more information.

As of June 30, 2016 and December 31, 2016, the Group had loaned CIM an amount of JPY324,000 thousand and JPY291,600 thousand, respectively, as well as the amount of JPY585,000 thousand and JPY526,500 thousand to Hallys, respectively, there was no loan to CIM as of June 30, 2017. Such loans were due within one year with a 2% effective interest rate. After evaluating the operations and recoverability of the receivables for both Hallys Group, the Company recognized an allowance for impairment losses of 100% against the other receivables from Hallys Group as of December 31, 2016.

On May 12, 2017, the Company decided to sell its other receivables from Hallys Group and its remaining interest in CIM to Palladisio in the amount of JPY100,041 thousand. The proceeds has been received on June 14, 2017.

Movements in the allowance for impairment loss on other receivables were as follows:

	Individually Assessed for Impairment NT$	Collectively Assessed for Impairment NT$	Total NT$
Balance at January 1, 2016	$ 1,132,516	$ 100,874	$ 1,233,390
Less: Reversed impairment losses	(100,388)	(1,785)	(102,173)
Effects of foreign currency exchange differences	(18,271)	(1,378)	(19,649)
Balance at June 30, 2016	$ 1,013,857	$ 97,711	$ 1,111,568
Balance at January 1, 2017	$ 1,318,538	$ 77,787	$ 1,396,325
Less: Reversed impairment losses	(1,667)	(207)	(1,874)
Less: Amounts written off during the period as uncollectable	(1,228,537)	-	(1,228,537)
Effects of foreign currency exchange differences	(88,334)	(3,332)	(91,666)
Balance at June 30, 2017	$ -	$ 74,248	$ 74,248

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)
Balance at January 1, 2017	$ 43,401	$ 2,561	$ 45,962
Less: Reversed impairment losses	(55)	(7)	(62)
Less: Amounts written off during the period as uncollectable	(40,439)	-	(40,439)
Effects of foreign currency exchange differences	(2,907)	(110)	(3,017)
Balance at June 30, 2017	$ -	$ 2,444	$ 2,444

11. INVENTORIES

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Finished goods	$ 2,672,554	$ 4,072,555	$ 2,768,787	$ 91,139
Work in progress	450,552	322,757	538,586	17,728
Raw materials	3,474,833	3,420,194	2,296,917	75,606
	$ 6,597,939	$ 7,815,506	$ 5,604,290	$ 184,473

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2016 and 2017 and the six months ended June 30, 2016 and 2017 was NT$18,672,834 thousand, NT$20,896,938 thousand (approximately US$687,852 thousand), NT$38,921,083 thousand and NT$41,112,047 thousand (approximately US$1,353,260 thousand), respectively.

The accounts listed below were included in cost of goods sold:

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
(Reversal of) inventory write-downs	$ 292,397	$ (48,279)	$ (1,589)	$ 516,916	$ (159,147)	$ (5,239)
Provision for loss on purchase commitments	2,879	20,805	685	16,925	17,226	567
Loss on inventory scraps	28,246	117,704	3,874	28,246	206,934	6,812
	$ 323,522	$ 90,230	$ 2,970	$ 562,087	$ 65,013	$ 2,140

The cost of goods sold for the three months ended June 30, 2017 and the six months ended June 30, 2017 included reversals of inventory write-downs of NT$48,279 thousand (approximately US$1,589 thousand) and NT$159,147 thousand (approximately US$5,239 thousand), respectively. For the three months ended June 30, 2016 and the six months ended June 30, 2016, the cost of goods sold included inventory write-downs of NT$292,397 thousand and NT$516,916 thousand, respectively.

Because of the characteristic of the industry, the product life cycle is short. Therefore, there is an accrued allowance for losses on inventory with aging of over 360 days.

Due to the characteristics of the industry and market fluctuations, certain raw materials are no longer usable. For the three months ended June 30, 2016 and 2017 and the six months ended June 30, 2016 and 2017, the Group evaluated and recognized a loss on purchase commitments in the amount of NT$2,879 thousand, NT$20,805 thousand (approximately US$685 thousand), NT$16,925 thousand and NT$17,226 thousand (approximately US$567 thousand). As of June 30, 2016, December 31, 2016 and June 30, 2017, the Group estimated and recognized short-term provisions for purchase commitments (Note 21) in the amount of NT$19,735 thousand, NT$17,723 thousand and NT$30,340 thousand (approximately US$999 thousand), respectively.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			Proportion of Ownership (%)			
Investor	**Investee**	**Nature of Activities**	**June 30, 2016**	**December 31, 2016**	**June 30, 2017**	**Remark**
TPK Holding Co., Ltd. ("TPKH")	TPK Technology International Inc. ("TTI")	International trade	100.00	100.00	100.00	
	Improve Idea Investments Ltd. ("Improve")	Holding company	100.00	100.00	100.00	
	Optera TPK Holding Pte. Ltd. ("OTH")	Holding company	100.00	100.00	100.00	
	Upper Year Holdings Limited ("UYH")	Holding company and international trade	100.00	100.00	100.00	
	Ray-Star Universal Solutions Limited ("RUSL")	Holding company	100.00	100.00	100.00	
Improve	TPK Asia Pacific Sdn. Bhd. ("TPKA")	Holding company	100.00	100.00	100.00	
TPKA	TPK Touch Solutions Inc. ("TPKT")	Touch related material sales and machinery manufacture, wholesale and retail	100.00	100.00	100.00	
	TPK Cando Solutions Inc. ("TCS")	Chemically strengthened glass processing and sales	55.00	55.00	55.00	
UYH	TPK Touch Solutions (Xiamen) Inc. ("TPKC")	Touch modules research, development, manufacture and sales	73.84	73.84	73.84	1)
	TPK Lens Solutions Inc. ("TPKL")	Optical glass processing and sales; machinery manufacture, wholesale and retail	100.00	100.00	100.00	
	TPK Touch Systems (Xiamen) Inc. ("TPKS")	Touch modules and touch display and systems research, development, manufacture and sales	100.00	100.00	100.00	
	Ray-Star Optical Solutions (Xiamen) Inc. ("RSO")	Optical glass processing and sales	55.00	55.00	55.00	
OTH	TPK America, LLC ("TPKU")	International trade	100.00	100.00	100.00	
	TPK Touch Solutions (Xiamen) Inc. ("TPKC")	Touch modules research, development, manufacture and sales	10.27	10.27	10.27	1)
RUSL	TPK Universal Solutions Limited ("TPK HK")	Touch module related product research; holding company and international trade	100.00	100.00	100.00	
TPK HK	TPK Glass Solutions (Xiamen) Inc. ("TPKG")	Optical glass processing and sales	100.00	94.31	94.31	5)
	TPK Specialty Materials Limited ("JJS")	Holding company	51.00	-	-	2) and 3)
	TPK Film Solutions Limited ("TPKF HK")	Holding company	80.02	80.02	80.02	7)
	TPK MasTouch Solutions (Xiamen) Inc. ("MTOH")	Touch modules research, development, manufacture and sales	100.00	100.00	100.00	
	TPK Touch Solutions (Pingtan) Inc. ("TPKP")	ITO glass research, development, manufacture, processing and sales	100.00	100.00	100.00	
	TPK Materials Solution Inc. ("TPKM")	Touch related electronic materials and electronic chemicals processing, manufacture and research	100.00	100.00	100.00	
	TPK Advanced Solutions Inc. ("TPKD")	Touch modules research, development, manufacture and sales	49.90	49.90	49.90	
	TPK Touch Solutions (Xiamen) Inc. ("TPKC")	Touch modules research, development, manufacture and sales	15.89	15.89	15.89	1)
	Xiamen Jan Jia Optoelectronics Co., Ltd. ("TPKJ")	Protective film and optical adhesive manufacture and sales	51.00	51.00	51.00	2), 3), 6) and 8)

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%) June 30, 2016	December 31, 2016	June 30, 2017	Remark
TPKT	New Strategy Investment Ltd. ("NSI")	Holding company	-	-	-	4)
	Ray-Star System Solutions Limited ("RSSL")	Holding company	100.00	100.00	100.00	
RSSL	Ray-Star System Solutions (Xiamen) Inc. ("RSS")	Touch modules research, development, manufacture and sales	100.00	-	-	5)
	TPK Glass Solutions (Xiamen) Inc. ("TPKG")	Optical glass processing and sales	-	5.69	5.69	5)
TPKC	Ray-Star Optical Solutions (Xiamen) Inc. ("RSO")	Optical glass processing and sales	45.00	45.00	45.00	
	TPK Advanced Solutions Inc. ("TPKD")	Touch modules research, development, manufacture and sales	50.10	50.10	50.10	
JJS	Xiamen Jan Jia Optoelectronics Co., Ltd. ("TPKJ")	Protective film and optical adhesive manufacture and sales	-	-	-	2) and 3)
TPKF HK	TPK Film Solutions (Xiamen) Inc. ("TPKF")	Touch modules research, development, manufacture and sales	100.00	100.00	100.00	
TPKP	Jinshunxin Development (Pingtan) Co., Ltd. ("JSX")	Land development	100.00	100.00	-	9)
TPKG	TPK Chenqi (Mainland) Solutions Inc. ("TPKMS")	Trade	100.00	100.00	100.00	
TPKJ	Jin Tong Suzhou Optoelectronics Co., Ltd. ("JT")	Protective film and optical adhesive manufacture and sales	100.00	100.00	100.00	

(Concluded)

Remark:

1) For the purpose of integrating resources, decreasing operating costs and enhancing management efficiency, on August 12, 2015, the Company's board of directors resolved to merge Optera Technology (Xiamen) Co., Ltd. and Ray-Star Technology (Xiamen) Inc., which were the companies to be dissolved, with TPKC, which was the surviving company. The reference date of the consolidation was January 1, 2016, and after that date, UYH, OTH and TPK HK held 73.84%, 10.27%, and 15.89% interests in TPKC, respectively.

2) These are subsidiaries that have material non-controlling interests.

3) In order to simplify its organizational structure, at November 4, 2015, the Company's board of directors resolved that TPK HK and a subsidiary of Jan Ann Co., Ltd. (Cayman), Lincoln Limited (Samoa), would simultaneously acquire 51% and 49% of TPKJ's shares from JJS in cash, respectively, and the interests' delivery date was June 21, 2016. JJS finished its dissolution and liquidation process on September 30, 2016.

4) In order to simplify its organizational structure, the Company's board of directors resolved to dissolve and liquidate NSI and the process of liquidation was finished on March 31, 2016.

5) In order to achieve the goal of sharing resources and enhancing operating efficiency, on December 1, 2015, the Company's board of directors resolved to merge TPKG and RSS by exchanging each of the US dollar shares of RSS with each of the US dollar shares of TPKG. The reference date of the consolidation was November 1, 2016, and after that date, TPKG became the surviving company whereas RSS was dissolved. Subsequently, RSSL and TPK HK held 5.69% and 94.31% of the shares of TPKG, respectively.

6) In order to enhance the working capital and capital expenditures of TPKJ, on June 7, 2016, the Company's board of directors resolved that TPKJ would issue ordinary shares for cash, but the issuance would not exceed the amount of US$25,000 thousand. In addition, for the purpose of introducing external investors, TPK HK did not participate in the capital increase plan of TPKJ. The capital increase base date was July 25, 2016, and after the issuance, TPK HK's ownership percentage in TPKJ declined from 51% to 43.05%. However, due to changes in the conditions of the industry, TPKJ had to adjust and cancel the original capital increase plan and use of funds, and

the Company's board of directors resolved to carry out a non-equal proportionate capital reduction on September 26, 2016. TPKJ returned the amount of US$25,000 thousand from the share issuance for cash to the shareholders who subscribed for the shares in July 2016. After the capital reduction, TPK HK's ownership percentage in TPKJ went back to 51%.

7) One of the TPKF HK external shareholders transferred its partial interest to TPK HK without consideration because the shareholder entered into bankruptcy. Thereafter, TPK HK's percentage of ownership in TPKF HK increased from 66.75% to 80.02%.

8) For the needs of overseas purchasing of materials and acting as an agent on behalf of TPKJ in the sales processes, the Company's board of directors resolved to set up a wholly-owned subsidiary in Hong Kong with a capital of less than US$500 thousand from TPKJ on December 21, 2016.As of June 30, 2017, the new subsidiary has not completed the set up processes.

9) Due to the fact that JSX's industry is not the core business of the Company, on January 26, 2017, the Company's board of directors resolved to sell its interest in JSX to Ruei-Shin Investment (Pingtan) Co., Ltd. in order to concentrate and utilize its limited resources. TPKP sold 91% of its interest in JSX in the amount of RMB246,192 thousand in March 2017, and the gain on the disposal amounting to US$14,469 thousand was recognized. After the disposal, the Group's ownership percentage of JSX decreased from 100% to 9%. Since the Group lost control over JSX, any remaining investments in JSX were reclassified to financial assets measured at cost - non-current. Refer to Note 29 for more information.

b. Details of subsidiaries with material non-controlling interests

	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
Name of Subsidiary	**June 30, 2016**	**December 31, 2016**	**June 30, 2017**
JJS	49.0%	-	-
TPKJ	49.0%	49.0%	49.0%

JJS originally held a 100% equity interest in TPKJ. In order to simplify its organizational structure, a subsidiary of the Company, TPK HK, acquired a 51% equity interest in TPKJ in accordance with the evaluation report in June 2016. Refer to Table 8 following the Notes to Consolidated Financial Statements for information on the relevant place of incorporation and principal place of business of TPKJ.

	Profit Allocated to Non-controlling Interests		**Accumulated Non-controlling Interests**	
	2016		**2016**	
Name of Subsidiary	**For the Three Months Ended June 30**	**For the Six Months Ended June 30**	**December 31**	**June 30**
	NT$	**NT$**	**NT$**	**NT$**
JJS	$ 21,801	$ 9,740	$ -	$ 298,733
TPKJ	(11,987)	(11,987)	179,857	120,661

Name of Subsidiary	Profit Allocated to Non-controlling Interests 2017 For the Three Months Ended June 30		For the Six Months Ended June 30		Accumulated Non-controlling Interests June 30, 2017	
	NT$	US$ (Note 4)	NT$	US$ (Note 4)	NT$	US$ (Note 4)
JJS	$ -	$ -	$ -	$ -	$ -	$ -
TPKJ	30,354	999	51,599	1,698	225,482	7,422

Summarized financial information in respect of each of the Group's subsidiaries with material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

JJS and its subsidiaries (as of June 30, 2017 and December 31, 2016: None)

	June 30, 2016 NT$
Current assets	$ 582,070
Non-current assets	31,339
Current liabilities	(3,647)
Non-current liabilities	-
Equity	$ 609,762
Equity attributable to:	
Owners of the Company	$ 311,029
Non-controlling interests of JJS	298,733
	$ 609,762

	For the Three Months Ended June 30, 2016 NT$	For the Six Months Ended June 30, 2016 NT$
Operating revenue	$ 344,921	$ 941,178
Net profit for the period	$ 44,500	$ 19,885
Other comprehensive loss for the period	(58,525)	(6,120)
Total comprehensive income (loss) for the period	$ (14,025)	$ 13,765
Net profit attributable to:		
Owners of the Company	$ 22,699	$ 10,145
Non-controlling interests of JJS	21,801	9,740
	$ 44,500	$ 19,885

(Continued)

	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2016
	NT$	NT$
Total comprehensive income (loss) attributable to:		
Owners of the Company	$ (7,148)	$ 7,024
Non-controlling interests of JJS	(6,877)	6,741
	$ (14,025)	$ 13,765
Net cash flows from:		
Operating activities		$ 3,959,455
Investing activities		(1,558,812)
Financing activities		(1,834,700)
Translation adjustments		(8,617)
Net cash flows		$ 557,326
Dividends paid to:		
Non-controlling interest of JJS		$ -

(Concluded)

TPKJ and its subsidiaries

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Current assets	$ 825,233	$ 989,508	$ 1,085,611	$ 35,734
Non-current assets	270,314	275,415	287,072	9,449
Current liabilities	(849,300)	(896,651)	(911,470)	(30,002)
Non-current liabilities	-	(1,116)	(950)	(31)
Equity	$ 246,247	$ 367,156	$ 460,263	$ 15,150
Equity attributable to:				
Owners of the Company	$ 125,586	$ 187,299	$ 234,781	$ 7,728
Non-controlling interests of TPKJ	120,661	179,857	225,482	7,422
	$ 246,247	$ 367,156	$ 460,263	$ 15,150

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Operating revenue	$ 153,485	$ 704,256	$ 23,182	$ 153,485	$ 1,280,061	$ 42,135
Net profit (loss) for the period	$ (24,462)	$ 61,946	$ 2,039	$ (24,462)	$ 105,304	$ 3,466
Other comprehensive income (loss) for the period	(8,598)	9,287	306	(8,598)	(12,192)	(401)
Total comprehensive income (loss) for the period	$ (33,060)	$ 71,233	$ 2,345	$ (33,060)	$ 93,112	$ 3,065
Net profit (loss) attributable to:						
Owners of the Company	$ (12,475)	$ 31,592	$ 1,040	$ (12,475)	$ 53,705	$ 1,768
Non-controlling interests of TPKJ	(11,987)	30,354	999	(11,987)	51,599	1,698
	$ (24,462)	$ 61,946	$ 2,039	$ (24,462)	$ 105,304	$ 3,466
Total comprehensive income (loss) attributable to:						
Owners of the Company	$ (16,860)	$ 36,329	$ 1,196	$ (16,860)	$ 47,487	$ 1,563
Non-controlling interests of TPKJ	(16,200)	34,904	1,149	(16,200)	45,625	1,502
	$ (33,060)	$ 71,233	$ 2,345	$ (33,060)	$ 93,112	$ 3,065
Net cash flows from:						
Operating activities				$(2,466,427)	$ 38,469	$ 1,266
Investing activities				2,192,168	(39,495)	(1,300)
Financing activities				(2,624)	144,581	4,759
Translation adjustments				(67,930)	(6,500)	(214)
Net cash flows				$ (344,813)	$ 137,055	$ 4,511

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Investments in associates				
Associates that are not individually material				
Non-public company				
TES Touch Embedded Solutions (Xiamen) Inc. ("TES XM")	$ 353,222	$ 195,824	$ -	$ -

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights June 30, 2017	December 30, 2016	June 30, 2016
Unlisted shares					
Cando	Touch modules research, development and manufacture	Taiwan	19.78%	19.78%	19.78%

The Group is able to exercise significant influence over Cando. As such, the investment and the related profits and losses from the investment are accounted for by using the equity method.

Cando, a company with unlisted shares company which the Group accounts for using the equity method, suffered from a lack of new funding, falling revenue, and financial difficulty; and so Cando applied to the court for reorganization and disposal on November 5, 2015, which resulted in its shares being suspended from trading on the Taipei Exchange on November 24, 2015. The court approved the request for disposal on January 26, 2016. However, the request for disposal was revoked by the court on July 20, 2016. Due to the fact that Cando's assets were not sufficient to offset its liabilities, Cando declared bankruptcy on July 21, 2016. After the assessment, the Group determined that the future recoverable amount for its investment of Cando was zero. The impairment loss of NT$283,252 thousand was recognized for the year ended December 31, 2015. As of June 30, 2017, December 31, 2016 and June 30, 2016, the carrying amount of the investment in Cando was zero.

b. Aggregate information of not individually material associates (for the six months ended June 30, 2017: None):

	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2016
	NT$	NT$
The Group's share of:		
Profit from continuing operations	$ 68,941	$ 120,731
Other comprehensive loss	(5,766)	(8,413)
Total comprehensive income for the period	$ 63,175	$ 112,318

TES XM issued ordinary shares for cash on May 23, 2016. TPK HK subscribed for such shares in the amount of US$2,000 thousand so as to proportionally increase its share capital according to the percentage of its original shareholding in effect prior to the capital increase.

Due to the fact that TES XM's industry is not the core business of the Company, on November 9, 2016, the Company's board of directors resolved to sell 40% of its equity interest in TES XM to potential external investors in the amount of no less than US$43,200 thousand or by transferring the equivalent renminbi amount for consideration in order to concentrate and utilize its limited resources. TPK HK sold 22.7% and 17.3% of its ownership in TES XM in the amount of US$24,516 thousand and US$18,684 thousand in December 2016 and March 2017, respectively. The gains from the disposal were US$15,885 thousand and US$12,086 thousand, respectively. The selling price was determined in accordance to the relevant valuation report, and the proceeds were fully received before May 2, 2017.

Investments accounted for by using the equity method and the share of profits or losses and other comprehensive income of those investments were calculated based on the financial statements that have been reviewed for the same period.

14. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Carrying amount for each category				
Buildings	$ 19,922,773	$ 19,480,839	$ 17,719,294	$ 583,255
Machinery and equipment	21,946,078	19,671,167	18,229,074	600,036
Transportation and others	1,787,196	1,564,814	1,165,467	38,363
Property in construction	214,630	27,284	161,323	5,310
	$ 43,870,677	$ 40,744,104	$ 37,275,158	$ 1,226,964

	For the Six Months Ended June 30, 2016				
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	NT$	NT$	NT$	NT$	NT$
Cost					
Balance at January 1, 2016	$ 26,638,409	$ 65,214,891	$ 10,748,101	$ 108,653	$ 102,710,054
Additions	-	-	-	354,355	354,355
Disposals	(22,657)	(3,200,914)	(819,805)	-	(4,043,376)
Reclassification	1,704,428	601,016	(1,332,864)	(244,930)	727,650
Effects of foreign currency exchange differences	(460,560)	(1,055,846)	(144,468)	(3,448)	(1,664,322)
Balance at June 30, 2016	27,859,620	61,559,147	8,450,964	214,630	98,084,361
Accumulated depreciation					
Balance at January 1, 2016	3,311,171	23,513,523	7,408,774	-	34,233,468
Depreciation expenses	550,223	3,292,792	507,699	-	4,350,714
Disposals	(15,721)	(1,328,773)	(630,305)	-	(1,974,799)
Reclassification	1,036,415	171,594	(1,002,927)	-	205,082
Effects of foreign currency exchange differences	(78,916)	(427,761)	(105,406)	-	(612,083)
Balance at June 30, 2016	4,803,172	25,221,375	6,177,835	-	36,202,382
Accumulated impairment losses					
Balance at January 1, 2016	2,998,923	16,539,506	907,814	-	20,446,243
Recognized impairment loss	-	9,655	-	-	9,655
Disposals	(3,600)	(1,749,065)	(187,684)	-	(1,940,349)
Reclassification	191,395	(163,590)	(225,237)	-	(197,432)
Effects of foreign currency exchange differences	(53,043)	(244,812)	(8,960)	-	(306,815)
Balance at June 30, 2016	3,133,675	14,391,694	485,933	-	18,011,302
Carrying amount at June 30, 2016	$ 19,922,773	$ 21,946,078	$ 1,787,196	$ 214,630	$ 43,870,677

	For the Six Months Ended June 30, 2017				
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	NT$	NT$	NT$	NT$	NT$
Cost					
Balance at January 1, 2017	$ 28,083,039	$ 61,934,720	$ 8,503,221	$ 27,284	$ 98,548,264
Additions	-	-	-	62,639	62,639
Disposals	-	(2,486,581)	(69,988)	-	(2,556,569)
Reclassification	(216,991)	3,211,141	116,162	74,691	3,185,003
Effects of foreign currency exchange differences	(1,547,853)	(3,499,223)	(466,205)	(3,291)	(5,516,572)
Balance at June 30, 2017	26,318,195	59,160,057	8,083,190	161,323	93,722,765
Accumulated depreciation					
Balance at January 1, 2017	5,343,823	28,320,096	6,480,561	-	40,144,480
Depreciation expenses	525,351	3,334,049	427,163	-	4,286,563
Disposals	-	(1,474,563)	(47,602)	-	(1,522,165)
Reclassification	(17,984)	25,483	552	-	8,051
Effects of foreign currency exchange differences	(306,545)	(1,625,504)	(360,734)	-	(2,292,783)
Balance at June 30, 2016	5,544,645	28,579,561	6,499,940	-	40,624,146
Accumulated impairment losses					
Balance at January 1, 2017	3,258,377	13,943,457	457,846	-	17,659,680
Recognized impairment loss	-	11,211	-	-	11,211
Disposals	(19,474)	(688,131)	(13,949)	-	(721,554)
Reclassification	-	(145,427)	(678)	-	(146,105)
Effects of foreign currency exchange differences	(184,647)	(769,688)	(25,436)	-	(979,771)
Balance at June 30, 2017	3,054,256	12,351,422	417,783	-	15,823,461
Carrying amount at June 30, 2017	$ 17,719,294	$ 18,229,074	$ 1,165,467	$ 161,323	$ 37,275,158

	For the Six Months Ended June 30, 2017				
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)
Cost					
Balance at January 1, 2017	$ 924,392	$ 2,038,668	$ 279,895	$ 898	$ 3,243,853
Additions	-	-	-	2,062	2,062
Disposals	-	(81,849)	(2,304)	-	(84,153)
Reclassification	(7,143)	105,699	3,824	2,459	104,839
Effects of foreign currency exchange differences	(50,949)	(115,182)	(15,346)	(109)	(181,586)
Balance at June 30, 2017	866,300	1,947,336	266,069	5,310	3,085,015
Accumulated depreciation					
Balance at January 1, 2017	175,899	932,195	213,317	-	1,321,411
Depreciation expenses	17,293	109,745	14,060	-	141,098
Disposals	-	(48,537)	(1,567)	-	(50,104)
Reclassification	(592)	839	18	-	265
Effects of foreign currency exchange differences	(10,090)	(53,506)	(11,874)	-	(75,470)
Balance at June 30, 2016	182,510	940,736	213,954	-	1,337,200
Accumulated impairment losses					
Balance at January 1, 2017	107,254	458,969	15,070	-	581,293
Recognized impairment loss	-	369	-	-	369
Disposals	(641)	(22,651)	(459)	-	(23,751)
Reclassification	-	(4,787)	(22)		(4,809)
Effects of foreign currency exchange differences	(6,078)	(25,336)	(837)	-	(32,251)
Balance at June 30, 2017	100,535	406,564	13,752	-	520,851
Carrying amount at June 30, 2017	$ 583,255	$ 600,036	$ 38,363	$ 5,310	$ 1,226,964

Part of the equipment for manufacturing purposes could no longer be used due to an alteration in the manufacturing process; such equipment was provided with an allowance for impairment loss. The impairment loss shall be reserved subsequently if the idled equipment is used again after the alteration in the manufacturing process.

For the three months ended June 30, 2016 and 2017 and the six months ended June 30, 2016 and 2017, the Group has recognized impairment losses (recorded as operating costs) of NT$14,994 thousand, NT$11,215 thousand (approximately US$369 thousand), NT$9,655 thousand and NT$11,211 thousand (approximately US$369 thousand), respectively.

The Group's buildings mainly consist of factories and the construction of clean rooms, which are depreciated over an estimated useful life ranging from 1 to 20 years.

Otherwise, the property, plant and equipment listed above are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	1-35 years
Machinery and equipment	1-11 years
Transportation and others	1-10 years

In order to activate its assets, on May 4, 2017, the Company's board of directors resolved to sell its TCS factory located at Houli Zhongke technology park along with its attached equipment to external manufacturers at an amount of no less than NT$625,000 thousand (approximately US$20,573 thousand). The selling price was determined based on the relevant valuation report.

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 35.

15. INVESTMENT PROPERTIES

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Buildings	$ 405,377	$ 393,876	$ 475,511	$ 15,652

	For the Six Months Ended June 30		
	2016	2017	
	NT$	NT$	US$ (Note 4)
Cost			
Balance, beginning of period	$ 506,135	$ 497,269	$ 16,368
Reclassification	-	135,834	4,471
Effects of foreign currency exchange differences	(8,480)	(29,936)	(985)
Balance, end of period	497,655	603,167	19,854
Accumulated depreciation			
Balance, beginning of period	60,227	81,545	2,684
Depreciation expenses	11,403	12,504	412
Reclassification	-	17,984	592
Effects of foreign currency exchange differences	(1,217)	(4,985)	(164)
Balance, end of period	70,413	107,048	3,524
Accumulated impairment losses			
Balance, beginning of period	$ 22,237	$ 21,848	$ 719
Effects of foreign currency exchange differences	(372)	(1,240)	(41)
Balance, end of period	21,865	20,608	678
Carrying amount, end of period	$ 405,377	$ 475,511	$ 15,652

The Group's investment property is depreciated on a straight-line basis over an estimated useful life of 20 years.

The Group's investment property is located in the Xiamen industrial area. Due to infrequent transactions in the area and an unavailable alternative reliable estimate of fair value, the fair value of the investment property was not able to be determined reliably.

16. INTANGIBLE ASSETS

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Goodwill	$ 33,342	$ 33,330	$ 32,493	$ 1,069
Technical know-how	5,462	-	-	-
Computer software	89,230	84,539	70,046	2,306
Patents	9,853	9,079	7,515	247
Others	2,566	2,203	269	9
	$ 140,453	$ 129,151	$ 110,323	$ 3,631

	For the Six Months Ended June 30, 2016					
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Cost						
Balance at January 1, 2016	$ 728,400	$ 358,361	$ 428,753	$ 169,650	$ 45,874	$ 1,731,038
Additions	-	-	4,042	-	-	4,042
Disposals	-	-	(12,074)	-	-	(12,074)
Reclassification	-	-	213	-	-	213
Effects of foreign currency exchange differences	(11,893)	(5,423)	(7,371)	(4,341)	(769)	(29,797)
Balance at June 30, 2016	716,507	352,938	413,563	165,309	45,105	1,693,422
Accumulated amortization						
Balance at January 1, 2016	-	288,068	296,688	157,885	43,002	785,643
Amortization expenses	-	6,749	26,976	1,370	260	35,355
Disposals	-	-	(6,765)	-	-	(6,765)
Reclassification	-	-	52	-	-	52
Effects of foreign currency exchange differences	-	(4,226)	(5,912)	(3,807)	(724)	(14,669)
Balance at June 30, 2016	-	290,591	311,039	155,448	42,538	799,616
Accumulated impairment losses						
Balance at January 1, 2016	694,807	57,854	15,609	8	1	768,279
Disposals	-	-	(2,109)	-	-	(2,109)
Effects of foreign currency exchange differences	(11,642)	(969)	(206)	-	-	(12,817)
Balance at June 30, 2016	683,165	56,885	13,294	8	1	753,353
Carrying amount at June 30, 2016	$ 33,342	$ 5,462	$ 89,230	$ 9,853	$ 2,566	$ 140,453

	For the Six Months Ended June 30, 2017					
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Cost						
Balance at January 1, 2017	$ 715,966	$ 352,400	$ 386,513	$ 163,322	$ 45,070	$ 1,663,271
Additions	-	-	8,429	-	-	8,429
Disposals	-	-	(2,654)	-	-	(2,654)
Effects of foreign currency exchange differences	(39,573)	(17,032)	(13,597)	(7,866)	(2,557)	(80,625)
Balance at June 30, 2017	676,393	335,368	378,691	155,456	42,513	1,588,421
Accumulated amortization						
Balance at January 1, 2017	-	295,560	289,035	154,235	42,866	781,696
Amortization expenses	-	1,754	19,158	1,221	245	22,378
Disposals	-	-	(2,201)	-	-	(2,201)
Effects of foreign currency exchange differences	-	(15,561)	(9,633)	(7,523)	(868)	(33,585)
Balance at June 30, 2017	-	281,753	296,359	147,933	42,243	768,288
Accumulated impairment losses						
Balance at January 1, 2017	682,636	56,840	12,939	8	1	752,424
Effects of foreign currency exchange differences	(38,736)	(3,225)	(653)	-	-	(42,614)
Balance at June 30, 2017	643,900	53,615	12,286	8	1	709,810
Carrying amount at June 30, 2017	$ 32,493	$ -	$ 70,046	$ 7,515	$ 269	$ 110,323

	For the Six Months Ended June 30, 2017					
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)
Cost						
Balance at January 1, 2017	$ 23,567	$ 11,600	$ 12,723	$ 5,376	$ 1,483	$ 54,749
Additions	-	-	277	-	-	277
Disposals	-	-	(87)	-	-	(87)
Effects of foreign currency exchange differences	(1,302)	(561)	(448)	(259)	(84)	(2,654)
Balance at June 30, 2017	22,265	11,039	12,465	5,117	1,399	52,285
Accumulated amortization						
Balance at January 1, 2017	-	9,729	9,514	5,077	1,411	25,731
Amortization expenses	-	58	631	40	8	737
Disposals	-	-	(73)	-	-	(73)
Effects of foreign currency exchange differences	-	(513)	(317)	(247)	(29)	(1,106)
Balance at June 30, 2017	-	9,274	9,755	4,870	1,390	25,289
Accumulated impairment losses						
Balance at January 1, 2017	22,470	1,871	426	-	-	24,767
Effects of foreign currency exchange differences	(1,274)	(106)	(22)	-	-	(1,402)
Balance at June 30, 2017	21,196	1,765	404	-	-	23,365
Carrying amount at June 30, 2017	$ 1,070	$ -	$ 2,306	$ 247	$ 9	$ 3,631

The intangible assets listed above were amortized on a straight-line basis over the estimated useful life of the related asset as follows:

Technical know-how	4-7 years
Computer software	1-6 years
Patents	3-19 years
Other intangible assets	3-10 years

17. PREPAYMENTS FOR LEASES

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Current assets (included in other current assets)	$ 7,154	$ 9,143	$ 25,222	$ 830
Non-current assets (included in long-term prepayments for leases)	1,828,618	1,782,145	1,144,256	37,665
	$ 1,835,772	$ 1,791,288	$ 1,169,478	$ 38,495

As of June 30, 2016, December 31, 2016 and June 30, 2017, the Group's prepayments for leases were mainly for land use rights in mainland China.

18. BORROWINGS

a. Short-term borrowings

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Secured borrowings				
Bank loans	$ -	$ 596,625	$ 562,770	$ 18,524
Unsecured borrowings				
Bank loans	29,369,550	26,103,131	15,675,002	515,965
	$ 29,369,550	$ 26,699,756	$ 16,237,772	$ 534,489

The Group's short-term secured borrowings were guaranteed by related parties as of December 31, 2016 and June 30, 2017 (refer to Note 34). The Group's subsidiaries also provided deposits in the amounts of NT$621,776 thousand and NT$600,564 thousand (approximately US$19,768 thousand) (included in debt investments with no active market - current) as collateral for the aforementioned borrowings as of December 31, 2016 and June 30, 2017, respectively, while none was provided as of June 30, 2016.

As of June 30, 2016, December 31, 2016 and June 30, 2017, the range of weighted average effective interest rates on bank loans was 0.67%-3.92%, 1.44%-5.00%, and 1.74%-5.00% per annum, respectively.

b. Long-term borrowings

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Secured borrowings				
Bank loans	$ 166,494	$ -	$ -	$ -
Others	-	-	1,732,927	57,042
	166,494	-	1,732,927	57,042
Unsecured borrowings				
Bank loans	6,256,509	2,615,894	3,744,125	123,243
Others	96,825	32,250	319,410	10,514
	6,353,334	2,648,144	4,063,535	133,757
	6,519,828	2,648,144	5,796,462	190,799
Less: Current portion (due in one year)	(4,565,189)	(1,525,844)	(1,623,365)	(53,436)
Long-term borrowings	$ 1,954,639	$ 1,122,300	$ 4,173,097	$ 137,363

As of June 30, 2016, the Group's long-term borrowings were collateralized by properties (see Note 35). As of June 30, 2017, the long-term borrowings were collateralized by machinery and equipment (see Note 35) and were guaranteed by related parties (see Note 34). As of June 30, 2016, December 31, 2016 and June 30, 2017, the range of weighted average effective interest rates of bank borrowings was 1.76%-4.21%, 2.74%-3.95%, and 2.75%-4.75% per annum, respectively. The Group will repay such loans in the next 4 years, 3 years and 3 years, respectively.

The Company signed a loan agreements with Mega International Commercial Bank and made a commitment that the debt ratio must not exceed 300%, interest coverage ratio cannot be lower than 3, and the tangible net worth cannot be lower than NT$35,000,000 thousand as consideration in the determination of interest rates for an on-going loan contract. The bank will examine the aforementioned terms every April and September. If the Company did not meet the conditions and was not able to improve the circumstances before the next two examination dates, then this will be considered a breach of contract. Though certain financial ratios of the Company did not meet the terms of the commitment, the Company has adjusted the effective interest rates in accordance with the agreement with the bank in March 2017.

19. BONDS PAYABLE

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Overseas convertible bonds III (a)	$ 7,208,060	$ 7,202,477	$ 6,793,777	$ 223,626
Unsecured bonds in RMB (b)	-	2,325,225	2,244,996	73,897
	7,208,060	9,527,702	9,038,773	297,523
Less: Convertible bonds discount	(719,447)	(644,287)	(507,535)	(16,706)
	6,488,613	8,883,415	8,531,238	280,817
Less: Current portion (due in one year)	-	(2,308,756)	(2,242,543)	(73,816)
	$ 6,488,613	$ 6,574,659	$ 6,288,695	$ 207,001

a. Overseas convertible bonds III and IV

In order to meet the need of overseas procurement funding for subsidiaries with due consideration of the diversity of fund raising, the Company's board of directors resolved to issue third and fourth unsecured overseas convertible bonds with a face value of up to US$250,000 thousand individually, and with an aggregate face value of up to US$400,000 thousand, on November 4, 2014. This proposal was approved and became effective under letter No. 10300519131 issued by the FSC on December 31, 2014. The bonds whose durations are 5 years were listed on the Luxembourg Stock Exchange on April 8, 2015, and the total amount of US$250,000 thousand of convertible bonds were issued. In accordance with the IFRSs, the Company has bifurcated the bonds into liability and equity components. On April 8, 2015, the Company received the net proceeds of overseas convertible bonds of US$248,602 thousand, which was recognized as bonds payable of US$234,333 thousand, financial liabilities at fair value through profit or loss of US$1,168 thousand and capital surplus of US$13,101 thousand. On June 30, 2015, the overseas convertible bonds IV became automatically invalid due to not being issued.

Bondholders may request that the Company convert the bonds into the Company's ordinary shares at NT$238.70 per share and at the fixed exchange rate of US$1.00 to NT$31.29 between May 19, 2015 and March 29, 2020 (barring the period in which the registration of share transfer is suspended).

As of January 18, 2016, the Company's board of directors resolved to buy back and cancel the overseas convertible bonds III in the amount of up to US$150,000 thousand in the open market before the end of December 31, 2016. In the first half of the year 2016, the Company redeemed the convertible bonds with a face value of US$42,750 thousand at the price of US$36,015 thousand, and the gain from the redemption of the bonds was US$6,075 thousand. As of June 30, 2017, the face value of outstanding overseas convertible bonds III was US$207,250 thousand.

b. Unsecured bonds in Renminbi

In order to replenish the operating capital of TPKC and develop its fundraising diversity, the Company's board of directors resolved to issue Renminbi bonds with a face value of up to RMB2,000,000 thousand. As of July 25, 2016, TPKC issued its bonds in the total amount of RMB500,000 thousand at the Shanghai Clearing House. The bonds with 5.10% interest rates have been discounted by RMB5,675 thousand, and the durations of the bonds are 1 year.

c. Short-term commercial paper in Renminbi

In order to replenish operating capital of TPKC, the Company's board of directors resolved to issue short-term commercial paper in Renminbi in the amount of up to RMB2,000,000 thousand with a duration of no greater than 270 days and in one or several tranches. As of June 30, 2017, none of the short-term commercial paper in Renminbi has been issued.

Movements of debt instruments for the six months ended June 30, 2016 and 2017 were as follows:

	For the Six Months Ended June 30			
	2016		2017	
	NT$	US$	NT$	US$
Balance, beginning of period	$ 7,850,150	$ 239,152	$ 8,883,415	$ 275,456
Interest expense	96,453	2,943	101,607	3,299
Redemption of bonds	(1,355,693)	(41,053)	-	-
Effects of foreign currency exchange differences	(102,297)	-	(453,784)	1,695
Balance, end of period	$ 6,488,613	$ 201,042	$ 8,531,238	$ 280,450

20. OTHER LIABILITIES

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Other payables				
Payables for purchase of equipment	$ 1,617,412	$ 1,140,455	$ 1,940,613	$ 63,878
Other payables - other				
Payable for salaries and bonuses	$ 1,088,778	$ 765,127	$ 551,904	$ 18,167
Payable for repairs	419,585	460,977	303,309	9,984
Interest payable	91,159	164,557	195,894	6,448
Payable for supplies	160,734	201,993	127,141	4,185

(Continued)

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Tax payable	$ 71,512	$ 133,284	$ 119,788	$ 3,943
Payable for miscellaneous purchases	126,506	144,523	45,993	1,514
Others	760,182	783,228	712,939	23,467
	$ 2,718,456	$ 2,653,689	$ 2,056,968	$ 67,708

(Concluded)

21. PROVISIONS

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Current				
Warranties (a)	$ 1,220,122	$ 1,098,763	$ 960,619	$ 31,620
Onerous contracts (b)	19,735	17,723	30,340	999
	$ 1,239,857	$ 1,116,486	$ 990,959	$ 32,619

	Warranties	Onerous Contracts	Total
	NT$	NT$	NT$
Balance at January 1, 2016	$ 1,390,156	$ 4,770	$ 1,394,926
Additions	340,481	16,925	357,406
Usage	(487,717)	(921)	(488,638)
Effects of foreign currency exchange differences	(22,798)	(1,039)	(23,837)
Balance at June 30, 2016	$ 1,220,122	$ 19,735	$ 1,239,857

	Warranties	Onerous Contracts	Total
	NT$	NT$	NT$
Balance, January 1, 2017	$ 1,098,763	$ 17,723	$ 1,116,486
Additions	147,483	17,226	164,709
Usage	(222,207)	(3,582)	(225,789)
Effects of foreign currency exchange differences	(63,420)	(1,027)	(64,447)
Balance, June 30, 2017	$ 960,619	$ 30,340	$ 990,959

	Warranties	Onerous Contracts	Total
	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)
Balance, January 1, 2017	$ 36,167	$ 583	$ 36,750
Additions	4,855	567	5,422
Usage	(7,314)	(118)	(7,432)
Effects of foreign currency exchange differences	(2,088)	(33)	(2,121)
Balance, June 30, 2017	$ 31,620	$ 999	$ 32,619

a. The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under the local sale of goods legislation. The estimate was made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

b. The provision for onerous contracts represents the loss that the Group was presently obligated to make under non-cancellable onerous purchase contracts where the purchased materials and supplies cannot be used for other products. The estimate may vary as a result of changes in future products.

22. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plans was NT$3 thousand and NT$45 thousand (approximately US$2 thousand) for the three months ended June 30, 2016 and 2017, respectively, and NT$110 thousand and NT$90 thousand (approximately US$3 thousand) for the six months ended June 30, 2016 and 2017, respectively, and was calculated using the actuarially determined pension cost discount rate as of December 31, 2015 and 2016.

23. EQUITY

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Share capital				
Ordinary shares	$ 3,466,338	$ 3,466,338	$ 3,466,338	$ 114,099
Capital surplus	21,401,943	21,537,232	21,650,451	712,655
Retained earnings	201,207	1,179,998	2,122,776	69,874
Others equity items	3,264,911	3,232,790	1,863,593	61,343
Treasury shares	(243,595)	(243,595)	(243,595)	(8,018)
Non-controlling interests	514,204	239,436	252,797	8,321
	$ 28,605,008	$ 29,412,199	$ 29,112,360	$ 958,274

a. Share capital

1) Ordinary shares

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Numbers of shares authorized (in thousands)	600,000	600,000	600,000	
Shares authorized	$ 6,000,000	$ 6,000,000	$ 6,000,000	$ 197,498
Number of shares issued and fully paid (in thousands)	346,634	346,634	346,634	
Shares issued	$ 3,466,338	$ 3,466,338	$ 3,466,338	$ 114,099
Additional paid-in capital	18,407,849	18,407,849	18,407,849	605,920
	$ 21,874,187	$ 21,874,187	$ 21,874,187	$ 720,019

Each fully paid ordinary share with a par value of NT$10 entitles the holder to the right to vote and to receive dividends.

For the purpose of replenishing operating capital, repaying borrowings, as well as improving the Group's financial structure in order to react to the demand for funds for future development and to strengthen its competitiveness, on March 21, 2017, the Company's board of directors resolved to issue up to 30,000 thousand ordinary shares for cash or overseas convertible bonds of up to US$100,000 thousand in private placement. The Company could choose to only issue ordinary shares for cash or overseas convertible bonds, otherwise both could be done in concert. However, the actual numbers of shares offered in private placement shall still depend on the condition of the market and the Company's demand for funds.

Furthermore, the Company's board of directors resolved to conduct the issuance of ordinary shares at up to 60,000 thousand shares for cash in the form of GDRs.

In addition, the Company's board of directors resolved to issue ordinary shares at up to 20,000 thousand shares in private placement on March 21, 2017, and the issuance could only be done within the authorization of the resolution of the shareholders' meeting on May 27, 2016. The issued shares were subscribed for by Shenzhen O-Film Tech Co., Ltd. ("O-Film Tech") at NT$90.5 per share, in the total amount of NT$1,810,000 thousand. The Company's board of directors also resolved to participate in the direct issuance from O-Film Tech or subscribe for the shares of O-Film Tech in the open market within one year after the share subscription agreement was signed by both sides. The subscription of O-Film Tech's shares, with a par value of no greater than RMB40.34, amounted to up to RMB204,000 thousand in sum. This cross-shareholding has strengthened and steadied the business relationship between both companies. The Company signed a share subscription agreement with O-Film Tech on March 21, 2017. As of June 30, 2017, the Company has not yet subscribed the shares of O-Film Tech.

The processing of the private offering that was subscribed by O-Film Tech was not completed before the annual shareholders' meeting, which was held on May 16, 2017. In this regard, the shares issued for cash in private placement cannot exceed 50,000 thousand shares. As the result, the numbers of ordinary shares issued in the form of GDRs, as well as the number of ordinary shares issued for cash and overseas convertible bonds in private placement, were limited to 85,000 thousand shares.

The Company signed the letter of intent for a joint venture with O-Film Tech, and the joint venture will be founded after further negotiation and the signing of an official agreement. The Company and O-Film Tech will have joint control of the arrangement where the Company and O-Film Tech will respectively hold 49% and 51% of the interest in the joint company. By integrating the specialties from both companies, a comprehensive solution to the series of manufacturing processes for designing the relevant products with front-end to back-end connectivity could be provided.

2) Global depositary receipts

The issuance of the GDRs was completed on October 1, 2012 and the GDRs were traded and listed on the Luxembourg Stock Exchange where 17,600 thousand units of GDRs with a price of US$13.42 less the issuance cost per unit were issued in the total amount of US$231,734 thousand. One GDR unit represents one share of the Company's ordinary shares.

On April 8, 2015, 20,000 thousand units of GDRs were issued at a price of US$6.68 less the issuance cost per unit in the total amount of US$131,405 thousand. One GDR unit represents one share of the Company's ordinary shares. As of June 30, 2017, a total of 7 thousand units of GDRs corresponding to 7 thousand ordinary shares were outstanding.

b. Capital surplus

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)				
Recognized on issuance of ordinary shares	$ 18,407,849	$ 18,407,849	$ 18,407,849	$ 605,920
Recognized on redemption of convertible bonds	1,750,078	1,750,078	1,750,078	57,606
	20,157,927	20,157,927	20,157,927	663,526
May not be used for any purpose				
Share of changes in capital surplus of associates	5,477	5,477	5,477	180
Recognized on employee share options	898,589	1,033,878	1,147,097	37,759
Recognized on conversion option of convertible bonds	339,950	339,950	339,950	11,190
	1,244,016	1,379,305	1,492,524	49,129
	$ 21,401,943	$ 21,537,232	$ 21,650,451	$ 712,655

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation (the "Articles"), the Company may distribute its profits in accordance with the proposals made by the Company's board of directors for a distribution plan and approved in the annual shareholders' meeting. While distributing any profit, the profit shall be first utilized for offsetting losses of previous years, and 10% of the remaining profit shall be set aside as a legal reserve until the accumulated legal reserve equals the Company's paid-in capital. Secondly, the Company shall appropriate the remaining profit to a special reserve in accordance with the Applicable Public Company Rules or as requested by the competent authorities. Moreover, the Company may appropriate up to 1% of the remaining profit as remuneration of directors, as well as set aside up to 10% of the remaining profit as bonuses for the employees of the Company and its subsidiaries. The Company's board of directors shall specify the exact percentages or amounts to be distributed as bonuses for the directors and employees. Shareholders may amend such proposals prior to approval. Directors who are also the executive officers of the Company may receive remuneration and bonuses simultaneously. Any remaining profit may be distributed as dividends (including cash dividends and share dividends) or bonuses under the Company Law of the Cayman Islands and Applicable Public Company Rules after taking into consideration financial, business and operational factors. The total amount to be distributed as dividends shall be no less than 10% of the remaining profit, where the total amount of the distributed cash dividends shall be greater than 10% of the total dividends. However, if dividends per share is less than NT$1 in any given year, the aforementioned 10% threshold shall not apply. The Company may decide to distribute cash dividends or share dividends in whole or in part at its sole discretion.

Refer to Note 25(f) for more information related to the estimation and actual distribution of employees' compensation and remuneration of directors.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. Distribution can be made out of any subsequent reversal of the debit to other equity items.

The shareholders held their meeting on May 27, 2016 and May 16, 2017 and, in those meetings, resolved not to appropriate earnings for 2015 and 2016. In addition, the shareholders also resolved to offset losses of previous years by using legal reserve of US$31,345 thousand.

d. Other equity items

Exchange differences on translating foreign operations:

	For the Six Months Ended June 30		
	2016	2017	
	NT$	NT$	US$ (Note 4)
Balance at January 1	$ 3,746,515	$ 3,232,790	$ 106,412
Exchange differences on translating foreign operations	27,252	281,648	9,271
Share of exchange difference of associates accounted for using equity method	(8,413)	(9,715)	(320)
Exchange differences on translating to presentation currency	(500,443)	(1,641,130)	(54,020)
Balance at June 30	$ 3,264,911	$ 1,863,593	$ 61,343

e. Non-controlling interests

	For the Six Months Ended June 30		
	2016	2017	
	NT$	NT$	US$ (Note 4)
Balance at January 1	$ 423,092	$ 239,436	$ 7,882
Attributable to non-controlling interests:			
Share of profit (loss) for the period	(51,899)	16,444	541
Exchange differences on translating foreign operations	2,903	(10,683)	(352)
Exchange differences on translating to presentation currency	(7,805)	7,600	250
Non-controlling interest from acquisition of subsidiaries - TPKJ	134,886	-	-
Transfer of additional non-controlling interests in TPKF HK without consideration (Note 30)	13,027	-	-
Balance at June 30	$ 514,204	$ 252,797	$ 8,321

The Group restructured its investment structure in June 2016. TPK HK and non-controlling interest shareholders have acquired 51% and 49% interest in TPKJ from JJS, respectively, based on the result of the relevant valuation report.

f. Treasury shares

Buy-back of Shares	Shares Transferred to Employees (In Thousands of Shares)	Shares Cancelled (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at January 1, 2016	-	4,855	4,855
Increase during the period	3,482	143	3,625
Decrease during the period	-	(4,998)	(4,998)
Number of shares at June 30, 2016	3,482	-	3,482
Number of shares at January 1, 2017 and June 30, 2017	3,482	-	3,482

On November 4, 2015, the Company's board of directors resolved to buy back a limited amount of its outstanding shares to transfer to the employees of the Company and its subsidiaries. Nevertheless, considering its overall equity and financial structure, on February 26, 2016, the Company's board of directors resolved to amend the purpose of the buy-back to maintain the Group's reputation and shareholders' rights; afterwards, the Company cancelled the treasury shares after the buy-back. As of January 4, 2016 (the last day of buy-back period), the Company had bought back 4,998 thousand shares in total, and cancelled the treasury shares on March 16, 2016.

On January 18, 2016, the Company's board of directors resolved to buy back its outstanding shares at a price range of NT$50 to NT$118 per share to transfer to employees within the buy-back period from January 19, 2016 to March 18, 2016. The upper limit of the buy-back amount was NT$1,770,000 thousand, or the equivalent of 15,000 thousand shares. As of March 18, 2016 (the last day of buy-back period), the Company had bought back 3,482 thousand shares in total.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

24. REVENUE

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Revenue from sale of goods	$ 16,764,057	$ 22,096,989	$ 727,353	$ 37,718,838	$ 43,343,405	$ 1,426,708
Others	320,608	310,098	10,207	604,944	479,112	15,771
	$ 17,084,665	$ 22,407,087	$ 737,560	$ 38,323,782	$ 43,822,517	$ 1,442,479

25. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Interest income

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Bank deposits and debt investments with no active market	$ 41,514	$ 51,413	$ 1,693	$ 150,673	$ 102,696	$ 3,380
Loans to related parties and rental deposits	6,357	3,045	100	12,899	7,709	254
	$ 47,871	$ 54,458	$ 1,793	$ 163,572	$ 110,405	$ 3,634

b. Other income

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Rental income						
Operating lease rental income						
Investment properties	$ -	$ 989	$ 32	$ 8,505	$ 2,017	$ 66
Others	11,550	9,751	321	23,703	14,671	483
	11,550	10,740	353	32,208	16,688	549
Others	93,053	40,829	1,344	131,645	54,189	1,784
	$ 104,603	$ 51,569	$ 1,697	$ 163,853	$ 70,877	$ 2,333

c. Finance costs

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Interest on bank loans	$ 194,666	$ 206,844	$ 6,809	$ 441,771	$ 445,944	$ 14,679
Interest on overseas convertible bonds	45,641	43,398	1,428	96,453	88,219	2,904
Interest on unsecured bonds in Renminbi	-	6,833	225	-	13,388	440
Total interest expense for financial liabilities measured at amortized cost	$ 240,307	$ 257,075	$ 8,462	$ 538,224	$ 547,551	$ 18,023

d. Depreciation and amortization

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Property, plant and equipment	$ 2,153,679	$ 2,045,558	$ 67,333	$ 4,350,714	$ 4,286,563	$ 141,098
Investment properties	5,653	6,540	215	11,403	12,504	411
Intangible assets	16,407	10,239	337	35,355	22,378	737
	$ 2,175,739	$ 2,062,337	$ 67,885	$ 4,397,472	$ 4,321,445	$ 142,246
An analysis of amortization by function						
Operating costs	$ 1,403	$ 1,181	$ 39	$ 2,809	$ 2,194	$ 73
Selling and marketing expenses	147	137	5	298	279	9
General and administrative expenses	14,022	8,028	264	30,639	18,170	598
Research and development expenses	835	893	29	1,609	1,735	57
	$ 16,407	$ 10,239	$ 337	$ 35,355	$ 22,378	$ 737

e. Employee benefits expense

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Post-employment benefits (see Note 22)						
Defined contribution plans	$ 101,047	$ 84,955	$ 2,796	$ 182,661	$ 171,490	$ 5,645
Defined benefit plans	3	45	2	110	90	3
	101,050	85,000	2,798	182,771	171,580	5,648
Share-based payments						
Equity-settled	105,500	46,998	1,547	201,903	113,219	3,727
Other employee benefits	2,133,445	2,058,103	67,745	4,391,545	4,248,583	139,848
Total employee benefits expense	$ 2,339,995	$ 2,190,101	$ 72,090	$ 4,776,219	$ 4,533,382	$ 149,223
An analysis of employee benefits expense by function						
Operating costs	$ 1,740,089	$ 1,662,735	$ 54,731	$ 3,594,302	$ 3,452,486	$ 113,644
Operating expenses	599,906	527,366	17,359	1,181,917	1,080,896	35,579
	$ 2,339,995	$ 2,190,101	$ 72,090	$ 4,776,219	$ 4,533,382	$ 149,223

f. Employees' compensation and remuneration of directors

For the six months ended June 30, 2016 and 2017, there was no estimated employees' compensation and remuneration of directors recognized.

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

On February 26, 2016 and February 23, 2017, the Company's board of directors, in their meetings, resolved not to distribute employees' compensation and remuneration of directors for the years ended December 31, 2015 and 2016, respectively. There was no difference between the approved amount of employees' compensation and remuneration of directors and the actual amount recognized in the consolidated financial statements for the years ended December 31, 2015 and 2016.

Information on employees' compensation and remuneration of directors resolved by the Company's board of directors in 2016 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAX RELATED TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Current tax						
In respect of the current period	$ (37,547)	$ 107,653	$ 3,544	$ 96,311	$ 313,193	$ 10,309
Adjustments for prior years	49,883	10,821	356	25,912	11,083	365
	12,336	118,474	3,900	122,223	324,276	10,674
Deferred tax						
In respect of the current period	(174,397)	58,790	1,935	(375,262)	(24,656)	(812)
Effects of foreign currency exchange differences	720	(1,478)	(49)	70	(2,190)	(72)
	(173,677)	57,312	1,886	(375,192)	(26,846)	(884)
Income tax expense (benefit) recognized in profit or loss	$ (161,341)	$ 175,786	$ 5,786	$ (252,969)	$ 297,430	$ 9,790

b. Income tax assessment

The tax returns through 2015 of TPKT, TPK HK Taiwan Branch and TCS have been assessed by the tax authorities.

27. EARNINGS (DEFICIT) PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit (Loss) for the Period

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Profit (loss) for the period attributable to owners of the Company	$ (2,499,058)	$ 326,948	$ 10,762	$ (2,447,109)	$ 942,778	$ 31,033

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares):

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2017	2016	2017
Weighted average number of ordinary shares in computation of basic earnings per share	343,152	343,152	343,941	343,152

The outstanding convertible bonds issued by the Company may be converted to ordinary shares; as such, since the exercise price of the employee share options issued by the Company exceeded the average market price of the shares during three months and six months ended June 30, 2017, they were considered anti-dilutive and excluded from the computation of diluted earnings per share.

28. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plans

In May 2010, June 2012, April 2014, December 2014 and November 2015, 9,000 units, 2,808 units, 6,000 units, 6,300 units and 10,000 units of options were respectively granted to qualified employees of the Company and its subsidiaries. Each unit of options entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted in 2010, 2012, 2014 and 2015 are valid for 10 years, 7 years, 5 years and 5 years, respectively, and are exercisable at certain percentages after the second anniversary from the grant date. For any subsequent changes in the Company's capital surplus (via share dividend distributions and capital reductions other than by the cancellation of treasury shares), the exercise price shall be adjusted accordingly.

Information on employee share options for the six months ended June 30, 2016 and 2017 was as follows:

	For the Six Months Ended June 30				
	2016		2017		
	Units of Options	Weighted-average Exercise Price	Units of Options	Weighted-average Exercise Price	
		NT$		NT$	US$ (Note 4)
Balance at January 1	21,413	$161.6	18,731	$160.1	$5.27
Options forfeited	(1,174)	195.7	(561)	116.6	3.84
Balance at June 30	20,239	160.0	18,170	162.1	5.34
Options exercisable, end of period	3,361	235.6	6,599	217.5	7.16

Information about outstanding options as of June 30, 2016, December 31, 2016 and June 30, 2017 was as follows:

	June 30, 2016	
Issue Date	Exercise Price	Weighted-average Remaining Contractual Life
	NT$	Years
May 1, 2010	$ 94.2	3.83
June 4, 2012	263.6	2.93
April 23, 2014	221.7	2.81
December 2, 2014	195.7	3.42
December 16, 2014	218.8	3.46
November 5, 2015	101.0	4.35

Issue Date	Exercise Price	Weighted-average Remaining Contractual Life
	December 31, 2016	
	NT$	Years
May 1, 2010	$ 94.2	3.33
June 4, 2012	263.6	2.43
April 23, 2014	221.7	2.31
December 2, 2014	195.7	2.92
December 16, 2014	218.8	2.96
November 5, 2015	101.0	3.85

Issue Date	Exercise Price		Weighted-average Remaining Contractual Life
	June 30, 2017		
	NT$	US$ (Note 4)	Years
May 1, 2010	$ 94.2	$ 3.10	2.83
June 4, 2012	263.6	8.68	1.93
April 23, 2014	221.7	7.30	1.81
December 2, 2014	195.7	6.44	2.42
December 16, 2014	218.8	7.20	2.46
November 5, 2015	101.0	3.32	3.35

Options granted were priced using the Black-Scholes pricing model, and the inputs for the model were as follows:

Issue date	May 2010	June 2012	April 2014	December 2014	November 2015
Grant-date share price (NT$)	$155	$386	$228.5	$197; $221	$101
Exercise price (NT$)	$164	$386	$228.5	$197; $221	$101
Expected volatility	51.65%-52.01%	47.95%-48.20%	48.66%	48.53%-49.40%	50.90%-51.78%
Expected life (in years)	6-7	4.5-5.5	3.5-4.5	3.5-4.5	3.5-4.5
Expected dividend yield	-	-	-	-	-
Risk-free interest rate	1.44%-1.51%	0.98%-1.06%	0.89%-1.09%	0.96%-1.13%	0.68%-0.79%

Expected volatility was based on the historical share price volatility of similar industries.

Compensation costs recognized were NT$105,500 thousand, NT$46,998 thousand (approximately US$1,547 thousand), NT$201,903 thousand, and NT$113,219 thousand (approximately US$3,727 thousand) for the three months ended June 30, 2016 and 2017 and the six months ended June 30, 2016 and 2017, respectively.

29. DISPOSAL OF SUBSIDIARIES

On January 26, 2017, the Company's board of directors resolved to sell its interest in JSX to Ruei-Shin Investment (Pingtan) Co., Ltd. The subsidiary, TPKP, sold 91% of its ownership in JSX in the amount of RMB246,192 thousand in March 2017. The gains from the disposal, US$14,469 thousand, have been recognized. Due to the disposal, the interest that TPKP held in JSX has decreased from 100% to 9%, and the Group ceased to have control over JSX.

a. Consideration received from disposal

	JSX	
	NT$	**US$ (Note 4)**
Consideration received in cash and cash equivalents	$ 1,099,089	$ 36,178

b. Analysis of assets and liabilities at date control was lost

	JSX	
	NT$	**US$ (Note 4)**
Current assets		
Cash and cash equivalents	$ 204	$ 7
Other current assets	134	4
Non-current assets		
Long-term prepayments for leases	681,465	22,431
Deferred tax assets	1,476	49
Current liabilities		
Other payables	(196)	(6)
Net assets disposed of	$ 683,083	$ 22,485

c. Gain on disposal of subsidiaries

	JSX	
	NT$	**US$ (Note 4)**
Consideration received	$ 1,099,089	$ 36,178
Net assets disposed of	(683,083)	(22,485)
Reclassification of remaining interests to financial assets measured at cost - non-current	108,701	3,578
Reclassification of other comprehensive income in respect of subsidiaries	(81,232)	(2,674)
Gain on disposal	$ 443,475	$ 14,597

d. Net cash inflow on disposal of subsidiaries

	JSX	
	NT$	**US$ (Note 4)**
Consideration received in cash and cash equivalents	$ 1,099,089	$ 36,178
Less: Cash and cash equivalent balances disposed of	(204)	(7)
	$ 1,098,885	$ 36,171

30. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In June 2016, the Group acquired an additional 13.25% interest in TPKF HK for no consideration from other shareholders, increasing its continuing interest from 66.75% to 80.02%. The unappropriated earnings amounting to NT$13,046 thousand were reduced since a difference from the equity transaction occurred.

The above transaction was accounted for as an equity transaction since the Group did not cease to have control over the subsidiary.

31. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of manufacturing facilities, office facilities and transportation equipment with lease terms between 1 and 17 years.

As of June 30, 2016, December 31, 2016 and June 30, 2017, the refundable deposits paid under operating leases amounted to NT$61,939 thousand, NT$45,541 thousand and NT$44,790 thousand (approximately US$1,474 thousand), respectively.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Not later than 1 year	$ 204,645	$ 198,438	$ 260,886	$ 8,588
Later than 1 year and not later than 5 years	148,529	109,353	435,540	14,336
Later than 5 years	48,918	46,175	399,629	13,154
	$ 402,092	$ 353,966	$ 1,096,055	$ 36,078

b. The Group as lessor

Operating leases relate to leases of investment properties owned by the Group with lease terms of 3 years. As of June 30, 2017, the Group received guarantee deposits of NT$1,091 thousand (approximately US$36 thousand) under operating leases.

The future minimum lease payments of non-cancellable operating leases were as follows (as of June 30, 2016 and December 31, 2016: None):

	June 30, 2017	
	NT$	US$ (Note 4)
Not later than 1 year	$ 11,178	$ 368
Later than 1 year and not later than 5 years	28,565	940
	$ 39,743	$ 1,308

32. CAPITAL MANAGEMENT

The capital structure of the Group consists of its net debt and equity. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of its debt and equity balance. Key management personnel of the Group review the capital structure periodically. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

33. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values, or that their fair values cannot be measured reliably.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

June 30, 2016

	Level 1 NT$	Level 2 NT$	Level 3 NT$	Total NT$
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ -	$ 116,388	$ 116,388

December 31, 2016

	Level 1 NT$	Level 2 NT$	Level 3 NT$	Total NT$
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ -	$ 214,550	$ 214,550

June 30, 2017

	Level 1 NT$	Level 2 NT$	Level 3 NT$	Total NT$
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 72,751	$ -	$ 72,751
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ -	$ 151,940	$ 151,940

June 30, 2017

	Level 1	Level 2	Level 3	Total
	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 2,394	$ -	$ 2,394
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ -	$ 5,001	$ 5,001

There were no transfers between Levels 1 and 2 for the six months ended June 30, 2016 and 2017.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2016
	NT$	NT$
Financial liabilities at FVTPL - derivatives		
Balance, beginning of period	$ 48,191	$ 111,605
Total loss recognized in profit or loss	69,422	22,406
Redemption of convertible bonds	(603)	(16,499)
Effects of foreign currency exchange differences	(622)	(1,124)
Balance at June 30	$ 116,388	$ 116,388

	For the Three Months Ended June 30, 2016		For the Six Months Ended June 30, 2016	
	NT$	US$ (Note 4)	NT$	US$ (Note 4)
Financial liabilities at FVTPL				
Balance, beginning of period	$ 115,032	$ 3,786	$ 214,550	$ 7,062
Total loss (gain) recognized in profit or loss	36,188	1,191	(52,765)	(1,737)
Redemption of convertible bonds	-	-	-	-
Effects of foreign currency exchange differences	720	24	(9,845)	(324)
Balance at June 30	$ 151,940	$ 5,001	$ 151,940	$ 5,001

3) Valuation techniques and inputs applied for Level 2 fair value measurement

The fair values of foreign exchange forward contracts held by the Group were determined using quoted prices of forward exchange rates and yield rates. Yield rates are estimated at quoted interest rates with the same contract period.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

There were no quoted prices in active markets for put options and redemption options of overseas convertible bonds issued by the Group. Hence, the fair values of options are determined using the binomial option pricing model where the unobservable input is historical volatility. An increase in historical volatility used in isolation would result in an increase in the fair value. As of June 30, 2016, December 31, 2016 and June 30, 2017, the historical volatility used was 68.16%, 50.35% and 43.25%, respectively.

c. Categories of financial instruments

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Financial assets				
Financial assets at FVTPL - held for trading	$ -	$ -	$ 72,751	$ 2,394
Loans and receivables (1)	29,299,426	32,817,693	29,796,880	980,806
Available-for-sale financial assets (2)	150,011	150,011	257,885	8,489
Refundable deposits	7,114	10,097	102,386	3,370
Financial liabilities				
Financial liabilities at FVTPL - held for trading	116,388	214,550	151,940	5,001
Amortized costs (3)	54,930,069	54,150,194	44,907,158	1,478,181
Guarantee deposits	5,944	2,106	146,279	4,815

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, accounts receivable, notes receivable, and other receivables.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes and accounts payable (related parties included), payables for purchase of equipment, other payables - others, current portion of long-term borrowings and bonds payable, bonds payable and long-term borrowings.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, notes and accounts receivable, notes and accounts payable, bonds payable and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the Company's board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Significant financial activities of the Group should be reviewed by the Company's board of directors to ensure compliance with the related regulations and internal control rules. During the execution of financial plans, the Group shall comply with the financial operating procedures and overall financial risk management policies.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period were as follows:

	In Thousands of U.S. Dollars		
	June 30, 2016	**December 31, 2016**	**June 30, 2017**
Assets			
RMB	$ 160,785	$ 69,256	$ 155,388
NTD	8,173	7,827	6,191
JPY	6,584	12,799	632
Liabilities			
RMB	196,982	351,150	356,014
NTD	10,632	6,422	9,992
JPY	5,845	6,844	1,448

Except for the data described above, the Group also disclosed its derivatives exposed to foreign currency risk at the end of the reporting period in Note 7.

b) Analysis of sensitivity to foreign currency risk

The Group was mainly exposed to RMB, NTD and JPY.

The following table details the Group's sensitivity to a 5% increase and decrease in the United States dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusted their translation at the end of the reporting period for a 5% change in foreign currency rates.

	Impact on Profit or Loss if USD Strengthened 5% Against the Relevant Currency		
	For the Six Months Ended June 30		
	2016	2017	
	NT$	NT$	US$ (Note 4)
RMB	$ 27,816	$ 219,939	$ 7,240
NTD	1,890	2,753	91
JPY	(567)	591	19

	Impact on Profit or Loss if USD Weakened 5% Against the Relevant Currency		
	For the Six Months Ended June 30		
	2016	2017	
	NT$	NT$	US$ (Note 4)
RMB	$ (30,744)	$ (160,622)	$ (5,287)
NTD	(2,089)	(3,043)	(100)
JPY	627	(653)	(22)

c) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Fair value interest rate risk				
Financial assets	$ 5,896,380	$ 12,659,163	$ 6,877,511	$ 226,383
Financial liabilities	35,858,163	35,583,171	26,898,989	885,418
Cash flow interest rate risk				
Financial assets	14,183,122	9,150,525	13,968,611	459,796
Financial liabilities	6,519,828	2,648,144	3,666,483	120,687

d) Analysis of sensitivity to interest rate risk

The sensitivity analysis was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2016 and 2017 would increase by NT$19,158 and NT$25,755 thousand (approximately US$848 thousand), respectively, which is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and its variable-rate bank deposits.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to the failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of using internal and external credit ratings, only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty-limits that are reviewed and approved by the risk management committee semi-annually.

The Group authorized and approved hierarchical credit lines and monitored accounts receivable periodically based on the related accounts receivable aging, thus reducing bad debts or overdue accounts. Then, at the end of the reporting period, the Group would assess line by line its collectable amounts, allowance for uncollectable amounts, and amounts of impairment recognized on accounts receivable. Therefore, the management believed that the credit management of the Group fully covered the credit risk.

The Group's concentration of credit risk of 65.64%, 75.38% and 67.98% in total accounts receivables as of June 30, 2016, December 31, 2016 and June 30, 2017, respectively, was related to the Group's the five largest customers.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2016, December 31, 2016 and June 30, 2017, the Group had available unutilized short-term bank loan facilities of NT$51,651,171 thousand, NT$29,053,533 thousand and NT$39,519,287 thousand (approximately US$1,300,832 thousand), respectively.

a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details of the Group's remaining contractual maturity for its short-term and long-term borrowings (including bonds payable). The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

June 30, 2016

(In Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial liabilities					
Variable interest rate borrowings	3.0099	$ 613,806	$ 1,844,290	$ 2,107,093	$ 1,954,639
Fixed interest rate borrowings	2.1467	8,890,486	7,781,908	12,697,156	6,488,613
		$ 9,504,292	$ 9,626,198	$ 14,804,249	$ 8,443,252

December 31, 2016

(In Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial liabilities					
Variable interest rate borrowings	3.4798	$ 69,111	$ 359,362	$ 1,097,371	$ 1,122,300
Fixed interest rate borrowings	2.8298	6,661,308	9,551,361	12,795,843	6,574,659
		$ 6,730,419	$ 9,910,723	$ 13,893,214	$ 7,696,959

June 30, 2017

(In Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial liabilities					
Variable interest rate borrowings	4.1157	$ 202,505	$ 288,990	$ 1,071,030	$ 2,103,958
Fixed interest rate borrowings	2.9191	6,156,691	7,493,095	4,891,369	8,357,834
		$ 6,359,196	$ 7,782,085	$ 5,962,399	$ 10,461,792

June 30, 2017

(In Thousands of U.S. Dollars) (Note 4)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial liabilities					
Variable interest rate borrowings	4.1157	$ 6,666	$ 9,512	$ 35,254	$ 69,255
Fixed interest rate borrowings	2.9191	202,656	246,646	161,006	275,110
		$ 209,322	$ 256,158	$ 196,260	$ 344,365

The following table details the Group's expected maturity for some of its non-derivative financial assets. The table below was drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

June 30, 2016

(In Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial assets					
Variable interest rate assets	0.4366	$ 14,183,122	$ -	$ -	$ -
Fixed interest rate assets	1.2840	3,968,266	1,928,114	-	-
		$ 18,151,388	$ 1,928,114	$ -	$ -

December 31, 2016

(In Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial assets					
Variable interest rate assets	0.5550	$ 9,150,525	$ -	$ -	$ -
Fixed interest rate assets	1.3272	7,648,510	4,388,877	621,776	-
		$ 16,799,035	$ 4,388,877	$ 621,776	$ -

June 30, 2017

(In Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial assets					
Variable interest rate assets	0.7406	$ 13,968,611	$ -	$ -	$ -
Fixed interest rate assets	1.8904	4,826,377	2,051,134	-	-
		$ 18,794,988	$ 2,051,134	$ -	$ -

June 30, 2017

(In Thousands of U.S. Dollars) (Note 4)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial assets					
Variable interest rate assets	0.7406	$ 459,796	$ -	$ -	$ -
Fixed interest rate assets	1.8904	158,867	67,516	-	-
		$ 618,663	$ 67,516	$ -	$ -

For non-interest-bearing liabilities recorded as notes and accounts payable, payables for purchase of equipment and other payables, the Group has set up the financial risk management policy to secure payment for all the payables prior to the expiry of the credit terms.

b) Liquidity and interest rate risk tables for derivative financial liabilities (as of June 30, 2016 and December 31, 2016: None)

The following table details the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted gross cash inflows and outflows on derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed was determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

June 30, 2017

(In Thousands of New Taiwan Dollars)

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 2,490,170	$ 938,052	$ -	$ -	$ -
Outflows	2,433,600	912,600	-	-	-
	$ 56,570	$ 25,452	$ -	$ -	$ -

June 30, 2017

(In Thousands of U.S. Dollars) (Note 4)

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 81,967	$ 30,877	$ -	$ -	$ -
Outflows	80,105	30,039	-	-	-
	$ 1,862	$ 838	$ -	$ -	$ -

c) Financing facilities

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Unsecured bank overdraft facilities, reviewed annually and payable on demand:				
Amount used	$ 38,850,281	$ 34,502,867	$ 27,876,137	$ 917,582
Amount unused	51,651,171	29,005,158	39,473,657	1,299,330
	$ 90,501,452	$ 63,508,025	$ 67,349,794	$ 2,216,912
Secured bank overdraft facilities:				
Amount used	$ 166,494	$ 596,625	$ 562,770	$ 18,524
Amount unused	-	48,375	45,630	1,502
	$ 166,494	$ 645,000	$ 608,400	$ 20,026

e. Transfers of financial assets

Factored accounts receivable for the six months ended June 30, 2016 and 2017 were as follows:

Subsidiary	Counterparties	Currencies	Receivables Sold	Amounts Collected	Translation Adjustments	Advances Received at period-end (Note 1)	Interest Rates on Advances Received (%)	Credit Line (Note 2)
For the six months ended 30, 2016								
TPK HK	Standard Chartered	US$	$ 475,551	$ 534,791	$ -	$ 132,319	2M Libor+0.66%	US$400,000 thousand (approximately NT$12,910,000 thousand)
		NT$	$ 15,580,244	$ 17,521,101	$ (76,477)	$ 4,270,593		
For the six months ended 30, 2017								
TPK HK	Standard Chartered	US$	$ 758,509	$ 755,216	$ -	$ 206,882	2M Libor+0.59%	US$400,000 thousand (approximately NT$12,168,000 thousand)
		NT$	$ 22,369,663	$ 23,268,206	$ (96,044)	$ 6,293,340		

Note 1: Advances received included those for receivables factored but unused.

Note 2: The credit line is the advance limit receivable from the bank.

Pursuant to the factoring agreements, losses from sales returns and allowances were borne by the Group, while losses from credit risk shall be borne by the Bank. The factored but unused amount between TPK HK and Standard Chartered Bank has been reclassified from accounts receivable to other receivables.

f. Offsetting financial assets and financial liabilities

As of December 31, 2016 (as of June 30, 2016 and 2017: None), the Group is eligible to present certain financial assets and financial liabilities with China Construction Bank on a net basis on the balance sheet since the offsetting criteria are met.

The following tables present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2016

Financial Assets	Currencies	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet
Debt investments with no active market	NT$	$ 2,298,281	$ (911,424)	$ 1,386,857

Financial Liabilities	Currencies	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet
Short-term borrowings	NT$	$ 27,611,180	$ (911,424)	$ 26,699,756

34. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party names and categories

Related Party Name	Related Party Category
Cando	Associate
Cando (Xiamen) Corporation (“Cando XM”)	Associate
TES Touch Embedded Solutions Inc. (Taiwan Branch) (“TES TW”)	Related party in substance (associate prior to March 2017 disposal of remaining interest in TES XM)
TES Touch Embedded Solutions (Xiamen) Inc. (“TES XM”)	Related party in substance (associate prior to March 2017 disposal of remaining interest in TES XM)
TES Trading (Xiamen) Co Ltd.	Related party in substance (associate prior to March 2017 disposal of remaining interest in TES XM)
BTO Technologies (Xiamen) Ltd. (“BTO”)	Related party in substance
Vision Optical Technologies (Xiamen) Inc. (“VOT”)	Related party in substance
Touch Video Monitor Corp. (“TVM”)	Related party in substance
Pan Shi (Xiamen) Real Estate Development Inc.	Related party in substance

(Continued)

Related Party Name	Related Party Category
Hallys (Xiamen) Inc.	Non-related party (subsidiary prior to August 2015 disposal of equity interest)
Taiwan Video & Monitor Corp. ("Taiwan VM")	Related party in substance
Nissha Printing Co., Ltd. ("Nissha")	Related party in substance
Cambrios Technologies Corporation	Non-related party from June 2016
TES Technology (Hong Kong) Limited	Related party in substance (associate prior to March 2017 disposal of remaining interest in TES XM)
TES Holding Co., Ltd	Related party in substance (associate prior to March 2017 disposal of remaining interest in TES XM)
Hallys Corporation	Non-related party (subsidiary prior to August 2015 disposal of interest)
CIM Corporation	Non-related party (subsidiary prior to August 2015 disposal of interest)

(Concluded)

b. Sales and other income

	Related Party Category/ Name	For the Three Months Ended June 30			For the Six Months Ended June 30		
		2016	2017		2016	2017	
		NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
1) Sales of goods, net	Associates	$ 213,302	$ -	$ -	$ 429,946	$ 195,761	$ 6,444
	Other related parties	16,918	269,736	8,879	36,772	283,995	9,348
		$ 230,220	$ 269,736	$ 8,879	$ 466,718	$ 479,756	$ 15,792
2) Rental income (recorded as other income)	Associates						
	Cando XM	$ -	$ -	$ -	$ 8,505	$ -	$ -
	Other related parties						
	Nissha	971	907	30	1,966	1,849	61
	Others	366	82	3	741	168	5
		1,337	989	33	2,707	2,017	66
		$ 1,337	$ 989	$ 33	$ 11,212	$ 2,017	$ 66
3) Other income	Associates	$ -	$ -	$ -	$ 34	$ 10	$ -
	Other related parties	638	563	19	1,289	1,148	38
		$ 638	$ 563	$ 19	$ 1,323	$ 1,158	$ 38

Subsidiaries leased factories, offices and equipment to related parties under mutual leasing agreements with monthly rental payments.

c. Purchases of goods, costs and expenses

	Related Party Category/ Name	For the Three Months Ended June 30			For the Six Months Ended June 30		
		2016	2017		2016	2017	
		NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
1) Purchases of goods	Associates	$ 126,437	$ -	$ -	$ 494,324	$ 169,739	$ 5,587
	Other related parties	15,915	346,417	11,403	25,590	360,978	11,882
		$ 142,352	$ 346,417	$ 11,403	$ 519,914	$ 530,717	$ 17,469

	Related Party Category/ Name	For the Three Months Ended June 30			For the Six Months Ended June 30		
		2016	2017		2016	2017	
		NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
2) Rental expenses (recorded as cost of goods sold - manufacturing expenses)	Other related parties						
	BTO	$ 16,850	$ 12,462	$ 410	$ 34,867	$ 25,540	$ 841
	VOT	21,249	11,487	378	27,226	23,434	771
	Others	-	-	-	1	-	-
		$ 38,099	$ 23,949	$ 788	$ 62,094	$ 48,974	$ 1,612
3) Rental expenses (recorded as operating expenses)	Associates	$ -	$ -	$ -	$ -	$ 33	$ 1
	Other related parties						
	BTO	8,958	9,038	297	18,175	18,475	608
	Others	1,813	8,955	295	20,034	17,898	589
		10,771	17,993	592	38,209	36,373	1,197
		$ 10,771	$ 17,993	$ 592	$ 38,209	$ 36,406	$ 1,198

Subsidiaries leased factories, offices and dormitories from related parties under leasing agreements with monthly rental payments.

	Related Party Category/ Name	For the Three Months Ended June 30			For the Six Months Ended June 30		
		2016	2017		2016	2017	
		NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
4) Research expenses	Associates	$ 769	$ -	$ -	$ 871	$ 1,635	$ 54
	Other related parties	90	228	8	816	298	10
		$ 859	$ 228	$ 8	$ 1,687	$ 1,933	$ 64
5) Fees for technical services	Other related parties	$ -	$ -	$ -	$ 83	$ -	$ -
6) Miscellaneous expenses	Associates	$ -	$ -	$ -	$ -	$ 489	$ 16
	Other related parties	3,668	91	3	3,948	277	9
		$ 3,668	$ 91	$ 3	$ 3,948	$ 766	$ 25
7) Repair and maintenance expenses	Associates	$ 7	$ -	$ -	$ 7	$ -	$ -
	Other related parties	2,289	431	14	5,154	718	24
		$ 2,296	$ 431	$ 14	$ 5,161	$ 718	$ 24
8) Miscellaneous material expenses	Other related parties	$ 500	$ 429	$ 14	$ 527	$ 503	$ 17

d. Receivables from (payables to) related parties

	Related Party Category/ Name	June 30, 2016	December 31, 2016	June 30, 2017	
		NT$	NT$	NT$	US$ (Note 4)
1) Accounts receivable - related parties (recorded as accounts receivable)	Associates	$ 167,994	$ 125,959	$ 5,097	$ 168
	Other related parties	20,347	21,235	164,966	5,430
		$ 188,341	$ 147,194	$ 170,063	$ 5,598
2) Accounts payable - related parties	Associates	$ 241,703	$ 115,679	$ 8,073	$ 266
	Other related parties	22,033	30,811	224,467	7,388
		$ 263,736	$ 146,490	$ 232,540	$ 7,654

The outstanding payables to related parties are unsecured and will be settled in cash. No guarantees were received for receivables from related parties.

	Related Party Category/ Name	June 30, 2016	December 31, 2016	June 30, 2017	
		NT$	NT$	NT$	US$ (Note 4)
3) Other receivables - related parties (recorded as other receivables, excluding loans to related parties)	Associates	$ 593,623	$ 482,246	$ 849	$ 28
	Other related parties	200,205	180,501	1,098	36
		$ 793,828	$ 662,747	$ 1,947	$ 64
4) Payables for purchase of equipment	Associates	$ 48	$ 5,893	$ 5,619	$ 185
	Other related parties	19,311	15,975	-	-
		$ 19,359	$ 21,868	$ 5,619	$ 185
5) Other payables (recorded as other payables - others)	Associates	$ 800	$ 1,056	$ 859	$ 28
	Other related parties	19,382	14,182	13,515	445
		$ 20,182	$ 15,238	$ 14,374	$ 473

e. Others

	Related Party Category/ Name	June 30, 2016	December 31, 2016	June 30, 2017	
		NT$	NT$	NT$	US$ (Note 4)
Refundable deposits	Associates	$ 5	$ 38	$ 5	$ -
	Other related parties				
	VOT	17,035	16,277	15,715	517
	Taiwan VM	7,772	7,272	7,272	240
	Others	-	-	33	1
		24,807	23,549	23,020	758
		$ 24,812	$ 23,587	$ 23,025	$ 758

Refundable deposits are the security deposits for leasing parts of plants and offices from related parties during the lease period from 2013 to 2019. For the three months ended June 30, 2016 and 2017 and the six months ended June 30, 2016 and 2017, the interest income on the deposits was NT$1 thousand, NT$1 thousand, NT$2 thousand, and NT$2 thousand, respectively.

f. Loans to related parties (as of June 30, 2017: None)

Related Party Category/Name	June 30, 2016	December 31, 2016
	NT$	NT$
Associates	$ 547,445	$ 547,021
Other related parties	284,578	-
	$ 832,023	$ 547,021

The Group provided associates with short-term loans at rates comparable to the market rate of interest.

For the three months ended June 30, 2016 and 2017 and the six months ended June 30, 2016 and 2017, the loans to related parties were unsecured loans with interest income of NT$6,356 thousand, NT$3,044 thousand (approximately US$100 thousand), NT$12,897 thousand, and NT$7,707 thousand (approximately US$254 thousand), respectively.

The above receivables from (payables to) related parties - associates, including receivables from (payables to) Cando and its subsidiaries, as of June 30, 2016, December 31, 2016 and June 30, 2017 were as follow:

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Accounts receivable	$ 34,946	$ 27,785	$ 5,097	$ 168
Accounts payable	(134,194)	(8,473)	(8,073)	(266)
Other receivables	593,532	481,920	849	28
Loans receivable	547,445	547,021	-	-
Refundable deposits	5	5	5	-
Payables for purchase of equipment	-	(5,818)	(5,619)	(185)
Other payables	-	(294)	(859)	(28)

As of June 30, 2016 and December 31, 2016, the Group recognized an allowance for doubtful receivables from Cando and its subsidiaries amounting to NT$1,043,746 thousand and NT$1,046,349 thousand, respectively. In June 2017, based on the assessment of collectability of receivables from Cando and its subsidiaries, the Group wrote off its receivables with an allowance for doubtful receivables of NT$988,545 thousand (approximately US$32,539 thousand). Refer to Note 10 for details.

g. Property, plant and equipment acquisitions

Related Party Category/Name	Purchase Price					
	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Associates	$ 49	$ -	$ -	$ 49	$ 59	$ 2
Other related parties	534	-	-	534	-	-
	$ 583	$ -	$ -	$ 583	$ 59	$ 2

h. Property, plant and equipment disposals (for the six months ended June 30, 2017: None)

Related Party Category/Name	Proceeds		Gain on Disposal	
	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2016	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2016
	NT$	NT$	NT$	NT$
Associates	$ 86	$ 86	$ 6	$ 6

i. Endorsements and guarantees

As of June 30, 2016, December 31, 2016 and June 30, 2017, guarantees for long-term and short-term borrowings provided by related parties were as follows:

	June 30, 2016		
	US$	NT$	Guarantor
TPK HK	$ 165,880	$ 5,353,777	TPKC

	December 31, 2016		
	US$	NT$	Guarantor
TPK HK	$ 158,620	$ 5,115,495	TPKC
JT	14,420	465,045	TPKJ
TPKC	20,000	645,000	TPKT

	June 30, 2017		
	US$	NT$	Guarantor
TPK HK	$ 162,360	$ 4,938,991	TPKC
TPKD	32,472	987,798	TPKH
TPKD	32,472	987,798	TPKC
JT	14,760	448,999	TPKJ
TPKC	20,000	608,400	TPKT

Other related parties that have a substantive related party relationship with the Company and the transaction price and payment terms of transactions with such related parties are provided in Table 5 following the Notes to Consolidated Financial Statements.

j. Compensation of key management personnel

For the three months ended June 30, 2016 and 2017 and the six months ended June 30, 2016 and 2017, the total amounts of remuneration of directors and other key management personnel were as follows:

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2016	2017		2016	2017	
	NT$	NT$	US$ (Note 4)	NT$	NT$	US$ (Note 4)
Short-term employee benefits	$ 21,021	$ 11,798	$ 388	$ 42,835	$ 25,825	$ 850
Share-based payments	40,325	16,595	546	75,049	35,774	1,178
Post-employment benefits	409	233	8	870	492	16
	$ 61,755	$ 28,626	$ 942	$ 118,754	$ 62,091	$ 2,044

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for borrowings from banks and leasing companies and as guarantees for the tariffs from imported raw materials:

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Bank deposits and financing products (classified as debt investments with no active market)	$ 9,734	$ 631,163	$ 600,650	$ 19,771
Machinery and equipment, net	-	-	1,627,881	53,584
Buildings, net	708,238	-	-	-
	$ 717,972	$ 631,163	$ 2,228,531	$ 73,355

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Group as of June 30, 2016, December 31, 2016 and June 30, 2017, were as follows:

a. As of June 30, 2016, December 31, 2016 and June 30, 2017, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately NT$20,953 thousand, NT$10,140 thousand and NT$72,199 thousand (approximately US$2,377 thousand), respectively.

b. Unrecognized commitments were as follows:

	June 30, 2016	December 31, 2016	June 30, 2017	
	NT$	NT$	NT$	US$ (Note 4)
Acquisition of property, plant and equipment	$ 474,300	$ 206,895	$ 853,242	$ 28,086

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currency (the U.S. dollar) and the related exchange rates between the foreign currencies and the respective functional currency were as follows:

(All Currencies in Thousands)

	June 30, 2016		
	Foreign Currencies	**Exchange Rate**	**U.S. Dollars**
Financial assets			
Monetary items			
RMB	$ 1,066,212	6.6312	$ 160,785
NTD	263,772	32.2750	8,173
JPY	676,053	102.6885	6,584
Financial liabilities			
Monetary items			
RMB	1,306,245	6.6312	196,982
NTD	343,145	32.2750	10,632
JPY	600,236	102.6885	5,845

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**U.S. Dollars**
Financial assets			
Monetary items			
RMB	$ 480,275	6.9370	$ 69,256
NTD	252,417	32.2500	7,827
JPY	1,497,678	117.0174	12,799
Financial liabilities			
Monetary items			
RMB	2,435,158	6.9370	351,150
NTD	207,093	32.2500	6,422
JPY	800,839	117.0174	6,844

	June 30, 2017		
	Foreign Currencies	Exchange Rate	U.S. Dollars
Financial assets			
Monetary items			
RMB	$ 1,052,764	6.7744	$ 155,388
NTD	188,340	30.4200	6,191
JPY	70,826	112.0029	632
Financial liabilities			
Monetary items			
RMB	2,412,019	6.7744	356,014
NTD	303,956	30.4200	9,992
JPY	162,222	112.0029	1,448

For the three months ended June 30, 2016, the realized and unrealized foreign exchange gains were NT$60,311 thousand. Furthermore, for the three months ended June 30, 2017 and the six months ended June 30, 2016 and 2017, the realized and unrealized foreign exchange losses were NT$124,435 thousand (approximately US$4,096 thousand), NT$53,371 thousand, and NT$223,989 thousand (approximately US$7,373 thousand), respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

38. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities). (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

9) Trading in derivative instruments. (Notes 7 and Note 33)

10) Intercompany relationships and significant intercompany transactions. (Table 9)

11) Information on investees. (Table 7)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investee, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1, 2, 5 and 6)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

39. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segment under IFRS 8 "Operating Segments" is the touch modules segment. The related information was as follows:

a. Information of reportable segment's gains or losses and assets

	For the Six Months Ended June 30, 2016		
	Touch Modules NT$	Others NT$	Total NT$
Revenue from external customers	$ 38,206,271	$ 117,511	$ 38,323,782
Inter-segment revenue	422,230	3,823,482	4,245,712
Interest income	376,698	104,143	480,841
Finance costs	310,244	545,249	855,493
Depreciation and amortization	2,959,715	1,437,757	4,397,472
Impairment loss on assets	3,359	6,296	9,655
Reportable segment loss before tax	(4,437,114)	(6,475,670)	(10,912,784)

(Continued)

	For the Six Months Ended June 30, 2016		
	Touch Modules	Others	Total
	NT$	NT$	NT$
Reportable segment income tax benefit (expense)	$ 272,981	$ (20,012)	$ 252,969
Reportable segment net loss	(4,164,133)	(6,495,682)	(10,659,815)
Reportable segment assets	122,485,171	96,010,198	218,495,369
Reportable segment capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	1,142,128	1,230,489	2,372,617

(Concluded)

	For the Six Months Ended June 30, 2017					
	Touch Modules		Others		Total	
	NT$	US$ (Note 4)	NT$	US$ (Note 4)	NT$	US$ (Note 4)
Revenue from external customers	$ 43,621,800	$ 1,435,872	$ 200,717	$ 6,607	$ 43,822,517	$ 1,442,479
Inter-segment revenue	182,285	6,000	2,768,904	91,142	2,951,189	97,142
Interest income	359,190	11,823	46,073	1,517	405,263	13,340
Finance costs	376,883	12,406	465,526	15,323	842,409	27,729
Depreciation and amortization	3,102,631	102,128	1,218,814	40,119	4,321,445	142,246
Impairment loss on assets	11,211	369	-	-	11,211	369
Reportable segment profit before tax	2,904,917	95,619	83,423	2,746	2,988,340	98,365
Reportable segment income tax expense	(279,011)	(9,184)	(18,419)	(606)	(297,430)	(9,790)
Reportable segment net profit	2,625,906	86,435	65,004	2,140	2,690,910	88,575
Reportable segment assets	79,601,178	2,620,184	85,940,291	2,828,844	165,541,469	5,449,028
Reportable segment capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	2,411,606	79,381	74,642	2,457	2,486,248	81,838

b. Reportable segment's gains or losses and other significant items reconciliation

1) Segment revenue and results

	For the Six Months Ended June 30		
	2016	2017	
Profit and Loss	NT$	NT$	US$ (Note 4)
Reportable segment profit (loss) before tax	$ (4,437,114)	$ 2,904,917	$ 95,619
Reportable segment income tax benefit (expense)	272,981	(279,011)	(9,184)
Reportable segment net profit (loss)	(4,164,133)	2,625,906	86,435
Non-reportable segment profit (loss)	(6,495,682)	65,004	2,140
Less: Inter-segment profit (loss)	8,160,807	(1,731,688)	(57,001)
Less: Net loss (gain) on non-controlling interests	51,899	(16,444)	(541)
Net profit (loss) attributable to owners of the Company	$ (2,447,109)	$ 942,778	$ 31,033

2) Other significant items reconciliation

Other Significant Items	Total Amount of Reportable Segment	Total Amount of Non-reportable Segments	Reconciliation	Total
	For the Six Months Ended June 30, 2016			
	NT$	NT$	NT$	NT$
Interest income	$ 376,698	$ 104,143	$ (317,269)	$ 163,572
Finance costs	310,244	545,249	(317,269)	538,224
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	1,142,128	1,230,489	(195,758)	2,176,859
Depreciation and amortization	2,959,715	1,437,757	-	4,397,472
Impairment loss	3,359	6,296	-	9,655

Other Significant Items	Total Amount of Reportable Segment	Total Amount of Non-reportable Segments	Reconciliation	Total
	For the Six Months Ended June 30, 2017			
	NT$	NT$	NT$	NT$
Interest income	$ 359,190	$ 46,073	$ (294,858)	$ 110,405
Finance costs	376,883	465,526	(294,858)	547,551
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	2,411,606	74,642	(54,733)	2,431,515
Depreciation and amortization	3,102,631	1,218,814	-	4,321,445
Impairment loss	11,211	-	-	11,211

Other Significant Items	Total Amount of Reportable Segment	Total Amount of Non-reportable Segments	Reconciliation	Total
	For the Six Months Ended June 30, 2017			
	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)
Interest income	$ 11,823	$ 1,517	$ (9,706)	$ 3,634
Finance costs	12,406	15,323	(9,706)	18,023
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	79,381	2,457	(1,802)	80,036
Depreciation and amortization	102,128	40,119	-	142,247
Impairment loss	369	-	-	369

TPK HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 5)	Ending Balance (Note 5)	Actual Borrowing Amount (Note 6)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)	Note
													Item	Value			
0	TPKH	UYH	Loans to related parties	Y	$ 5,019,300	$ 1,825,200	$ 1,779,570	1.6296%-2.1737%	b	$ -	Operating capital	$ -	-	$ -	$ 11,543,825	$ 14,429,782	
		Hallys	Loans to related parties	N	142,544	-	-	2.0000%	b	-	Operating capital	-	-	-	11,543,825	14,429,782	8
1	UYH	TPKG	Loans to related parties	Y	3,054,168	1,228,968	1,228,968	1.5545%-2.4382%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
		TPKG	Loans to related parties - long-term	Y	2,585,700	2,585,700	2,585,700	1.5545%-2.4382%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
2	TPKC	RSO	Loans to related parties	Y	60,840	60,840	22,450	3.5000%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
		TPKL	Loans to related parties	Y	1,977,300	1,977,300	856,334	2.0000%-3.5000%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
		TPKG	Loans to related parties	Y	4,563,000	2,433,600	541,859	2.0000%-3.9000%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
		MTOH	Loans to related parties	Y	2,433,600	2,433,600	1,487,697	2.0000%-3.9000%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
		TPKH	Loans to related parties	Y	9,612,720	6,084,000	4,511,286	1.8000%-2.7500%	b	-	Operating capital	-	-	-	12,355,248	15,444,061	
		Cando XM	Loans to related parties	Y	943,020	-	-	3.5000%	b	-	Operating capital	-	-	-	12,355,248	15,444,061	7
		TPKP	Loans to related parties	Y	6,084,000	6,084,000	4,207,687	2.2500%-3.9000%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
		TPKF	Loans to related parties	Y	2,129,400	2,129,400	1,043,590	0.0000%-3.5000%	b	-	Operating capital	-	-	-	12,355,248	15,444,061	
		TPKD	Loans to related parties	Y	1,521,000	1,521,000	45	2.0000%-3.5000%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
		TPKS	Loans to related parties	Y	912,600	608,400	38,540	2.5000%-3.9000%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
3	TPK HK	CIM	Loans to related parties	N	78,947	-	-	2.0000%	b	-	Operating capital	-	-	-	4,168,389	5,210,487	8
		TPKH	Loans to related parties	Y	3,042,000	3,042,000	2,950,740	1.8633%-2.1887%	b	-	Operating capital	-	-	-	4,168,389	5,210,487	
		MTOH	Loans to related parties - long-term	Y	808,199	808,199	808,199	1.8982%-2.4382%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
		TPKP	Loans to related parties - long-term	Y	2,155,196	2,155,196	2,155,196	1.9116%-2.4382%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
		TPKC	Loans to related parties - long-term	Y	1,521,000	1,521,000	3,042	1.8529%-1.9971%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
		TPKG	Loans to related parties - long-term	Y	4,563,000	4,563,000	3,042,000	1.8529%-2.1482%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	

(Continued)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 5)	Ending Balance (Note 5)	Actual Borrowing Amount (Note 6)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)	Note
													Item	Value			
3	TPK HK	UYH	Loans to related parties - long-term	Y	$ 3,802,500	$ 3,802,500	$ 2,038,140	1.9973%-2.0501%	b	$ -	Operating capital	$ -	-	$ -	$ 28,859,563	$ 43,289,345	
4	TPKA	TPK HK	Loans to related parties - long-term	Y	1,155,960	1,155,960	1,155,960	1.8633%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
5	TPKS	TPKC	Loans to related parties	Y	608,400	304,200	63,579	2.0000%-3.9000%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
6	TPKM	TPKC	Loans to related parties	Y	304,200	304,200	241,534	2.0000%-3.9000%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
7	TPKJ	TPKC	Loans to related parties	Y	152,100	-	-	3.5000%	b	-	Operating capital	-	-	-	172,525	215,656	
		JT	Loans to related parties	Y	179,600	80,820	80,820	3.5000%	b	-	Operating capital	-	-	-	172,525	215,656	
8	TPKD	TPKC	Loans to related parties	Y	3,042,000	3,042,000	1,271,117	2.0000%-3.9000%	b	-	Operating capital	-	-	-	28,859,563	43,289,345	
9	TPKT	TPK HK	Loans to related parties	Y	608,400	425,880	425,880	1.8826%	b	-	Operating capital	-	-	-	1,140,526	1,425,658	
		TCS	Loans to related parties	Y	776,500	483,000	481,500	1.2900%-2.0900%	b	-	Operating capital	-	Plants and buildings	677,332	1,140,526	1,425,658	

Note 1: The parent company is indicated by "0", while all other numbers indicate subsidiaries.

Note 2: Types of financing were as follows:

a. Business and trade.
b. Short-term financing.

Note 3: The limits of financing amounts were as follows:

a. Financing received from TPKH cannot exceed 50% of TPKH's net asset value, and the total short-term financing cannot exceed 40% of TPKH's net asset value.

b. Financing received from a financing company cannot exceed 50% of the financing company's net asset value, and the total short-term financing cannot exceed 40% of the financing company's net asset value.

c. The limits of individual financing provided are as follows:

1) Intercompany business and trade financing cannot exceed the business and trade amount. The business and trade amount is the higher of the sales amount or purchases amount within one year.
2) Short-term financing cannot exceed 40% of the financing company's net asset value.

d. The financing limits where TPKH directly and indirectly holds voting right shares of subsidiaries at 100% are as follows:

1) Business and trade: The total financing amount cannot exceed 50% of the financing company's net asset value; the amount of individual financing provided is limited to the business and trade amount where the business and trade amount is the higher of the sales amount or purchases amount within one year.

2) Short-term financing: The total financing amount cannot exceed 150% of TPKH's net asset value. The amount of individual financing provided cannot exceed 100% of TPKH's net asset value.

Note 4: The Company's board of directors approved the credit line of loans to another party for NT$50,659,963 thousand. The loans to other parties disclosed on Table 1 did not exceed the credit lines approved by the Company's board of directors.

Note 5: The highest balance and ending balance for the period only indicate a credit line of loans to others, and not the actual amount of loans.

Note 6: Intercompany balances and transactions were eliminated upon consolidation.

(Continued)

Note 7: On November 5, 2015, Cando, the parent company of Cando XM, proposed in-court reorganization and disposal. On July 20, 2016, the withdrawal of disposal was approved by the Court, and on July 21, 2016, Cando declared bankruptcy. The Group has recognized an allowance for impairment losses against receivables based on the estimated irrecoverable amounts. Nevertheless, with the recoverability of receivables remaining doubtful, in June 2017, the Group wrote off its receivables with an allowance for doubtful receivables amounting to NT$988,545 thousand (approximately US$32,539 thousand). Refer to Notes 10 and 34 to the consolidated financial statements for more information.

Note 8: Hallys is a subsidiary of which CIM held 100% of its equity interest. After selling CIM's equity on hand at original cost on August 24, 2015, TPK HK's percentage of ownership decreased from 80% to 0.08%, and hence, the Company has lost control of CIM. By assessing the operating situation of CIM and Hallys and the recoverable amounts of receivables, the Company recognized an allowance for impairment losses of 100% against other receivables from CIM and Hallys. On May 12, 2017, the Company signed an agreement to sell its loans receivable from Hallys Group to Palladisio. Refer to Note 10 to the consolidated financial statements for more information.

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	TPKH	TPKD	Subsidiary of which the Company held a 100% equity interest	$ 7,214,891	$ 987,798	$ 987,798	$ 897,998	$ -	3.42%	$ 14,429,782	Y	N	Y	
1	TPKJ	JT	Subsidiary of which the Company indirectly held a more than 50% equity interest	7,214,891	448,999	448,999	-	-	1.56%	14,429,782	N	N	Y	
2	TPKC	TPKD	Subsidiary of which the Company held a 100% equity interest	7,214,891	987,798	987,798	897,998	-	3.42%	14,429,782	N	N	Y	
		TPK HK	Subsidiary of which the Company held a 100% equity interest	7,214,891	4,938,991	4,938,991	-	-	17.11%	14,429,782	N	N	N	
3	TPKT	TPKC	Subsidiary of which the Company held a 100% equity interest	7,214,891	608,400	608,400	562,770	600,564	2.11%	14,429,782	N	N	Y	

Note 1: The parent company is indicated by “0”, while all other numbers indicate subsidiaries.

Note 2: For TPKH, the total amount of endorsements/guarantees provided and the limit on endorsement/guarantee amounts provided to each guaranteed party cannot exceed 50% and 25% of TPKH’s net asset value, respectively. The maximum collateral/guarantee amount allowable was calculated based on the net asset value as of June 30, 2017.

Note 3: The maximum amount and outstanding endorsements/guarantees at the end of the period only indicate limits on endorsement/guarantee amounts to others, not the actual borrowing amount.

TABLE 3

TPK HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
TPKT	Kingyoup Optronics Co., Ltd. ordinary shares	-	Financial assets measured at cost - non-current	6,000,000	$ 150,000	16.57	$ -	
TPKP	JSX paid-in capital	Note 1	Financial assets measured at cost - non-current	Note 2	107,885	9.00	-	

Note 1: In March 2017, TPKP entered into a sale agreement to dispose of its 91% equity interest in JSX, resulting in its continuing interest decreasing from 100% to 9%. Since the Group ceased to possess control of JSX, the residual investment was reclassified to financial assets measured at cost - non-current.

Note 2: There are no shares since it is a limited liability no-shares company.

TPK HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note 1)
	Shares													
TPK HK	TES XM	Investments accounted for using equity method	Beijing Hongde Century Investment Co., Ltd. and others	-	Note 2	$ 195,824	-	-	Note 2	$ 568,367	$ 184,713	$ 367,667	-	$ -
TPKP	JSX	Investments accounted for using equity method	Ruei-Shin Investment (Pingtan) Co., Ltd.	-	Note 2	711,519	-	-	Note 2	1,090,842	616,941	400,533	Note 2	107,885

Note 1: The carrying amount consists of the original cost and the gain (loss) through investments accounted for by using the equity method.

Note 2: There are no shares since it is a limited liability no-shares company.

TABLE 5

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount (Note 2)	% of Total	Payment Terms	Unit Price	Payment Term	Ending Balance (Note 2)	% of Total	
TPKT	TPKD	The same ultimate parent company	Purchase	$ 396,529	1.27	45 days after monthly closing	No significant difference	No significant difference	$ -	-	
	TPKD	The same ultimate parent company	Sale	444,502	1.01	45 days after monthly closing	No significant difference	No significant difference	1,136	0.02	
TPKC	TPKS	The same ultimate parent company	Purchase	470,066	1.51	45 days after monthly closing	No significant difference	No significant difference	210,262	2.03	
	TPKG	The same ultimate parent company	Purchase	607,020	1.95	45 days after monthly closing	No significant difference	No significant difference	215,934	2.09	
	TPK HK	Investments accounted for using equity method	Purchase	534,001	1.71	45 days after monthly closing	No significant difference	No significant difference	335,094	3.24	
	TPKJ	The same ultimate parent company	Purchase	303,895	0.97	45 days after monthly closing	No significant difference	No significant difference	143,880	1.39	
	TPKU	The same ultimate parent company	Sale	639,453	1.46	45 days after monthly closing	No significant difference	No significant difference	315,468	4.29	
	TPKG	The same ultimate parent company	Sale	145,608	0.33	45 days after monthly closing	No significant difference	No significant difference	39,120	0.53	
	TPK HK	Investments accounted for using equity method	Sale	15,450,697	35.22	45 days after monthly closing	No significant difference	No significant difference	5,352,348	72.86	
	TPKD	Investments accounted for using equity method	Sale	1,388,708	3.17	45 days after monthly closing	No significant difference	No significant difference	663,633	9.03	
TPKS	TPKG	The same ultimate parent company	Purchase	122,108	0.39	45 days after monthly closing	No significant difference	No significant difference	46,295	0.45	
	TPKC	The same ultimate parent company	Sale	469,874	1.07	45 days after monthly closing	No significant difference	No significant difference	210,283	2.86	
	TPK HK	The same ultimate parent company	Sale	1,782,902	4.06	45 days after monthly closing	No significant difference	No significant difference	885,560	12.05	
TPKU	TPKC	The same ultimate parent company	Purchase	639,406	2.05	45 days after monthly closing	No significant difference	No significant difference	315,468	3.05	
	TES TW	Related party in substance	Purchase	471,905	1.51	60 days after monthly closing	No significant difference	No significant difference	211,160	2.04	Note 3

(Continued)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount (Note 2)	% of Total	Payment Terms	Unit Price	Payment Term	Ending Balance (Note 2)	% of Total	
TPKG	TPKC	The same ultimate parent company	Purchase	$ 145,392	0.47	45 days after monthly closing	No significant difference	No significant difference	$ 39,118	0.38	
	TPKC	The same ultimate parent company	Sale	608,751	1.39	45 days after monthly closing	No significant difference	No significant difference	216,484	2.95	
	TPKS	The same ultimate parent company	Sale	122,108	0.28	45 days after monthly closing	No significant difference	No significant difference	46,295	0.63	
	TPKD	The same ultimate parent company	Sale	613,043	1.40	45 days after monthly closing	No significant difference	No significant difference	274,574	3.74	
TPK HK	TPKC	Investments accounted for using equity method	Purchase	15,450,697	49.53	45 days after monthly closing	No significant difference	No significant difference	5,352,348	51.74	
	TPKS	The same ultimate parent company	Purchase	1,782,902	5.72	45 days after monthly closing	No significant difference	No significant difference	885,560	8.56	
	MTOH	Investments accounted for using equity method	Purchase	1,373,047	4.40	45 days after monthly closing	No significant difference	No significant difference	455,721	4.41	
	TPKD	Investments accounted for using equity method	Purchase	22,834,525	73.21	45 days after monthly closing	No significant difference	No significant difference	10,613,951	102.61	
	TPKC	Investments accounted for using equity method	Sale	776,952	1.77	45 days after monthly closing	No significant difference	No significant difference	335,094	4.56	
	TPKD	Investments accounted for using equity method	Sale	11,702,902	26.68	45 days after monthly closing	No significant difference	No significant difference	2,861,278	38.95	
	TES XM	Related party in substance	Sale	375,272	0.86	60 days after monthly closing	No significant difference	No significant difference	134,025	1.82	Note 3
MTOH	TPKJ	The same ultimate parent company	Purchase	150,389	0.48	45 days after monthly closing	No significant difference	No significant difference	41,192	0.40	
	TPK HK	Investments accounted for using equity method	Sale	1,373,047	3.13	45 days after monthly closing	No significant difference	No significant difference	455,721	6.20	
TPKD	TPKC	Investments accounted for using equity method	Purchase	1,337,116	4.29	45 days after monthly closing	No significant difference	No significant difference	648,669	6.27	
	TPKG	The same ultimate parent company	Purchase	612,480	1.96	45 days after monthly closing	No significant difference	No significant difference	274,071	2.65	
	TPK HK	Investments accounted for using equity method	Purchase	11,702,902	37.52	45 days after monthly closing	No significant difference	No significant difference	2,861,278	27.66	
	TPKJ	The same ultimate parent company	Purchase	571,809	1.83	45 days after monthly closing	No significant difference	No significant difference	240,705	2.33	
	TPK HK	Investments accounted for using equity method	Sale	22,834,525	52.05	45 days after monthly closing	No significant difference	No significant difference	10,613,951	144.49	
TPKJ	TPKC	The same ultimate parent company	Sale	304,384	0.69	45 days after monthly closing	No significant difference	No significant difference	143,880	1.96	
	MTOH	The same ultimate parent company	Sale	151,420	0.35	45 days after monthly closing	No significant difference	No significant difference	41,192	0.56	
	TPKD	The same ultimate parent company	Sale	572,754	1.31	45 days after monthly closing	No significant difference	No significant difference	240,705	3.28	

(Continued)

Note 1: The sales prices and payment terms of intercompany and related party sales and purchases were not significantly different from those transactions with third parties.

Note 2: Except for TES TW and TES XM, intercompany balances and transactions were eliminated upon consolidation.

Note 3: The Group sold its residual equity interest of 17.3% in TES XM in March 2017. Refer to Note 13 to the consolidated financial statements for more information.

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Ending Balance (Note 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 1)	Allowance for Impairment Loss
					Amount	Action Taken		
TPKH	TPK HK	Sub-subsidiary	$ 116,835	-	$ -		$ -	$ -
TPKC	TPKU	The same ultimate parent company	315,468	4.59	97,834	Enhance collection	175,965	-
	TPK HK	Investments accounted for using equity method	5,352,348	4.84	570,633	Enhance collection	1,510,119	-
	TPKD	Investments accounted for using equity method	855,808	4.38	247,349	Enhance collection	441,094	-
TPKS	TPKC	The same ultimate parent company	210,262	8.71	-		-	-
	TPK HK	The same ultimate parent company	885,560	6.59	-		-	-
TPKG	TPKC	The same ultimate parent company	216,484	7.06	-		-	-
	TPKD	The same ultimate parent company	274,574	3.80	59,131	Enhance collection	-	-
TPK HK	TPKC	Investment accounted for using equity method	335,094	4.63	-		174,545	-
	TPKD	Investment accounted for using equity method	2,861,278	7.03	-		-	-
	TES XM	Related party in substance	134,025	6.78	-		-	-
MTOH	TPK HK	Investments accounted for using equity method	455,721	9.13	-		261,402	-
TPKD	TPK HK	Investments accounted for using equity method	10,613,951	3.67	3,002,368	Enhance collection	76,484	-
TPKJ	TPKC	The same ultimate parent company	143,880	4.16	-		-	-
	TPKD	The same ultimate parent company	240,705	5.36	-		-	-

Note 1: The amount received in the subsequent period means that the collection was made by July 25, 2017.

Note 2: Refer to Table 1 for information on financing provided to related parties.

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 2)	Note
				June 30, 2017	December 31, 2016	Number of Shares	%	Carrying Amount (Note 2)			
TPKH	Improve	Samoa	Holding company	$ 4,699,586	$ 4,699,586	154,490,000	100.00	$ 4,074,711	$ (184,289)	$ (184,289)	Subsidiary
	UYH	Samoa	Holding company and international trade	5,993,957	5,993,957	196,250,000	100.00	26,589,530	637,603	637,603	Subsidiary
	TTI	Samoa	International trade	15,210	15,210	500,000	100.00	246,908	35,494	35,494	Subsidiary
	OTH	Singapore	Holding company	1,586,494	1,586,494	31,000	100.00	1,382,068	70,226	70,226	Subsidiary
	RUSL	Hong Kong	Holding company	13,970,324	13,970,324	459,248,000	100.00	10,480,589	295,076	295,076	Subsidiary
Improve	TPKA	Malaysia	Holding company	5,067,639	5,067,639	632,187	100.00	4,038,565	(184,302)	(184,302)	Sub-subsidiary
OTH	TPKU	U.S.A.	International trade	146,016	146,016	Note 1	100.00	182,805	13,548	13,548	Sub-subsidiary
RUSL	TPK HK	Hong Kong	Touch module related product research; holding company and international trade	13,909,484	13,909,484	457,248,000	100.00	10,420,973	295,063	295,063	Sub-subsidiary
TPK HK	Cando	Taiwan	Touch modules research, development and manufacture	5,888,523	5,888,523	77,124,591	19.78	-	-	-	Associate accounted for using equity method
	TPKF HK	Hong Kong	Holding company	365,496	365,496	14,403,501	80.02	(269,292)	(125,413)	(100,459)	Sub-subsidiary
TPKA	TPKT	Taiwan	Touch related material sales and machinery manufacture, wholesale and retail	2,911,700	2,911,700	50,717,000	100.00	2,851,316	(182,243)	(182,243)	Sub-subsidiary
	TCS	Taiwan	Chemically strengthened glass processing and sales	330,000	330,000	33,000,000	55.00	115,566	(22,666)	(12,466)	Sub-subsidiary
TPKT	RSSL	Hong Kong	Holding company	404,890	404,890	13,310,000	100.00	649,515	(23,627)	(23,627)	Sub-subsidiary

Note 1: There were no shares since it is a limited liability no-shares company.

Note 2: Except for Cando, intercompany balances and transactions were eliminated upon consolidation.

Note 3: Refer to Table 8 for information on investments in mainland China.

Note 4: Based on assessments, the recoverable amounts of the Company's interests in Cando were less than their carrying amounts. Hence, impairment losses of the total carrying amounts were recognized. Refer to Note 13 to the consolidated financial statements for more information.

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

Investee Company	Main Business and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) Recognized (Note 3)	Carrying Amount as of June 30, 2017	Accumulated Repatriation of Investment Income as of June 30, 2017
					Outward	Inward						
TPKC	Touch modules research, development, manufacture and sales	$ 7,404,045	Direct investment	$ -	$ -	$ -	$ -	$ 551,926	100.00	$ 551,926	$ 30,888,121	$ -
TPKL	Optical glass processing and sales; machinery manufacture, wholesale and retail	882,180	Direct investment	-	-	-	-	(11,070)	100.00	(11,070)	(817,871)	-
TPKS	Touch modules and touch display and systems research, development, manufacture and sales	760,500	Direct investment	-	-	-	-	241,277	100.00	241,277	909,611	-
RSO	Optical glass processing and sales	456,300	Direct investment	-	-	-	-	(3,237)	100.00	(3,237)	(115,611)	-
TPKG	Optical glass processing and sales	8,709,246	Direct investment	404,586	-	-	404,586	(415,213)	100.00	(415,213)	2,138,921	-
MTOH	Touch modules research, development, manufacture and sales	1,825,200	Direct investment	-	-	-	-	(80,637)	100.00	(76,647)	506,251	-
TPKP	ITO glass research, development, manufacture, processing and sales	4,563,000	Direct investment	-	-	-	-	(359,556)	100.00	(359,556)	(2,088,204)	-
TPKM	Touch related electronic materials and electronic chemicals processing, manufacture and research	106,470	Direct investment	-	-	-	-	2,521	100.00	2,521	271,729	-
TPKMS	Trade	6,854	Direct investment	-	-	-	-	(117)	100.00	(117)	6,093	-
TPKD	Touch modules research, development, manufacture and sales	3,891,675	Direct investment	-	-	-	-	1,272,593	100.00	1,272,593	11,800,596	-
TPKJ	Protective film and optical adhesive manufacture and sales	109,512	Indirect investment	-	-	-	-	106,304	51.00	54,064	234,781	-
JT	Protective film and optical adhesive manufacture and sales	177,349	Indirect investment	-	-	-	-	1,858	51.00	947	157,941	-

(Continued)

Investee Company	Main Business and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) Recognized (Note 3)	Carrying Amount as of June 30, 2017	Accumulated Repatriation of Investment Income as of June 30, 2017
					Outward	Inward						
TPKF	Touch modules research, development, manufacture and sales	$ 538,434	Indirect investment	$ -	$ -	$ -	$ -	$ (125,388)	80.02	$ (100,336)	$ (274,568)	$ -
JSX	Land development	763,299	Direct investment	-	-	-	-	(178)	9.00	(178)	107,885 Note 4	-
TES XM	Computer and electronic component manufacture and sales	456,300	Direct investment	-	-	-	-	-	-	-	Note 5	-

Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2017	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2)
$404,586	$495,846	$1,710,789

Note 1: It is calculated based on historical cost.

Note 2: The limit cannot exceed 60% of TPKT's net asset value as of June 30, 2017.

Note 3: The investee company's financial report was reviewed by the parent company's auditors.

Note 4: In March 2017, the Group sold its 91% equity interest in JSX at the price of RMB246,192 thousand, ceasing to possess control of JSX. Hence, as of June 30, 2017, JSX is no longer a member of the Group.

Note 5: In March 2017, the Group sold its residual equity interest of 17.3% in TES XM. Refer to Note 13 to the consolidated financial statements.

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Relationship (Note 3)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms (Note 4)	% of Total Sales or Assets (Note 5)
1	TPKH	UYH	a	Loans to related parties	$ 1,779,570	-	2.28
		TPKC	a	Short-term borrowings	4,511,286	-	5.78
		TPKC	a	Interest expense	57,124	-	0.13
		TPK HK	a	Other current assets	116,835	-	0.15
		TPK HK	a	Short-term borrowings	2,950,740	-	3.78
2	UYH	TPKG	c	Loans to related parties	1,228,968	-	1.58
		TPKG	c	Loans to related parties - long-term	2,585,700	-	3.31
		TPKG	c	Interest revenue	45,778	-	0.10
		TPK HK	c	Long-term borrowings	2,038,140	-	2.61
3	TPKA	TPK HK	c	Loans to related parties - long-term	1,155,960	-	1.48
4	TPKT	TPK HK	c	Loans to related parties	425,880	-	0.55
		TPKD	c	Sales	444,502	-	1.01
		TPKD	c	Purchases	396,529	-	0.90
		TPKD	c	Other expense	44,605	-	0.10
		TCS	c	Loans to related parties	481,500	-	0.62
5	TPKC	TPKL	c	Loans to related parties	856,334	-	1.10
		TPKS	c	Accounts payable	210,262	-	0.27
		TPKU	c	Accounts receivable, net	315,468	-	0.40
		TPKG	c	Loans to related parties	541,859	-	0.69
		TPKG	c	Purchases	607,020	-	1.39
		TPK HK	c	Accounts receivable, net	5,352,348	-	6.86
		TPK HK	c	Accounts payable	335,094	-	0.43
		TPK HK	c	Sales	15,450,697	-	35.26
		TPK HK	c	Purchases	534,001	-	1.22
		TPK HK	c	Research and development expenses	242,951	-	0.55
		MTOH	c	Loans to related parties	1,487,697	-	1.91
		MTOH	c	Sales	63,361	-	0.15
		TPKP	c	Loans to related parties	4,207,687	-	5.39
		TPKP	c	Interest revenue	52,686	-	0.12
		TPKM	c	Short-term borrowings	241,534	-	0.31

(Continued)

No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Relationship (Note 3)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms (Note 4)	% of Total Sales or Assets (Note 5)
5	TPKC	TPKD	c	Accounts receivable, net	$ 663,633	-	0.85
		TPKD	c	Other current assets	192,175	-	0.25
		TPKD	c	Short-term borrowings	1,271,117	-	1.63
		TPKD	c	Purchases	45,845	-	0.10
		TPKD	c	Rental revenue	190,240	-	0.43
		TPKF	c	Loans to related parties	1,043,590	-	1.34
		TPKJ & JT	c	Accounts payable	143,880	-	0.18
		TPKJ & JT	c	Purchases	303,895	-	0.69
6	TPKS	TPKC	c	Sales	469,874	-	1.07
		TPKG	c	Purchases	122,108	-	0.28
		TPK HK	c	Accounts receivable, net	885,560	-	1.13
		TPK HK	c	Sales	1,782,902	-	4.07
7	TPKU	TPKC	c	Purchases	639,406	-	1.46
8	TPKG	TPKC	c	Accounts receivable, net	216,484	-	0.28
		TPKC	c	Purchases	145,392	-	0.33
		TPK HK	c	Long-term borrowings	3,042,000	-	3.90
		TPK HK	c	Sales	76,939	-	0.18
		TPKP	c	Purchases	57,907	-	0.13
		TPKD	c	Accounts receivable, net	274,574	-	0.35
		TPKJ & JT	c	Purchases	46,840	-	0.11
9	TPK HK	MTOH	c	Loans to related parties - long-term	808,199	-	1.04
		MTOH	c	Accounts payable	455,721	-	0.58
		MTOH	c	Purchases	1,373,047	-	3.13
		TPKP	c	Loans to related parties - long-term	2,155,196	-	2.76
		TPKD	c	Accounts receivable, net	2,861,278	-	3.67
		TPKD	c	Accounts payable	10,613,951	-	13.60
		TPKD	c	Sales	11,702,902	-	26.71
		TPKD	c	Purchases	22,834,525	-	52.11
10	MTOH	TPKP	c	Purchases	94,232	-	0.22
		TPKM	c	Purchases	46,125	-	0.11
		TPKJ & JT	c	Purchases	150,389	-	0.34
11	TPKD	TPKC	c	Purchases	1,337,116	-	3.05
		TPKC	c	Royalties expense	117,226	-	0.27
		TPKG	c	Purchases	612,480	-	1.40
		TPKJ & JT	c	Accounts payable	240,705	-	0.31
		TPKJ & JT	c	Purchases	571,809	-	1.30

(Continued)

Note 1: The parent company is indicated by “1”, while all other numbers indicate subsidiaries.

Note 2: The company name and counterparty are listed in Note 12 to the consolidated financial statements.

Note 3: The directional flow of the transactions are indicated by the following numerals:

a. From parent company to subsidiary.
b. From subsidiary to parent company.
c. Between subsidiaries.

Note 4: The sales prices and payment terms of intercompany sales and purchases were not significantly different from those transactions with third parties. For other intercompany transactions, prices and terms are determined based on mutual agreement.

Note 5: Other transactions that were less than 0.1% of total assets or sales are not disclosed.

Note 6: Intercompany balances and transactions were eliminated upon consolidation.

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
TPK Holding Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of TPK Holding Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2014, 2015 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014, 2015 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

Property, Plant and Equipment Impairment Assessment

The description of key audit matter:

As of December 31, 2016, the carrying amount of property, plant and equipment (less the accumulated impairment loss of NT$17,659,680 thousand) was NT$40,744,104 thousand, accounting for 47% of the Group's total assets. According to IAS 36 "Impairment of Assets", at the end of each reporting period, the Group is required to assess whether there is any indication that an asset may be impaired. If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated. The Group shall assess whether the recoverable amount of the asset is lower than its carrying amount. The Group used the value in use model to assess the recoverable amount of its property, plant and equipment. The value in use is based on the future cash flows expected to be derived from the related cash-generating unit. Since such assessment of impairment requires management to make judgments and assumptions, which are subjective and cannot be certain, the impairment assessment of property, plant and equipment has been identified as a key audit matter.

Refer to Notes 4 (i), 4 (m), 5(a), 14, 35 and 38 to the Group's consolidated financial statements for details of the related accounting policy and the relevant information about property, plant and equipment.

Corresponding audit procedures:

The Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets may be impaired. The review process normally relies on assumptions and estimations of cash flows and the weighted average cost of capital. We assessed the reasonability of the sales growth rate and profit margin which management used to estimate the recoverable amount of the cash-generating units to which the relevant assets belong. We inspected whether the future cash flows were forecasted upon recent operating conditions, historical trends and industry overviews and whether the information and data used in the estimations was up to date. Besides this, financial consultants from Deloitte and Touche (Taiwan) were also involved in assessing whether the weighted average cost of capital as well as the assumptions adopted by management on the risk-free rate and the volatility and risk premium were consistent with the Group's operating status and industry to which it belongs. Last but not least, our internal consultants recalculated risk-free rate, the volatility and risk premium.

Valuation of Inventory

The description of key audit matter:

As of December 31, 2016, the carrying amount of inventory was NT$7,815,506 thousand (less the allowance for inventory valuation and obsolescence losses of NT$1,117,257 thousand), which accounted for 9% of the Group's total assets. The Group is mainly engaged in the business of developing, manufacturing and selling touch modules and related products. As the touch modules industry is characterized by rapid change in technology, as well as short life cycles for the related products, in this regard, the risk surrounding the write-down of slow moving and obsolete inventory is higher. Based on the aging of inventories, the net realizable value of the Group's products, the related sales status and the changes in the market, the Group evaluated and recognized losses related to the write-down of slow moving and obsolete inventory monthly. Since such valuation of inventory requires significant judgment from management, the valuation of inventory has been identified as a key audit matter.

Refer to Notes 4 (g), 5 (e), 11 and 38 to the Group's consolidated financial statements for details of the related accounting policy and the relevant information about inventory.

Corresponding audit procedures:

As for the evaluation of losses related to the write-down of slow moving and obsolete inventory, after first gaining familiarity with the industry characteristics to which the Group belongs, we obtained an understanding of the reasonability of the Group's policy for the provision for obsolete inventory and inventory whose carrying amount was lower than the net realizable value, and we randomly inspected inventory aging and performed our own calculation to verify whether the loss recognized adhered to the Group's provision policy.

In addition, at the end of the year, we performed an inventory observation and random counting to understand the inventory status and evaluate the appropriateness of the loss of obsolete and damaged inventory.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chun-Hung Chen and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 3, 2017

<u>*Notice to Readers*</u>

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

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014, 2015 AND 2016
(In Thousands)

ASSETS	2014 NT$	2015 NT$	2016 NT$	2016 US$ (Note 4) (Unaudited)
CURRENT ASSETS (Note 4)				
Cash and cash equivalents (Notes 4 and 6)	$ 29,539,623	$ 16,393,296	$ 20,490,079	$ 674,459
Debt investments with no active market - current (Notes 4, 9 and 36)	16,736,884	16,786,560	1,386,857	45,650
Notes and trade receivables, net (Notes 4, 5, 10 and 35)	13,809,555	12,269,629	7,646,236	251,687
Other receivables, net (Notes 4, 5, 10, 13 and 35)	6,785,621	5,522,002	3,294,521	108,444
Current tax assets (Notes 4 and 26)	376,172	820,674	138,770	4,568
Inventories (Notes 4, 5, 11 and 38)	7,179,669	8,737,305	7,815,506	257,258
Other current assets (Notes 4, 17 and 35)	220,018	504,223	109,095	3,591
Total current assets	74,647,542	61,033,689	40,881,064	1,345,657
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 8)	150,000	150,011	150,011	4,938
Investments accounted for using equity method (Notes 4, 5 and 13)	1,011,978	176,384	195,824	6,446
Property, plant and equipment (Notes 4, 5, 14, 35 and 38)	63,611,168	48,030,343	40,744,104	1,341,149
Investment properties, net (Notes 4, 5, 15 and 35)	479,020	423,671	393,876	12,965
Intangible assets (Notes 4, 5 and 16)	1,129,662	177,116	129,151	4,251
Deferred tax assets (Notes 4, 5 and 26)	1,620,912	2,015,039	2,043,945	67,279
Prepayments for equipment	7,962,283	1,251,503	1,307,484	43,038
Refundable deposits (Notes 32 and 35)	113,646	81,399	55,638	1,831
Long-term prepayments for leases (Notes 4 and 17)	1,994,552	1,888,284	1,782,145	58,662
Other non-current assets	2,007	285	145	5
Total non-current assets	78,075,228	54,194,035	46,802,323	1,540,564
TOTAL	$ 152,722,770	$ 115,227,724	$ 87,683,387	$ 2,886,221

LIABILITIES AND EQUITY	2014 NT$	2015 NT$	2016 NT$	2016 US$ (Note 4) (Unaudited)
CURRENT LIABILITIES (Note 4)				
Short-term borrowings (Notes 9, 18, 35 and 36)	$ 52,686,331	$ 39,549,609	$ 26,699,756	$ 878,860
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 19)	144,324	111,605	214,550	7,062
Notes and trade payables	19,383,188	14,153,518	11,978,245	394,280
Trade payables to related parties (Note 35)	1,156,853	802,384	146,490	4,822
Payables for purchase of equipment (Notes 20 and 35)	4,043,135	2,041,961	1,140,455	37,540
Other payables - others (Notes 20, 22, 35 and 38)	3,421,155	2,923,310	2,653,689	87,350
Current tax liabilities (Notes 4 and 26)	175,253	94,487	333,562	10,980
Warranty provisions - current (Notes 4, 5 and 21)	1,398,167	1,390,156	1,098,763	36,167
Provisions for onerous contracts - current (Notes 4, 5, 11 and 21)	129,576	4,770	17,723	583
Current portion of long-term borrowings and bonds payable (Notes 18 and 19)	12,565,195	7,190,754	3,834,600	126,221
Other current liabilities	202,422	154,651	354,044	11,654
Total current liabilities	95,305,599	68,417,205	48,471,877	1,595,519
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 19)	-	7,850,150	6,574,659	216,414
Long-term borrowings (Notes 18 and 35)	7,927,524	4,828,984	1,122,300	36,942
Deferred tax liabilities (Notes 4 and 26)	3,295,993	2,583,081	2,087,541	68,714
Accrued pension liabilities (Notes 4 and 22)	21,910	13,011	11,589	382
Guarantee deposits received	8,680	8,715	2,106	69
Shareholder accounts (Note 35)	11,907	-	-	-
Other non-current liabilities	-	-	1,116	37
Total non-current liabilities	11,266,014	15,283,941	9,799,311	322,558
Total liabilities	106,571,613	83,701,146	58,271,188	1,918,077
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 12, 13, 19, 22, 23, 28 and 31)				
Share capital				
Ordinary shares	3,312,948	3,516,318	3,466,338	114,099
Capital surplus	16,839,470	21,483,184	21,537,232	708,928
Retained earnings				
Legal reserve	3,952,487	3,952,487	3,952,487	130,101
Unappropriated earnings (accumulated deficits)	19,003,511	(1,161,660)	(2,772,489)	(91,260)
Total retained earnings	22,955,998	2,790,827	1,179,998	38,841
Other equity				
Exchange differences on translating foreign operations	2,226,093	3,746,515	3,232,790	106,412
Unrealized loss on available-for-sale financial assets	(1,339)	-	-	-
Total other equity	2,224,754	3,746,515	3,232,790	106,412
Treasury shares	-	(433,358)	(243,595)	(8,018)
Total equity attributable to owners of the Company	45,333,170	31,103,486	29,172,763	960,262
NON-CONTROLLING INTERESTS	817,987	423,092	239,436	7,882
Total equity	46,151,157	31,526,578	29,412,199	968,144
TOTAL	$ 152,722,770	$ 115,227,724	$ 87,683,387	$ 2,886,221

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(In Thousands, Except Earnings Per Share)

	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4) (Unaudited)
OPERATING REVENUE, NET (Notes 4, 24 and 35)	$ 129,516,919	$ 121,363,612	$ 89,216,284	$ 2,936,678
OPERATING COSTS (Notes 4, 11, 14, 16, 21, 22, 25, 28, 32 and 35)	119,035,192	127,924,827	85,950,004	2,829,164
GROSS PROFIT (LOSS)	10,481,727	(6,561,215)	3,266,280	107,514
OPERATING EXPENSES (Notes 4, 10, 14, 16, 22, 25, 28, 32 and 35)				
Selling and marketing expenses	902,374	989,814	769,332	25,323
General and administrative expenses	4,451,779	9,477,143	3,459,184	113,864
Research and development expenses	4,983,003	1,326,257	909,423	29,935
Total operating expenses	10,337,156	11,793,214	5,137,939	169,122
PROFIT (LOSS) FROM OPERATIONS	144,571	(18,354,429)	(1,871,659)	(61,608)
NON-OPERATING INCOME AND EXPENSES				
Government grant revenue (Note 4)	1,022,574	505,506	503,363	16,569
Interest income (Notes 4, 25 and 35)	1,310,941	915,992	257,801	8,486
Other income (Notes 25, 32 and 35)	148,638	183,573	335,324	11,037
Gain from insurance claims (Note 38)	-	942,356	236,995	7,801
Gain on sale of investments (Notes 4, 13 and 29)	-	60,451	506,252	16,664
Finance costs (Notes 4, 18, 19, 25 and 35)	(1,430,786)	(1,273,754)	(1,107,196)	(36,445)
Foreign exchange loss, net (Notes 4 and 39)	-	(321,945)	-	-
Foreign exchange gain, net (Notes 4 and 39)	219,361	-	126,681	4,170
Gain on sale of financial instruments (Notes 4 and 19)	-	-	200,638	6,604
Loss on sale of financial instruments (Notes 4 and 19)	-	(44,532)	-	-
Loss from disaster damage (Notes 11, 14 and 38)	-	(1,194,717)	(253,800)	(8,354)
Other losses (Notes 4 and 15)	(43,942)	(57,485)	(49,640)	(1,634)
Loss on financial liabilities at fair value through profit or loss (Notes 4 and 7)	(116,499)	(120,800)	(182,385)	(6,003)
Impairment loss on financial assets (Notes 4 and 13)	(290,693)	(1,047,847)	-	-
Other impairment loss (Notes 4, 10 and 35)	-	(1,122,548)	(171,353)	(5,640)
Share of profit or loss of associates (Notes 4 and 13)	(389,068)	(88,863)	225,880	7,435
Total non-operating income and expenses	430,526	(2,664,613)	628,560	20,690
PROFIT (LOSS) BEFORE INCOME TAX	575,097	(21,019,042)	(1,243,099)	(40,918)
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 26)	(8,376)	943,357	(260,868)	(8,587)
NET PROFIT (LOSS) FOR THE YEAR	566,721	(20,075,685)	(1,503,967)	(49,505)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 22)	3,485	8,480	(1,081)	(36)
Exchange differences on translating to presentation currency (Notes 4 and 23)	2,724,071	1,412,200	(507,138)	(16,693)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4, 23 and 26)	(592)	(1,451)	184	6

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(In Thousands, Except Earnings Per Share)

	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4) (Unaudited)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 23)	$ (317,695)	$ (34,012)	$ (157)	$ (5)
Share of the other comprehensive income (loss) of associates (Notes 4, 13 and 23)	9,499	199,182	(20,326)	(669)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 23 and 26)	(4,891)	(4,597)	2,316	76
Other comprehensive income (loss) for the year, net of income tax	2,413,877	1,579,802	(526,202)	(17,321)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 2,980,598	$ (18,495,883)	$ (2,030,169)	$ (66,826)
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 276,806	$ (20,006,508)	$ (1,467,402)	$ (48,301)
Non-controlling interests	289,915	(69,177)	(36,565)	(1,204)
	$ 566,721	$ (20,075,685)	$ (1,503,967)	$ (49,505)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 2,644,369	$ (18,477,718)	$ (1,982,024)	$ (65,241)
Non-controlling interests	336,229	(18,165)	(48,145)	(1,585)
	$ 2,980,598	$ (18,495,883)	$ (2,030,169)	$ (66,826)
EARNINGS PER SHARE (Note 27)				
Basic	$0.84	$(57.86)	$(4.27)	$(0.14)
Diluted	$0.84	$(57.86)	$(4.27)	$(0.14)

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(In Thousands)

	Equity Attributable to Owners of TPKH									
			Retained Earnings		Other Equity					
	Share Capital (Notes 4 and 23)	Capital Surplus (Notes 4, 19, 23 and 28)	Legal Reserve (Notes 4 and 23)	Unappropriated Earnings (Notes 4, 23 and 31)	Exchange Differences on Translating Foreign Operations (Notes 4 and 23)	Unrealized Loss on Available-for-sale Financial Assets (Notes 4 and 23)	Treasury Shares (Notes 4 and 23)	Total	Non-controlling Interests (Notes 4, 12, 23, 30 and 31)	Total Equity
BALANCE AT JANUARY 1, 2014	$ 3,292,887	$ 16,494,984	$ 3,220,044	$ 21,102,761	$ (138,785)	$ (1,078)	$ -	$ 43,970,813	$ 906,072	$ 44,876,885
Appropriation of 2013 earnings										
Legal reserve	-	-	732,443	(732,443)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,646,549)	-	-	-	(1,646,549)	-	(1,646,549)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(424,316)	(424,316)
Net profit for the year ended December 31, 2014	-	-	-	276,806	-	-	-	276,806	289,915	566,721
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	2,946	2,364,878	(261)	-	2,367,563	46,314	2,413,877
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	279,752	2,364,878	(261)	-	2,644,369	336,229	2,980,598
Recognition of employee share options by the Company	-	171,629	-	-	-	-	-	171,629	-	171,629
Issue of ordinary shares under employee share options	20,061	172,857	-	-	-	-	-	192,918	-	192,918
Acquisition of partial interests in subsidiaries	-	-	-	(10)	-	-	-	(10)	2	(8)
BALANCE AT DECEMBER 31, 2014 AS RESTATED	3,312,948	16,839,470	3,952,487	19,003,511	2,226,093	(1,339)	-	45,333,170	817,987	46,151,157
Change in equity components of convertible bonds redeemed by the Company	-	410,072	-	-	-	-	-	410,072	-	410,072
Issuance of ordinary shares in the form of global depositary receipts	200,000	3,912,916	-	-	-	-	-	4,112,916	-	4,112,916
Appropriation of 2014 earnings										
Cash dividends distributed by the Company	-	-	-	(165,692)	-	-	-	(165,692)	-	(165,692)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(378,796)	(378,796)
Net loss for the year ended December 31, 2015	-	-	-	(20,006,508)	-	-	-	(20,006,508)	(69,177)	(20,075,685)
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	7,029	1,520,422	1,339	-	1,528,790	51,012	1,579,802
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	(19,999,479)	1,520,422	1,339	-	(18,477,718)	(18,165)	(18,495,883)
Recognition of employee share options by the Company	-	292,441	-	-	-	-	-	292,441	-	292,441
Issue of ordinary shares under employee share options	3,370	28,577	-	-	-	-	-	31,947	-	31,947
Disposal of subsidiaries	-	-	-	-	-	-	-	-	2,066	2,066
Changes in capital surplus from investments in associates accounted for using equity method	-	(292)	-	-	-	-	-	(292)	-	(292)
Buy-back of ordinary shares	-	-	-	-	-	-	(433,358)	(433,358)	-	(433,358)
BALANCE AT DECEMBER 31, 2015	3,516,318	21,483,184	3,952,487	(1,161,660)	3,746,515	-	(433,358)	31,103,486	423,092	31,526,578
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(283,443)	(283,443)
Net loss for the year ended December 31, 2016	-	-	-	(1,467,402)	-	-	-	(1,467,402)	(36,565)	(1,503,967)
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	(897)	(513,725)	-	-	(514,622)	(11,580)	(526,202)
Total comprehensive loss for the year ended December 31, 2016	-	-	-	(1,468,299)	(513,725)	-	-	(1,982,024)	(48,145)	(2,030,169)
Change in equity components of convertible bonds redeemed by the Company	-	(17,727)	-	-	-	-	-	(17,727)	-	(17,727)
Recognition of employee share options by the Company	-	337,192	-	-	-	-	-	337,192	-	337,192
Buy-back of ordinary shares	-	-	-	-	-	-	(255,118)	(255,118)	-	(255,118)
Cancellation of treasury shares	(49,980)	(265,417)	-	(129,484)	-	-	444,881	-	-	-
Increase in non-controlling interests	-	-	-	(13,046)	-	-	-	(13,046)	147,932	134,886
BALANCE AT DECEMBER 31, 2016	$ 3,466,338	$ 21,537,232	$ 3,952,487	$ (2,772,489)	$ 3,232,790	$ -	$ (243,595)	$ 29,172,763	$ 239,436	$ 29,412,199
BALANCE AT DECEMBER 31, 2016 (IN U.S. DOLLARS) (UNAUDITED)	$ 114,099	$ 708,928	$ 130,101	$ (91,260)	$ 106,412	$ -	$ (8,018)	$ 960,262	$ 7,882	$ 968,144

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(In Thousands)

	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4) (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before income tax	$ 575,097	$(21,019,042)	$ (1,243,099)	$ (40,918)
Adjustments for:				
Depreciation expenses	7,889,564	9,574,077	8,732,460	287,441
Amortization expenses	163,581	128,214	66,066	2,175
(Reversal of) impairment losses recognized on trade receivables	(3,120)	1,202,187	175,177	5,766
Net loss on fair value changes of financial liabilities at fair value through profit or loss	137,447	167,655	118,830	3,911
Finance costs	1,430,786	1,273,754	1,107,196	36,445
Interest income	(1,310,941)	(915,992)	(257,801)	(8,486)
Compensation costs of employee share options	171,629	292,441	337,192	11,099
Share of loss (gain) of associates	389,068	88,863	(225,880)	(7,435)
Loss (gain) on disposal of property, plant and equipment	29,207	(103,224)	(99,472)	(3,274)
Loss (gain) on disposal of intangible assets	(89)	(69)	32	1
Gain on disposal of associates	-	-	(506,252)	(16,664)
Gain on disposal of subsidiaries	-	(60,451)	-	-
Impairment loss recognized on financial assets	290,693	1,047,847	-	-
Impairment loss recognized on non-financial assets	1,818,115	18,268,441	184,409	6,070
(Reversal of) inventory write-downs	(928,179)	(327,116)	283,225	9,323
Loss (gain) on redemption of bonds payable	-	44,532	(200,638)	(6,604)
Loss from disaster damage	-	972,835	253,800	8,354
Gain on insurance claims	-	-	(236,995)	(7,801)
Amortization of prepayments for leases	23,196	25,630	24,457	805
Recognition of provisions	925,817	1,517,432	1,300,807	42,818
Changes in operating assets and liabilities				
Decrease in trade and notes receivable	1,017,906	1,495,093	4,635,107	152,571
Decrease in other receivables	2,969,765	922,020	808,571	26,615
Decrease (increase) in inventories	2,093,724	(1,469,601)	674,245	22,194
Decrease (increase) in other current assets	(38,690)	(306,442)	395,190	13,008
Increase (decrease) in notes and trade payables	12,647	(5,257,743)	(2,175,273)	(71,602)
Increase (decrease) in trade payables to related parties	52,325	(354,470)	(186,819)	(6,150)
Decrease in other payables	(400,207)	(465,065)	(539,908)	(17,772)
Decrease in provisions	(1,364,491)	(1,702,010)	(1,552,397)	(51,099)
Increase in other current liabilities	50,433	143,846	199,395	6,563
Decrease in accrued pension liabilities	(1,265)	(1,815)	(2,319)	(76)
Cash generated from operations	15,994,018	5,181,827	12,069,306	397,278
Interest received	1,087,455	1,016,262	556,207	18,308
Income tax (paid) refund	(1,562,193)	(688,603)	135,664	4,466
Net cash generated from operating activities	15,519,280	5,509,486	12,761,177	420,052
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in debt investments with no active market	(7,477,769)	(49,178)	15,399,703	506,903
Acquisition of associates	-	(295,822)	(64,520)	(2,124)
Net cash inflow on disposal of associates	-	193,539	516,036	16,986
Purchase of financial assets measured at cost	(150,000)	-	-	-
Net cash outflow on acquisition of subsidiaries	-	(88,751)	-	-
Net cash inflow on disposal of subsidiaries	-	3,528	-	-
Payments for property, plant and equipment	(3,688,691)	(575,287)	(421,579)	(13,877)
Proceeds from disposal of property, plant and equipment	8,899	371,393	292,962	9,643

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(In Thousands)

	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4) (Unaudited)
Decrease in refundable deposits	$ 34,450	$ 31,083	$ 25,762	$ 848
Decrease (increase) in other receivables	(1,107,750)	(661,747)	979,105	32,229
Payments for intangible assets	(112,903)	(17,763)	(24,714)	(813)
Proceeds from disposal of intangible assets	6,139	793	3,153	104
Decrease (increase) in other assets	(1,696)	175	140	4
Increase in prepayments for equipment	(9,585,529)	(5,276,309)	(3,196,493)	(105,217)
Increase in long-term prepayments for leases	(531,646)	(3,180)	-	-
Net cash generated from (used in) investing activities	(22,606,496)	(6,367,526)	13,509,555	444,686
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in short-term borrowings	10,509,340	(14,577,565)	(11,966,902)	(393,907)
Proceeds from issue of bond payables	-	7,781,249	2,406,297	79,207
Repayments of bond payables	(11,091,658)	(7,494,360)	(1,189,282)	(39,147)
Proceeds from long-term borrowings	3,511,367	7,008,425	-	-
Repayments of long-term borrowings	(4,071,928)	(8,982,697)	(9,171,762)	(301,901)
Proceeds from (refund of) guarantee deposits received	(25,615)	35	(6,608)	(218)
Decrease in other payables to related parties	(7,729)	-	-	-
Increase (decrease) in other liabilities	(2,991)	-	1,116	37
Cash dividends paid	(1,646,549)	(165,692)	-	-
Proceeds from issue of ordinary shares	-	4,112,916	-	-
Proceeds from exercise of employee share options	192,918	31,947	-	-
Payments for transaction costs attributable to buy-back of ordinary shares	-	(433,358)	(255,118)	(8,398)
Interest paid	(1,133,280)	(1,043,316)	(886,176)	(29,170)
Decrease in non-controlling interests	(424,324)	(378,796)	(148,557)	(4,890)
Net cash used in financing activities	(4,190,449)	(14,141,212)	(21,216,992)	(698,387)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	2,517,895	1,852,925	(956,957)	(31,500)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,759,770)	(13,146,327)	4,096,783	134,851
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	38,299,393	29,539,623	16,393,296	539,608
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 29,539,623	$ 16,393,296	$ 20,490,079	$ 674,459

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

(In Thousands, Unless Stated Otherwise)

1. GENERAL INFORMATION

TPK Holding Co., Ltd. (the "Company") was incorporated as a limited company under the provisions of the Company Law of the Cayman Islands on November 21, 2005.

The Company and its subsidiaries (collectively, the "Group") are mainly engaged in the business of developing, manufacturing and selling touch modules, touch displays and ITO glass related products.

The Company's shares have been listed on the Taiwan Stock Exchange since October 29, 2010.

The functional currency of the Company is the U.S. dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company's shares are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on February 23, 2017.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

   Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that, starting from January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment 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 "Disclosure Initiative"	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant dates on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition dates on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above New IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group's accounting policies, except for the following:

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

   The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is the fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Levels 2 or 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs 2010-2012 Cycle

   Several standards, including IFRS 2 "Share-based Payments", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments", were amended in this annual improvement.

   The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group but also of other entities outside the Group. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combinations with acquisition dates on or after January 1, 2017.

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker. The judgments made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

3) Annual Improvements to IFRSs 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 "Investment Property", were amended in this annual improvement.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether investment property acquired is an acquisition of an asset or a business combination. The amendment will be applied prospectively to acquisitions of investment property on or after January 1, 2017.

4) Annual Improvements to IFRSs 2012-2014 Cycle

The annual improvement of 2012-2014 cycle has amended several standards, including IFRS 7 "Financial Instruments: Disclosures" and IAS 34. The amendment will be applied prospectively to transactions that occur on or after January 1, 2017.

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

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post-implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

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

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

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that IFRS 9 and IFRS 15 will take effect starting from January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other New IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

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

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When debt instruments are derecognized or reclassified, the cumulative gains or losses previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gains or losses previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Transition

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

2) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the entity's share of the gain or loss is eliminated.

3) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and it will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2018.

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

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

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

4) IFRS 16 "Leases"

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

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal and interest portion of lease liabilities are both classified within financing activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

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

5) Amendments to IAS 40 "Transfers of Investment Property"

The amendments clarify that the Group should make transfers to, or from, investment property when, and only when, an item of property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use. In isolation, a change in management's intentions for the use of an item of property does not provide evidence of a change in use. The amendments also clarify that evidence of a change in use is not limited to those illustrated in IAS 40.

The Group may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. The Group is also required to disclose the reclassified amounts, and such amounts should be included in the reconciliation of the carrying amount of the investment property. Alternatively, the Group may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless an asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the reporting period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of such acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in its relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, as the cost on initial recognition of an investment in an associate.

See Note 12 and Tables 7 and 8 following the Notes to Consolidated Financial Statements for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

Business combinations involving entities under common control are not accounted for by the acquisition method. In preparing the consolidated financial statements, the balance of the difference between the investment cost generated from the acquisition of the acquiree's interests and the net assets is analyzed and dealt with in the way which was initially performed at the acquisition date.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the reporting period.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries, associates and branches in other countries that use currency different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows. Income and expense items are translated at the average exchange rates for the reporting period. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate. The exchange differences accumulated in equity which resulted from the translation of the assets and liabilities of the group entities into the presentation currency are not subsequently reclassified to profit or loss.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Arising exchange differences are recognized in other comprehensive income.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the standard cost and adjusted to approximate the weighted-average cost on the balance sheet date.

h. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of that associate. The Group also recognizes the changes in its share of the equity of associates.

Any excess of the cost of an acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment, and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in that associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of the equity of associates. If the Group's ownership interest is reduced due to its additional subscription of new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value at its initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on the disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent that interests in the associate are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Investment properties

Investment properties are properties held to earn rentals and or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an item of investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Goodwill (recognized as intangible assets)

Goodwill arising from the acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of an asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

n. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are held for trading.

Financial assets at fair value through profit or loss are stated at their fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on financial assets. Fair value is determined in the manner described in Note 34.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including trade receivables, other receivables, cash and cash equivalents, and debt investments with no active market) are measured at amortized cost using the effective interest method less any impairment, except for short-term receivables where the effect of discounting is immaterial.

Cash equivalents include time deposits, with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as trade receivables, other receivables, and debt investments with no active market, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with a default on receivables.

For a financial asset measured at amortized cost, the amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date that impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for such financial assets because of financial difficulties.

For a financial asset measured at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gains or losses that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on the financial liabilities. Fair value is determined in the manner described in Note 34.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (i.e. convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, and in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Group enters into derivative financial instruments, such as foreign exchange forward contracts, to manage its exposure to foreign currency exchange rate risks.

Derivatives are initially recognized at fair value at the date in which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the contracts are not measured at fair value through profit or loss.

o. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

1) Onerous contracts

Provisions for onerous contracts arise where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

2) Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the best estimate by the management of the Group of the expenditure required to settle the Group's obligation.

p. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. An allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials' ownership.

2) Rendering of services

Service income is recognized when services are provided.

3) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement.

4) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

q. Leasing

Leases are classified as finance leases whenever the terms of such leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the relevant lease term.

r. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

s. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to the grants and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

t. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined contribution retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability are recognized as an employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets excluding interest, is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

The net defined benefit liability represents the actual deficit in the Group's defined benefit plans.

u. Employee share options

Equity-settled share-based payment arrangements and employee share options granted to employees are measured at the fair value of the equity instruments at their grant dates.

The fair value at the grant date of employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimate of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

v. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

For the subsidiaries incorporated in the territory of the Republic of China, according to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology and expenditures on research, development and personnel training to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, and in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

w. U.S. dollar amounts (unaudited)

A translation of the New Taiwan dollar ("NT$") amounts into U.S. dollars ("US$") in the consolidated financial statements for the year ended December 31, 2016 is included solely for the convenience of the readers and is unaudited, and has been made at the exchange rate set forth in the statistical release of the U.S. Federal Reserve Board of the United States, which was NT$30.38 to US$1.00 as of June 30, 2017. The translation should not be construed as a representation that the NT$ amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Impairment test for tangible assets and intangible assets (excluding goodwill)

In the process of evaluating impairment of assets, the management is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to specific asset groups while taking into consideration the nature of the industry. Furthermore, any changes in such estimations resulting from changes in economic conditions or the Company's strategy could possibly lead to a material impairment loss in future periods.

For the years ended December 31, 2014, 2015 and 2016, the Group recognized an impairment loss on tangible and intangible assets in the amounts of NT$1,755,477 thousand, NT$17,580,513 thousand and NT$184,409 thousand (approximately US$6,070 thousand), respectively.

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of value in use requires management to estimate the future cash flows expected to arise from such cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

For the years ended December 31, 2014 and 2015, the Group recognized an impairment loss on goodwill in the amount of NT$62,638 thousand and NT$687,928 thousand, respectively, while none was recognized for the year ended December 31, 2016. The carrying amounts of goodwill as of December 31, 2014, 2015 and 2016 are disclosed in Note 16.

c. Income tax

As of December 31, 2014, 2015 and 2016, the carrying amount of deferred tax assets in relation to unused tax losses was NT$990,426 thousand, NT$513,513 thousand and NT$9,176 thousand (approximately US$302 thousand), respectively. As of December 31, 2014, 2015 and 2016, no deferred tax assets have been recognized on tax losses of NT$1,707,240 thousand, NT$12,402,786 thousand and NT$21,480,655 thousand (approximately US$707,066 thousand), respectively, due to the unpredictability of future profit streams. The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

The details of unused tax losses as of December 31, 2014, 2015 and 2016 are described in Note 26.

d. Estimated impairment of accounts receivables and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amounts of accounts receivable and other receivables as of December 31, 2014, 2015 and 2016 are disclosed in Note 10.

e. Inventory write-downs

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

The carrying amounts of inventories as of December 31, 2014, 2015 and 2016 are disclosed in Note 11.

f. Useful lives of property, plant and equipment

As described in Note 4(i), the Group reviews the estimated useful lives of property, plant and equipment at each balance sheet date. No changes in the estimated useful lives of property, plant, and equipment occurred for the years ended December 31, 2014, 2015 and 2016.

g. Estimated provisions

Provisions are present obligations arising as a result of past events. Based on the past experience, the Group recognized the estimated expenditures for settling such obligations as provisions. The Group has a variety of provisions, including onerous contracts and warranties. The carrying amounts of provisions as of December 31, 2014, 2015 and 2016 are disclosed in Note 21.

h. Impairment of investment in associate

The Group immediately recognizes any impairment loss on its net investment in its associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Group's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate. The Group also takes into consideration market conditions and industry development to evaluate the appropriateness of the relevant assumptions.

The Group recognized an impairment loss of NT$290,693 thousand, and NT$1,047,847 thousand for the years ended December 31, 2014, and 2015, respectively, while none was recognized for the year ended December 31, 2016. The carrying amounts of investments accounted for by using the equity method as of December 31, 2014, 2015 and 2016 are disclosed in Note 13.

6. CASH AND CASH EQUIVALENTS

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Cash on hand	$ 2,238	$ 2,310	$ 1,733	$ 57
Checking accounts and demand deposits	17,940,811	12,807,328	9,206,652	303,050
Cash equivalents				
Time deposits with original maturities of less than three months	11,596,574	3,583,658	11,281,694	371,352
	$ 29,539,623	$ 16,393,296	$ 20,490,079	$ 674,459

Interest rates for deposits in the bank on the balance sheet date were as follows:

	December 31		
	2014	2015	2016
Deposits	0%-5.05%	0%-2.60%	0%-1.90%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Financial liabilities at FVTPL - current				
Financial liabilities held for trading				
Derivative financial liabilities (not under hedge accounting)				
Redemption options and put options of convertible bonds	$ 144,324	$ 111,605	$ 214,550	$ 7,062

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, the derivative contracts do not meet the criteria for hedge accounting. Hence, foreign exchange forward contracts are classified as financial assets or financial liabilities held for trading.

The Group had no outstanding foreign exchange forward contracts as of December 31, 2014, 2015 and 2016.

Gains and losses on foreign exchange forward contracts and redemption options and put options of convertible bonds for the years ended December 31, 2014, 2015 and 2016 were as follows:

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Foreign exchange forward contracts gain (loss)	$ 20,948	$ 46,855	$ (63,555)	$ (2,092)
Redemption options and put options of convertible bonds loss	(137,447)	(167,655)	(118,830)	(3,911)
	$ (116,499)	$ (120,800)	$ (182,385)	$ (6,003)

8. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Domestic unlisted ordinary shares	$ 150,000	$ 150,000	$ 150,000	$ 4,938
Overseas unlisted ordinary shares	-	11	11	-
	$ 150,000	$ 150,011	$ 150,011	$ 4,938
Classified according to financial asset measurement categories				
Available-for-sale financial assets	$ 150,000	$ 150,011	$ 150,011	$ 4,938

In June 2014, the Group acquired a 16.57% equity interest of Kingyoup Optronics Co., Ltd. ("KYO") for NT$150,000 thousand (approximately US$4,938 thousand).

Due to the fact that the demands of the market did not meet expectations and the cost structure was not competitive enough, the operations of Hallys Corporation (“Hallys”), a subsidiary of CIM Corporation (“CIM”), still had no improvement. On August 24, 2015, TPK Universal Solutions Limited (“TPK HK”), a subsidiary of the Company, sold its equity interest in CIM at the price of its initial acquisition cost, and the ownership percentage of TPK HK in CIM declined from 80% to 0.08%. Because the Group has lost control over this subsidiary, any investment retained in the former subsidiary was reclassified to financial assets measured at cost - non-current. Refer to Note 30 for information relating to the disposal of the subsidiary.

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the significant range of reasonable fair value estimates; therefore, they were measured at cost at the end of reporting period.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Restricted bank deposits and financial products	$ 8,397,617	$ 5,667,890	$ 631,163	$ 20,775
Financial products	7,991,117	4,891,768	755,694	24,875
Time deposits with original maturities of more than 3 months	348,150	6,226,902	-	-
	$ 16,736,884	$ 16,786,560	$ 1,386,857	$ 45,650

Financial products include principal and interest guaranteed investment products which were traded from the bank by subsidiaries. As of December 31, 2014, 2015 and 2016, the details were as follows:

	December 31		
	2014	2015	2016
Annual return rates	2.40%-6.50%	0.74%-6.50%	2.10%-2.75%
Maturity dates	January 4, 2015 - May 18, 2015	January 4, 2016 - April 13, 2016	January 9, 2017 - January 10, 2017

Interest rates of time deposits on the balance sheet date were as follows:

	December 31		
	2014	2015	2016
Time deposits	2.46%-3.30%	0.30%-3.25%	0.30%-4.5%

Restricted bank deposits and financial products are mainly in use as guarantees to banks for loans and for payments of tariffs caused from importing raw materials.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Notes and trade receivables (a)				
Notes receivable	$ 29,106	$ 17,934	$ -	$ -
Trade receivables	13,787,353	12,307,323	7,690,150	253,132
	13,816,459	12,325,257	7,690,150	253,132
Less: Allowance for impairment loss	(6,904)	(55,628)	(43,914)	(1,445)
	$ 13,809,555	$ 12,269,629	$ 7,646,236	$ 251,687
Other receivables (b)				
Tax refund receivable	$ 3,371,787	$ 1,844,248	$ 875,344	$ 28,813
Factored but unused receivables	1,797,470	504,417	1,643,635	54,103
Loans receivable (Note 35)	1,107,750	1,334,819	771,283	25,388
Reimbursements	-	500,000	376,136	12,381
Receivables from disposal of investments (Note 13)	-	-	268,452	8,836
Others	577,068	2,571,908	755,996	24,885
	6,854,075	6,755,392	4,690,846	154,406
Less: Allowance for impairment loss	(68,454)	(1,233,390)	(1,396,325)	(45,962)
	$ 6,785,621	$ 5,522,002	$ 3,294,521	$ 108,444

a. Trade receivables

The average credit period on sales of goods is 45 to 60 days after the end of the month in which sales occur. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivables since the date credit was initially granted to the end of reporting period. The Group assessed the allowance for impairment by reference to the collectability of receivables by considering an aging of receivables analysis, historical experience and the credit ratings of respective customers.

The aging of receivables was as follows:

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Less than 60 days	$ 13,690,376	$ 11,725,276	$ 7,508,959	$ 247,168
61-90 days	34,145	402,922	5,247	173
91-180 days	78,249	165,672	100,008	3,292
More than 180 days	13,689	31,387	75,936	2,499
	$ 13,816,459	$ 12,325,257	$ 7,690,150	$ 253,132

For the trade receivables balances that were past due at the end of the reporting period (refer to the below schedule), the Group did not recognize an allowance for impairment loss, because there was no significant change in the credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances. Moreover, the Group does not have the legal right to offset receivables and payables against the same counterparty.

The aging of receivables that were past due but not impaired was as follows:

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Less than 60 days	$ 1,898,909	$ 969,223	$ 512,694	$ 16,876
61-90 days	32,481	397,708	4,100	135
91-180 days	76,818	161,141	91,785	3,021
More than 180 days	7,656	12,841	28,494	938
	$ 2,015,864	$ 1,540,913	$ 637,073	$ 20,970

The aging of impaired trade receivables was as follows:

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Less than 60 days	$ -	$ 28,972	$ -	$ -
61-90 days	1,664	5,214	1,148	38
91-180 days	1,431	4,531	8,222	271
More than 180 days	6,033	18,546	47,442	1,561
	$ 9,128	$ 57,263	$ 56,812	$ 1,870

The above aging schedule was based on the past-due date.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
	NT$	NT$	NT$
Balance at January 1, 2014	$ -	$ 16,430	$ 16,430
Less: Reversed impairment losses	-	(8,722)	(8,722)
Less: Amounts written off during the year as uncollectable	-	(1,004)	(1,004)
Effects of foreign currency exchange differences	-	200	200
Balance at December 31, 2014	-	6,904	6,904
Add: Acquisition of subsidiaries during the year	-	1,194	1,194
Add: Impairment losses recognized on receivables	34,417	12,883	47,300
Effects of foreign currency exchange differences	248	(18)	230
Balance at December 31, 2015	34,665	20,963	55,628

(Continued)

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
	NT$	NT$	NT$
Add: Impairment losses recognized on receivables	$ -	$ 652	$ 652
Less: Reversed impairment losses	(10,127)	-	(10,127)
Effects of foreign currency exchange differences	(2,040)	(199)	(2,239)
Balance at December 31, 2016	$ 22,498	$ 21,416	$ 43,914

(Concluded)

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)
Balance at December 31, 2015	$ 1,141	$ 690	$ 1,831
Add: Impairment losses recognized on receivables	-	22	22
Less: Reversed impairment losses	(334)	-	(334)
Effects of foreign currency exchange differences	(67)	(7)	(74)
Balance at December 31, 2016	$ 740	$ 705	$ 1,445

b. Other receivables

As of December 31, 2014, 2015 and 2016, the Group's other receivables mainly consists of factored but unused receivables, tax refund receivable, loans receivable, receivables from the disposal of investments and reimbursements. Apart from loans receivable (each of which is due within one year), reimbursements, receivables from the disposal of investments and tax refund receivable, the aging of the remaining receivables is less than 60 days (based on the invoice date).

Due to the consideration of the operating capital and the requirements of repayment for borrowings, Cando Corporation ("Cando") had issued its first secured domestic convertible bonds with a face value of NT$500,000 thousand. The Group acquired these bonds with a face value of NT$100,000 thousand and provided guarantees within the amount of NT$520,200 thousand for the convertible bonds issued by Cando. However, the convertible bonds were delisted at December 1, 2015, since Cando applied to the court for reorganization and disposal on November 5, 2015. The Group had made the payment for the principal of these bonds in the amount of NT$500,000 thousand on behalf of Cando and recognized as another receivable from Cando. Given that Cando and its subsidiaries, which had suffered huge financial difficulties, were unable to repay the debt, the Company has recognized an allowance for impairment losses on both trade receivables and other receivables from Cando after assessing the net amount of receivables and payables. Refer to the Note 35 for more information.

As of December 31, 2014, 2015 and 2016, the Group had loaned CIM an amount of JPY324,000 thousand, JPY324,000 thousand and JPY291,600 thousand, respectively, as well as the amount of JPY585,000 thousand, JPY585,000 thousand and JPY526,500 thousand, respectively, to Hallys. Such loan was due within one year with a 2% effective interest rate. After evaluating the operations and recoverability of the receivables for both CIM and Hallys ("Hallys Group"), the Company recognized an allowance for impairment losses of 100% against the other receivables from Hallys Group at the end of 2016.

Movements in the allowance for impairment loss on other receivables were as follows:

	Individually Assessed for Impairment NT$	Collectively Assessed for Impairment NT$	Total NT$
Balance at January 1, 2014	$ -	$ 60,506	$ 60,506
Add: Impairment losses recognized on other receivables	-	5,602	5,602
Effects of foreign currency exchange differences	-	2,346	2,346
Balance at December 31, 2014	-	68,454	68,454
Add: Impairment losses recognized on other receivables	1,124,408	30,479	1,154,887
Foreign exchange translation gains and losses	8,108	1,941	10,049
Balance at December 31, 2015	1,132,516	100,874	1,233,390
Add: Impairment losses recognized on other receivables	201,518	-	201,518
Less: Reversed impairment losses	-	(16,866)	(16,866)
Less: Amounts written off during the year as uncollectable	-	(4,333)	(4,333)
Effects of foreign currency exchange differences	(15,496)	(1,888)	(17,384)
Balance at December 31, 2016	$ 1,318,538	$ 77,787	$ 1,396,325

	Individually Assessed for Impairment US$ (Note 4)	Collectively Assessed for Impairment US$ (Note 4)	Total US$ (Note 4)
Balance at December 31, 2015	$ 37,278	$ 3,321	$ 40,599
Add: Impairment losses recognized on other receivables	6,633	-	6,633
Less: Reversed impairment losses	-	(555)	(555)
Less: Amounts written off during the year as uncollectable	-	(143)	(143)
Effects of foreign currency exchange differences	(510)	(62)	(572)
Balance at December 31, 2016	$ 43,401	$ 2,561	$ 45,962

11. INVENTORIES

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Finished goods	$ 2,674,875	$ 4,424,296	$ 4,072,555	$ 134,054
Work in progress	217,090	233,173	322,757	10,624
Raw materials	4,287,704	4,079,836	3,420,194	112,580
	$ 7,179,669	$ 8,737,305	$ 7,815,506	$ 257,258

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2014, 2015 and 2016 was NT$119,035,192 thousand, NT$127,924,827 thousand and NT$85,950,004 thousand (approximately US$2,829,164 thousand), respectively.

The accounts listed below were included in cost of goods sold:

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
(Reversal of) inventory write-downs	$ (928,179)	(327,116)	$ 283,225	$ 9,323
Loss on physical inventory	20	5	-	-
(Reversal of) provision for loss on purchase commitments	(67,523)	(90,412)	18,616	613
(Reversal of) loss on inventory scraps	58	(2,077)	138,433	4,557
	$ (995,624)	$ (419,600)	$ 440,274	$ 14,493

The cost of goods sold for the years ended December 31, 2014 and 2015 included reversals of inventory write-downs of NT$928,179 thousand and NT$327,116 thousand, respectively. Previous write-downs were reversed as a result of the related accrued impairment losses being closed out. For the year ended December 31, 2016, the cost of goods sold included inventory write-downs of NT$283,225 thousand (approximately US$9,323 thousand).

Because of the characteristics of the industry, the product life cycle is short. Therefore, there is an accrued allowance for losses on inventory with aging of over 360 days.

Due to the characteristics of the industry and market fluctuations, certain raw materials are no longer usable. For the year ended December 31, 2016, the Group evaluated and recognized a loss on purchase commitments in the amount of NT$18,616 thousand (approximately US$613 thousand). For the years ended December 31, 2014 and 2015, after an evaluation of the accrued liability on purchase commitments which the Group had to undertake, the losses on purchase commitments were reserved in the amounts of NT$67,523 thousand and NT$90,412 thousand, respectively. As of December 31, 2014, 2015 and 2016, the Group estimated and recognized short-term provisions for purchase commitments (Note 21) in the amounts of NT$129,576 thousand, NT$4,770 thousand and NT$17,723 thousand (approximately US$583 thousand), respectively.

The Group recognized an impairment loss on inventories in the amount of NT$26,881 thousand (recorded as a loss from disaster damage) for the year ended December 31, 2015, due to a fire disaster which occurred in TPK Touch Solutions (Xiamen) Inc. (“TPKC”), a subsidiary of the Company, in January 2015. Refer to the Note 38 for more information related to the disaster damage.

As of December 31, 2014, 2015 and 2016, the cost of goods sold included impairment losses of property, plant and equipment of NT$1,617,059 thousand, NT$13,638,997 and NT$57,898 thousand (approximately US$1,906 thousand), respectively. Refer to the Note 14 for more information related to the impairment loss of property, plant and equipment.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			Proportion of Ownership (%)			
			December 31			
Investor	Investee	Nature of Activities	2014	2015	2016	Remark
TPK Holding Co., Ltd. ("TPKH")	TPK Technology International Inc. ("TTI")	International trade	100.00	100.00	100.00	
	Improve Idea Investments Ltd. ("Improve")	Holding company	100.00	100.00	100.00	
	Optera TPK Holding Pte. Ltd. ("OTH")	Holding company	100.00	100.00	100.00	
	Upper Year Holdings Limited ("UYH")	Holding company and international trade	100.00	100.00	100.00	
	Ray-Star Universal Solutions Limited ("RUSL")	Holding company	100.00	100.00	100.00	
Improve	TPK Asia Pacific Sdn. Bhd. ("TPKA")	Holding company	100.00	100.00	100.00	
TPKA	TPK Touch Solutions Inc. ("TPKT")	Touch related material sales and machinery manufacture, wholesale and retail	100.00	100.00	100.00	
	TPK Cando Solutions Inc. ("TCS")	Chemically strengthened glass processing and sales	55.00	55.00	55.00	
UYH	TPK Touch Solutions (Xiamen) Inc. ("TPKC")	Touch modules research, development, manufacture and sales	100.00	100.00	73.84	1)
	TPK Lens Solutions Inc. ("TPKL")	Optical glass processing and sales; machinery manufacture, wholesale and retail	100.00	100.00	100.00	
	TPK Touch Systems (Xiamen) Inc. ("TPKS")	Touch modules and touch display and systems research, development, manufacture and sales	100.00	100.00	100.00	
	Ray-Star Optical Solutions (Xiamen) Inc. ("RSO")	Optical glass processing and sales	55.00	55.00	55.00	
	Ray-Star Technology (Xiamen) Inc. ("RST")	ITO glass research, development, manufacture, processing and sales	40.67	40.67	-	1)
OTH	Optera Technology (Xiamen) Co., Ltd. ("OTX")	ITO glass research, development, manufacture, processing and sales	71.43	71.43	-	1)
	TPK America, LLC ("TPKU")	International trade	100.00	100.00	100.00	
	TPK Touch Solutions (Xiamen) Inc. ("TPKC")	Touch modules research, development, manufacture and sales	-	-	10.27	1)
RUSL	TPK Universal Solutions Limited ("TPK HK")	Touch module related product research, holding company and international trade	100.00	100.00	100.00	
TPK HK	Optera Technology (Xiamen) Co., Ltd. ("OTX")	ITO glass research, development, manufacture, processing and sales	28.57	28.57	-	1)
	TPK Glass Solutions (Xiamen) Inc. ("TPKG")	Optical glass processing and sales	100.00	100.00	94.31	7)
	Ray-Star Technology (Xiamen) Inc. ("RST")	ITO glass research, development, manufacture, processing and sales	26.06	26.06	-	1)
	CIM Corporation ("CIM")	Holding company	80.00	-	-	2)
	TPK Specialty Materials Limited ("JJS")	Holding company	51.00	51.00	-	3) and 4)
	TPK Film Solutions Limited ("TPKF HK")	Holding company	66.75	66.75	80.02	9)
	TPK MasTouch Solutions (Xiamen) Inc. ("MTOH")	Touch modules research, development, manufacture and sales	100.00	100.00	100.00	
	TPK Touch Solutions (Pingtan) Inc. ("TPKP")	ITO glass research, development, manufacture, processing and sales	100.00	100.00	100.00	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2014	2015	2016	Remark
TPK HK	TPK Materials Solution Inc. ("TPKM")	Touch related electronic materials and electronic chemicals processing, manufacture and research	100.00	100.00	100.00	
	TPK Advanced Solutions Inc. ("TPKD")	Touch modules research, development, manufacture and sales	100.00	49.90	49.90	5)
	TPK Touch Solutions (Xiamen) Inc. ("TPKC")	Touch modules research, development, manufacture and sales	-	-	15.89	1)
	Xiamen Jan Jia Optoelectronics Co., Ltd. ("TPKJ")	Protective film and optical adhesive manufacture and sales	-	-	51.00	3), 4), 8) and 10)
TPKT	New Strategy Investment Ltd. ("NSI")	Holding company	100.00	100.00	-	6)
	Ray-Star System Solutions Limited ("RSSL")	Holding company	100.00	100.00	100.00	
RSSL	Ray-Star System Solutions (Xiamen) Inc. ("RSS")	Touch modules research, development, manufacture and sales	100.00	100.00	-	7)
	TPK Glass Solutions (Xiamen) Inc. ("TPKG")	Optical glass processing and sales	-	-	5.69	7)
TPKC	Ray-Star Optical Solutions (Xiamen) Inc. ("RSO")	Optical glass processing and sales	45.00	45.00	45.00	
	Ray-Star Technology (Xiamen) Inc. ("RST")	ITO glass research, development, manufacture, processing and sales	33.27	33.27	-	1)
	TPK Advanced Solutions Inc. ("TPKD")	Touch modules research, development, manufacture and sales	-	50.10	50.10	5)
JJS	Xiamen Jan Jia Optoelectronics Co., Ltd. ("TPKJ")	Protective film and optical adhesive manufacture and sales	100.00	100.00	-	3) and 4)
TPKF HK	TPK Film Solutions (Xiamen) Inc. ("TPKF")	Touch modules research, development, manufacture and sales	100.00	100.00	100.00	
CIM	Hallys Corporation ("Hallys")	Machinery manufacture, wholesale and retail	85.58	-	-	2) and 12)
Hallys	Hallys Hong Kong Limited ("Hallys HK")	Holding company and international trade	100.00	-	-	2)
Hallys HK	Hallys (Xiamen) Inc. ("HSXM")	Sale of optical glass processing equipment and related parts	100.00	-	-	2)
TPKP	Jinshunxin Development (Pingtan) Co., Ltd. ("JSX")	Land development	100.00	100.00	100.00	11)
TPKG	TPK Chenqi (Mainland) Solutions Inc. ("TPKMS")	Trade	100.00	100.00	100.00	13)
TPKJ	Jin Tong Suzhou Optoelectronics Co., Ltd. ("JT")	Protective film and optical adhesive manufacture and sales	-	100.00	100.00	4)

(Concluded)

Remark:

1) For the purpose of integrating resources, decreasing operating costs and enhancing management efficiency, on August 12, 2015, the Company's board of directors resolved to merge OTX and RST, which were the companies to be dissolved, with TPKC, which was the surviving company. The reference date of the consolidation was January 1, 2016, and after that date, UYH, OTH and TPK HK held 73.84%, 10.27%, and 15.89% interest in TPKC, respectively.

2) Due to Hallys' operations not meeting expectations, TPK HK sold its shares of CIM at the initial acquisition cost at August 24, 2015. As the result, TPK HK's equity interest decreased from 80% to 0.08%. Since the Group has lost control, the remaining investment was reclassified to financial assets measured at cost - non-current.

3) This is a subsidiary with a material non-controlling interest.

4) In order to simplify its organizational structure, at November 4, 2015, the Company's board of directors resolved that TPK HK and Jan Ann Co., Ltd. (Cayman) and its subsidiaries would simultaneously acquire 51% and 49% of TPKJ's shares from JJS in cash, respectively, and the interests' delivery date was on June 21, 2016. JJS has finished its dissolution and liquidation process on September 30, 2016. Furthermore, TPKJ acquired 100% of JT's shares at RMB49,950 thousand from Lincoln Limited (Samoa), a subsidiary of Jan Ann Co., Ltd. (Cayman).

5) For the introduction of new touch technology, the research and development for such new technology, and the manufacturing processes for its mass production and sales, TPK HK invested in and set up TPKD on July 15, 2014. In addition, in order to replenish the operating capital of TPKD, TPKC subscribed for additional new shares issued by TPKD for US$62,931 thousand. After this capital increase plan for TPKD, TPK HK and TPKC held 49.9% and 50.1% interest in TPKD, respectively. As of December 31, 2016, the capital of TPKD was US$127,931 thousand.

6) In order to simplify its organizational structure, on February 26, 2016, the Company's board of directors resolved to dissolve and liquidate NSI and the process of liquidation was finished on March 31, 2016.

7) In order to achieve the goal of sharing resources and enhancing operating efficiency, on December 1, 2015, the Company's board of directors resolved to merge TPKG and RSS by exchanging each of the US dollar shares of RSS with each of the US dollar shares of TPKG. The reference date of the consolidation was November 1, 2016, and after that date, TPKG became the surviving company whereas RSS was dissolved. Subsequently, RSSL and TPK HK held 5.69% and 94.31% of the shares of TPKG, respectively.

8) In order to enhance the working capital and capital expenditures of TPKJ, on June 7, 2016, the Company's board of directors resolved that TPKJ would issue ordinary shares for cash, but the issuance would not exceed the amount of US$25,000 thousand. In addition, for the purpose of introducing external investors, TPK HK did not participate in the capital increase plan of TPKJ. The capital increase base date was July 25, 2016, and after the issuance, TPK HK's ownership percentage in TPKJ declined from 51% to 43.05%. However, due to changes in the conditions of the industry, TPKJ had to adjust and cancel the original capital increase plan and use of funds, and the Company's board of directors resolved to carry out a non-equal proportionate capital reduction on September 26, 2016. TPKJ returned the amount of US$25,000 thousand from the share issuance for cash to the shareholders who subscribed for the shares in July 2016. After the capital reduction, TPK HK's ownership percentage in TPKJ went back to 51%.

9) One of the TPKF HK external shareholders transferred its partial interest to TPK HK without consideration because the shareholder entered into bankruptcy. Thereafter, TPK HK's percentage of ownership in TPKF HK increased from 66.75% to 80.02%.

10) For the needs of overseas purchasing of materials and acting as an agent on behalf of TPKJ in the sales processes, the Company's board of directors resolved to set up a wholly-owned subsidiary in Hong Kong with capital of less than US$500 thousand from TPKJ on December 21, 2016. As of December 31, 2016, the new subsidiary has not completed the set up processes.

11) Due to the fact that JSX's industry is not the core business of the Company, on January 26, 2017, the Company's board of directors resolved to sell its interest in JSX to Ruei-Shin Investment (Pingtan) Co., Ltd. in the amount of RMB270,541 thousand in order to concentrate and utilize the limited resources which the Company has and expects to transfer 91% and 9% of its interest in 2017 and 2020, respectively.

12) In April 2014, CIM acquired an additional 1 share of Hallys in the amount of JPY30 thousand. CIM increased its equity interest from 85.57% to 85.58%.

13) TPKG invested in and set up TPKMS on July 31, 2014 to meet the domestic demand for the customers in mainland China. As of December 31, 2016, the capital of TPKMS was RMB1,500 thousand.

b. Details of subsidiaries with material non-controlling interests

	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	December 31		
Name of Subsidiary	**2014**	**2015**	**2016**
JJS	49.0%	49.0%	-
TPKJ	-	-	49.0%

JJS originally held 100% equity interest in TPKJ. In order to simplify its organizational structure, a subsidiary of the Company, TPK HK, acquired a 51% equity interest in TPKJ in accordance with the evaluation report in June 2016. See Note 23 for more details regarding the acquisition. Refer to Table 7 and 8 following the Notes to Consolidated Financial Statements for information on the relevant places of incorporation and principal places of business.

Name of Subsidiary	Profit Allocated to Non-controlling Interests				Accumulated Non-controlling Interests			
	For the Year Ended December 31				December 31			
	2014	2015	2016		2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)	NT$	NT$	NT$	US$ (Note 4)
JJS	$ 370,203	$ 164,334	$ 9,705	$ 319	$ 511,011	$ 291,992	$ -	$ -
TPKJ	-	-	38,263	1,259	-	-	179,857	5,920

Summarized financial information in respect of each of the Group's subsidiaries with material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

JJS and its subsidiaries (December 31, 2016: None):

	December 31	
	2014	**2015**
Current assets	$ 3,520,680	$ 3,457,496
Non-current assets	242,468	320,773
Current liabilities	(2,628,362)	(3,044,741)
Non-current liabilities	(91,840)	(137,520)
Equity	$ 1,042,946	$ 596,008
Equity attributable to:		
Owners of the Company	$ 531,935	$ 304,016
Non-controlling interests of JJS	511,011	291,992
	$ 1,042,946	$ 596,008

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Operating revenue	$ 3,695,723	$ 2,620,140	$ 941,178	$ 30,980
Net profit for the year	$ 754,855	$ 335,127	$ 19,788	$ 651
Other comprehensive income (loss) for the year	67,751	(9,299)	(6,651)	(219)
Total comprehensive income for the year	$ 822,606	$ 325,828	$ 13,137	$ 432
Net profit attributable to:				
Owners of the Company	$ 384,652	$ 170,793	$ 10,083	$ 332
Non-controlling interests of JJS	370,203	164,334	9,705	319
	$ 754,855	$ 335,127	$ 19,788	$ 651
Total comprehensive income attributable to:				
Owners of the Company	$ 419,205	$ 166,051	$ 6,691	$ 220
Non-controlling interests of JJS	403,401	159,777	6,446	212
	$ 822,606	$ 325,828	$ 13,137	$ 432
Net cash flows from:				
Operating activities	$ 786,694	$ 167,680	$ 750,126	$ 24,691
Investing activities	(644,899)	383,303	1,640,734	54,007
Financing activities	37,179	(314,711)	(2,402,447)	(79,080)
Translation adjustments	9,366	16,178	(116)	(4)
Net cash flows	$ 188,340	$ 252,450	$ (11,703)	$ (386)
Dividends paid to:				
Non-controlling interests of JJS	$ 424,316	$ 378,796	$ 283,443	$ 9,330

TPKJ and its subsidiaries (December 31, 2014 and 2015: None):

	December 31, 2016	
	NT$	US$ (Note 4)
Current assets	$ 989,508	$ 32,571
Non-current assets	275,415	9,066
Current liabilities	(896,651)	(29,515)
Non-current liabilities	(1,116)	(37)
Equity	$ 367,156	$ 12,085

(Continued)

	December 31, 2016	
	NT$	US$ (Note 4)
Equity attributable to:		
Owners of the Company	$ 187,299	$ 6,165
Non-controlling interests of TPKJ	179,857	5,920
	$ 367,156	$ 12,085
		(Concluded)

	For the Year Ended December 31, 2016	
	NT$	US$ (Note 4)
Operating revenue	$ 1,457,396	$ 47,972
Net profit for the year	$ 78,065	$ 2,570
Other comprehensive loss for the year	(33,139)	(1,091)
Total comprehensive income for the year	$ 44,926	$ 1,479
Net profit attributable to:		
Owners of the Company	$ 39,802	$ 1,310
Non-controlling interests of TPKJ	38,263	1,260
	$ 78,065	$ 2,570
Total comprehensive income attributable to:		
Owners of the Company	$ 22,901	$ 754
Non-controlling interests of TPKJ	22,025	725
	$ 44,926	$ 1,479
Net cash flows from:		
Operating activities	$ (1,968,704)	$ (64,803)
Investing activities	2,182,720	71,847
Financing activities	(503,196)	(16,563)
Translation adjustments	(72,125)	(2,374)
Net cash flows	$ (361,305)	$ (11,893)

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Investments in associates				
Material associates				
Unlisted shares				
Cando	$ 1,011,978	$ -	$ -	$ -
Associates that are not individually material				
Non-public company				
TES Touch Embedded Solutions (Xiamen) Inc. ("TES XM")	-	176,384	195,824	6,446
	$ 1,011,978	$ 176,384	$ 195,824	$ 6,446

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights December 31 2014	2015	2016
Unlisted shares					
Cando	Touch modules research, development and manufacture	Taiwan	19.78%	19.78%	19.78%

The Group is able to exercise significant influence over Cando. As such, the investment and the related profits and losses from the investment are accounted for by using the equity method. Cando carried out a capital reduction to offset deficits amounting to NT$2,881,403 thousand on October 19, 2014. The capital reduction ratio was 42.49%, and the shares held by the Company decreased to 77,125 thousand shares.

TPK HK, one of the subsidiaries of the Company, has assessed the recoverable amount of the investment in Cando by comparing its recoverable amount with the carrying amount at the end of June 2014. In determining the value in use of the investment, the Group estimated the present value of estimated future cash flows expected to arise from the operations of the investment by using a discount rate of 8.90%. Based on the assessment, an impairment loss of NT$290,693 thousand was recognized for the period ended June 30, 2014. At the end of September 2015, the Group carried out an impairment test for its investment in Cando by comparing the carrying amount with the estimated recoverable amount. The recoverable amount was based on the fair value of the net assets of the associates. As of the end of September 2015, an impairment loss of NT$764,595 thousand was recognized after the assessment showing that the carrying amount of the investment exceeded the recoverable amount.

On October 23, 2015, Cando asked the Company to provide a guarantee for its syndicated loan amounting to NT$4,275,000 thousand. However, the Company's board of directors turned down this proposal on November 4, 2015. Cando suffered a lack of new funding, falling revenue, and financial difficulty and applied to the court for reorganization and disposal on November 5, 2015, which resulted in its shares being suspended from trading on the Taipei Exchange on November 24, 2015. The court approved the request for disposal on January 26, 2016. However, the request for disposal was revoked by the court on July 20, 2016. Due to the fact that Cando's assets were not sufficient to offset its liabilities, Cando declared bankruptcy on July 21, 2016. After the assessment, the Group determined that the future recoverable amount for its investment of Cando was zero. An impairment loss of NT$283,252 thousand was recognized in the fourth quarter of 2015. As of both December 31, 2015 and 2016, the carrying amount of the investment in Cando was zero.

Summarized financial information in respect of the Group's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

	December 31, 2014
	NT$
Current assets	$ 2,435,565
Non-current assets	10,121,053
Current liabilities	(5,489,978)
Non-current liabilities	(4,402,603)
Equity	$ 2,664,037
Equity attributable to the Group	$ 476,883
Unamortized premium	535,095
Carrying amount	$ 1,011,978

	For the Year Ended December 31, 2014
	NT$
Operating revenue	$ 3,941,041
Net loss for the year	$ (1,064,845)
Other comprehensive loss	(130,137)
Total comprehensive loss for the year	$ (1,195,254)

According to the purchase price allocation report and the appraisal report issued by an external appraiser, movements of the difference between the cost of investments and the Group's share in investees' net assets were allocated to depreciable assets (building, machinery equipment and technical know-how) and non-depreciable assets (goodwill). For the years ended December 31, 2014 and 2015, the movements of the difference were as follows:

	Depreciable Assets	
	For the Year Ended December 31	
	2014	2015
	NT$	NT$
Balance, beginning of the year	$ 970,463	$ 535,095
Amortization	(180,131)	(127,889)
Impairment losses recognized	(290,693)	(412,905)
Translation adjustments	35,456	5,699
Balance, end of the year	$ 535,095	$ -

The Group has recognized an impairment loss in the full amount of the carrying amount of its investments for the year ended December 31, 2015, so that there was no significant influence on the consolidated financial statements due to the absence of Cando's audited financial statements and bankruptcy statement.

b. Aggregate information of not individually material associates (December 31, 2014: None):

	For the Year Ended December 31		
	2015	2016	
	NT$	NT$	US$ (Note 4)
The Group's share of:			
Profit from continuing operations	$ 91,828	$ 225,881	$ 7,435
Other comprehensive loss	(17,726)	(20,326)	(669)
Total comprehensive income for the year	$ 74,102	$ 205,555	$ 6,766

In order to seek complementary resources and the benefits of synergy of the commercial and industrial touch display business and expand its business to commercial products, on November 4, 2014, the Company's board of directors resolved to form a strategic partnership with IPC Holding Co., Ltd. ("IPC"). The Company and IPC jointly set up TES Holding Co., Ltd. ("TES Cayman") with a total capital of US$12,800 thousand, where the Company and IPC shared the ownership of TES Cayman with equity interest holdings of 40% and 60%, respectively. As of December 31, 2015, the Company has invested US$5,120 thousand in the set up process.

For the purpose of developing and expanding businesses in the mainland China, the Company's board of directors resolved to restructure TES Cayman's investment framework under a joint effort from the Company and IPC on August 12, 2015. Subsequently, TPK HK and IPC Management Limited ("IPC HK"), a 100% held subsidiary of IPC, respectively acquired 40% and 60% of TES XM's equity interest from TES Cayman. TPK HK has invested US$4,251 thousand in the acquisition and withdrew the carrying amount of its investments in TES Cayman of US$5,939 thousand in December 2015.

TES XM issued ordinary shares for cash on May 23, 2016. TPK HK subscribed for such shares in the amount of US$2,000 thousand so as to proportionally increase its share capital according to the percentage of its original shareholding in effect prior to the capital increase.

Due to the fact that TES XM's industry is not the core business of the Company, on November 9, 2016, the Company's board of directors resolved to sell 40% of its interest in TES XM to potential external investors in the amount of no less than US$43,200 thousand or by transferring the equivalent renminbi amount for consideration in order to concentrate and utilize its limited resources. TPK HK sold 22.7% of its ownership in TES XM in the amount of US$24,516 thousand in December 2016. The gains from the disposal was US$15,885 thousand. The selling price was determined in accordance to the evaluation report, and an amount of US$16,192 thousand was received in December 2016. The remaining US$8,324 thousand (recorded as other receivables) was fully received at the end of January 2017. After the disposal, the interest that TPK HK held in TES XM decreased from 40% to 17.3%. Furthermore, TPK HK sold the remaining 17.3% interest in TES XM at March 8, 2017, and the procedures for the related company alteration registration regarding the aforementioned amendment have been completed.

All investments accounted for by using the equity method and the share of profits and losses and other comprehensive income of those investments for the year ended December 31, 2014 were recognized based on the associates' financial statements audited by the auditors for the same year. Except for Cando, investments accounted for by using the equity method and the share of profits or losses and other comprehensive income of those investments for the years ended December 31, 2015 and 2016 were recognized based on the associates' financial statements audited by the auditors for the same year. Management of the Group believes that there is no significant impact even though those financial statements were unaudited.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Carrying amount for each category				
Buildings	$ 17,207,325	$ 20,328,315	$ 19,480,839	$ 641,239
Machinery and equipment	37,106,417	25,161,862	19,671,167	647,504
Transportation and others	3,666,990	2,431,513	1,564,814	51,508
Property in construction	5,630,436	108,653	27,284	898
	$ 63,611,168	$ 48,030,343	$ 40,744,104	$ 1,341,149

	For the Year Ended December 31, 2014				
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	NT$	NT$	NT$	NT$	NT$
Cost					
Balance, beginning of year	$ 15,505,094	$ 42,778,695	$ 8,737,375	$ 5,189,626	$ 72,210,790
Additions	-	180,328	-	3,508,363	3,688,691
Disposals	-	(487,261)	(118,853)	-	(606,114)
Reclassification	2,871,025	10,651,738	1,005,149	(3,357,358)	11,170,554
Effects of foreign currency exchange differences	1,089,083	3,094,456	542,490	289,805	5,015,834
Balance, end of year	19,465,202	56,217,956	10,166,161	5,630,436	91,479,755
Accumulated depreciation					
Balance, beginning of year	1,341,964	10,100,520	4,041,434	-	15,483,918
Depreciation expenses	792,617	5,380,421	1,695,530	-	7,868,568
Disposals	-	(153,071)	(74,476)	-	(227,547)

(Continued)

	For the Year Ended December 31, 2014				
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	NT$	NT$	NT$	NT$	NT$
Reclassification	$ 3,360	$ -	$ 85	$ -	$ 3,445
Effects of foreign currency exchange differences	119,936	861,549	318,342	-	1,299,827
Balance, end of year	2,257,877	16,189,419	5,980,915	-	24,428,211
Accumulated impairment losses					
Balance, beginning of year	-	1,870,499	17,444	-	1,887,943
Recognized impairment loss	-	1,256,718	498,759	-	1,755,477
Disposals	-	(330,634)	(9,827)	-	(340,461)
Effects of foreign currency exchange differences	-	125,537	11,880	-	137,417
Balance, end of year	-	2,922,120	518,256	-	3,440,376
Carrying amount, end of year	$ 17,207,325	$ 37,106,417	$ 3,666,990	$ 5,630,436	$ 63,611,168

(Concluded)

	For the Year Ended December 31, 2015				
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	NT$	NT$	NT$	NT$	NT$
Cost					
Balance, beginning of year	$ 19,465,202	$ 56,217,956	$ 10,166,161	$ 5,630,436	$ 91,479,755
Additions	-	-	-	575,287	575,287
Acquisition of subsidiaries (Note 29)	-	117,375	48,723	-	166,098
Disposals	-	(1,457,872)	(313,811)	-	(1,771,683)
Disposal of subsidiaries (Note 30)	(7,615)	(93,692)	(10,898)	-	(112,205)
Loss from disaster damage	-	(1,038,314)	(4,834)	-	(1,043,148)
Reclassification	6,257,049	9,149,835	505,234	(6,104,052)	9,808,066
Effects of foreign currency exchange differences	923,773	2,319,603	357,526	6,982	3,607,884
Balance, end of year	26,638,409	65,214,891	10,748,101	108,653	102,710,054
Accumulated depreciation					
Balance, beginning of year	2,257,877	16,189,419	5,980,915	-	24,428,211
Depreciation expenses	937,001	7,157,040	1,456,553	-	9,550,594
Acquisition of subsidiaries (Note 29)	-	48,653	26,027	-	74,680
Disposals	-	(606,366)	(283,490)	-	(889,856)
Disposal of subsidiaries (Note 30)	(4,209)	(49,717)	(9,020)	-	(62,946)
Loss from disaster damage	-	(65,914)	(542)	-	(70,056)
Reclassification	3,713	-	-	-	3,713
Effects of foreign currency exchange differences	116,789	844,008	238,331	-	1,199,128
Balance, end of year	3,311,171	23,513,523	7,408,774	-	34,233,468
Accumulated impairment losses					
Balance, beginning of year	-	2,922,120	518,256	-	3,440,376
Recognized impairment loss	2,969,944	14,015,638	391,956	-	17,377,538
Disposals	-	(588,150)	(25,508)	-	(613,658)
Disposal of subsidiaries (Note 30)	-	(37)	-	-	(37)
Loss from disaster damage	-	(31,780)	-	-	(31,780)
Effects of foreign currency exchange differences	28,979	221,715	23,110	-	273,804
Balance, end of year	2,998,923	16,539,506	907,814	-	20,446,243
Carrying amount, end of year	$ 20,328,315	$ 25,161,862	$ 2,431,513	$ 108,653	$ 48,030,343

	For the Year Ended December 31, 2016				
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	NT$	NT$	NT$	NT$	NT$
Cost					
Balance, beginning of year	$ 26,638,409	$ 65,214,891	$ 10,748,101	$ 108,653	$ 102,710,054
Additions	-	-	-	421,579	421,579
Disposals	(28,956)	(3,968,004)	(1,011,515)	-	(5,008,475)
Reclassification	1,933,408	1,853,993	(1,057,504)	(491,812)	2,238,085
Effects of foreign currency exchange differences	(459,822)	(1,166,160)	(175,861)	(11,136)	(1,812,979)
Balance, end of year	28,083,039	61,934,720	8,503,221	27,284	98,548,264
Accumulated depreciation					
Balance, beginning of year	3,311,171	23,513,523	7,408,774	-	34,233,468
Depreciation expenses	1,089,392	6,643,334	977,305	-	8,710,031
Disposals	(16,749)	(1,599,535)	(793,144)	-	(2,409,428)
Reclassification	1,020,954	187,932	(988,521)	-	220,365
Effects of foreign currency exchange differences	(60,945)	(425,158)	(123,853)	-	(609,956)
Balance, end of year	5,343,823	28,320,096	6,480,561	-	40,144,480
Accumulated impairment losses					
Balance, beginning of year	2,998,923	16,539,506	907,814	-	20,446,243
Recognized impairment loss	126,511	57,898	-	-	184,409
Disposals	(4,438)	(2,190,519)	(210,600)	-	(2,405,557)
Reclassification	188,540	(180,091)	(223,897)	-	(215,448)
Effects of foreign currency exchange differences	(51,159)	(283,337)	(15,471)	-	(349,967)
Balance, end of year	3,258,377	13,943,457	457,846	-	17,659,680
Carrying amount, end of year	$ 19,480,839	$ 19,671,167	$ 1,564,814	$ 27,284	$ 40,744,104

	For the Year Ended December 31, 2016				
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)
Cost					
Balance, beginning of year	$ 876,840	$ 2,146,639	$ 353,789	$ 3,576	$ 3,380,844
Additions	-	-	-	13,877	13,877
Disposals	(953)	(130,612)	(33,296)	-	(164,861)
Reclassification	63,641	61,027	(34,809)	(16,189)	73,670
Effects of foreign currency exchange differences	(15,136)	(38,386)	(5,789)	(366)	(59,677)
Balance, end of year	924,392	2,038,668	279,895	898	3,243,853
Accumulated depreciation					
Balance, beginning of year	108,992	773,980	243,870	-	1,126,842
Depreciation expenses	35,859	218,675	32,169	-	286,703
Disposals	(552)	(52,651)	(26,107)	-	(79,310)
Reclassification	33,606	6,186	(32,538)	-	7,254
Effects of foreign currency exchange differences	(2,006)	(13,995)	(4,077)	-	(20,078)
Balance, end of year	175,899	932,195	213,317	-	1,321,411

(Continued)

	For the Year Ended December 31, 2016				
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)
Accumulated impairment losses					
Balance, beginning of year	$ 98,714	$ 544,421	$ 29,882	$ -	$ 673,017
Recognized impairment loss	4,164	1,906	-	-	6,070
Disposals	(146)	(72,104)	(6,932)	-	(79,182)
Reclassification	6,206	(5,928)	(7,370)	-	(7,092)
Effects of foreign currency exchange differences	(1,684)	(9,326)	(510)	-	(11,520)
Balance, end of year	107,254	458,969	15,070	-	581,293
Carrying amount, end of year	$ 641,239	$ 647,504	$ 51,508	$ 898	$ 1,341,149

(Concluded)

Part of the equipment for manufacturing purposes could no longer be used due to an alteration in the manufacturing process; such equipment was provided with an allowance for impairment loss. The impairment loss shall be reserved subsequently if the idled equipment is used again after the alteration in the manufacturing process.

Due to intense competition within touch industries, there was a decline in selling prices and a slowdown in the demand for some products; thus, the management of the Group adjusted its product development strategy and method of application of its assets. After the assessment, there was an indication of impairment of some of its assets. Some products, such as cover glass and film sensors, were determined to have no future competitive value. Additionally, part of the Group's manufacturing equipment, including touch sensors and laminators, became idle. Furthermore, the Group conducted further assessments for the recoverable amounts for each of its businesses and the carrying amounts of the related assets (including property, plant, and equipment, investment properties, intangible assets, and long-term prepayments for leases). The results showed that some of the businesses' carrying amounts exceeded their recoverable amounts; therefore, the Group determined that the discount rate used in measuring the related present values ranged between 11.2%-15.7% by reference to the related business nature of each department, and the Group recognized impairment losses accordingly.

The Group has recognized impairment losses in the amounts of NT$1,818,115 thousand, NT$18,268,441 thousand and NT$184,409 thousand (approximately US$6,070 thousand) for the years ended December 31, 2014, 2015 and 2016 (which were the net amount of reducing the reversals of impairment losses recognized). The details are as follows:

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Property, plant and equipment	$ 1,755,477	$ 17,377,538	$ 184,409	$ 6,070
Investment properties, net	-	21,532	-	-
Intangible assets	62,638	760,666	-	-
Long-term prepayments for leases	-	108,705	-	-
	$ 1,818,115	$ 18,268,441	$ 184,409	$ 6,070

Impairment losses recognized for the years ended December 31, 2015 and 2016 were summarized by function as follows:

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Operating costs	$ 1,617,059	$ 13,638,997	$ 57,898	$ 1,906
Operating expenses	201,056	4,629,444	126,511	4,164
	$ 1,818,115	$ 18,268,441	$ 184,409	$ 6,070

TPK HK, one of the subsidiaries of the Company, sold its shares of CIM on August 24, 2015. Property, plant and equipment related to the disposal of the investment were derecognized. Refer to Note 30 for more information.

In January 2015, a fire occurred in a plant of TPKC. The Group recognized an impairment loss on property, plant and equipment of NT$941,312 thousand (recorded as a loss from disaster damage) for the year ended December 31, 2015. Refer to Note 38 for related information.

The Group's buildings mainly consist of factories and the construction of clean rooms, which are depreciated over an estimated useful life ranging from 1 to 20 years.

Otherwise, the property, plant and equipment listed above are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	1-35 years
Machinery and equipment	1-11 years
Transportation and others	1-10 years

15. INVESTMENT PROPERTIES

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Buildings	$ 479,020	$ 423,671	$ 393,876	$ 12,965

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
<u>Cost</u>				
Balance, beginning of year	$ 335,345	$ 517,318	$ 506,135	$ 16,660
Reclassification	153,944	(29,316)	-	-
Effects of foreign currency exchange differences	28,029	18,133	(8,866)	(292)
Balance, end of year	517,318	506,135	497,269	16,368

(Continued)

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Accumulated depreciation				
Balance, beginning of year	$ 18,751	$ 38,298	$ 60,227	$ 1,982
Depreciation expenses	20,996	23,483	22,429	738
Reclassification	(3,432)	(3,712)	-	-
Effects of foreign currency exchange differences	1,983	2,158	(1,111)	(36)
Balance, end of year	38,298	60,227	81,545	2,684
Accumulated impairment loss				
Balance, beginning of year	-	-	22,237	732
Recognized impairment loss	-	21,532	-	-
Effects of foreign currency exchange differences	-	705	(389)	(13)
Balance, end of year	-	22,237	21,848	719
Carrying amount, end of year	$ 479,020	$ 423,671	$ 393,876	$ 12,965

(Concluded)

Refer to Note 14 for related information on impairment loss of investment properties.

The Group's investment property is depreciated on a straight-line basis over the estimated useful life of 20 years.

The Group's investment property is located in the Xiamen industrial area. Due to infrequent transactions in the area and an unavailable alternative reliable estimate of fair value, the fair value of the investment property was not able to be determined reliably.

16. INTANGIBLE ASSETS

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Goodwill	$ 702,992	$ 33,593	$ 33,330	$ 1,097
Technical know-how	211,763	12,439	-	-
Computer software	208,484	116,456	84,539	2,783
Patents	846	11,757	9,079	299
Others	5,577	2,871	2,203	72
	$ 1,129,662	$ 177,116	$ 129,151	$ 4,251

	For the Year Ended December 31, 2014					
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Cost						
Balance, beginning of year	$ 723,414	$ 537,335	$ 329,430	$ 94,064	$ 41,653	$ 1,725,896
Additions	-	-	112,549	354	-	112,903
Disposals	-	-	(15,804)	-	-	(15,804)
Reclassification	-	-	412	-	-	412
Effects of foreign currency exchange differences	43,632	30,184	15,848	5,828	2,578	98,070
Balance, end of year	767,046	567,519	442,435	100,246	44,231	1,921,477
Accumulated amortization						
Balance, beginning of year	-	252,797	177,136	79,380	32,093	541,406
Amortization expenses	-	84,858	59,984	14,371	4,368	163,581
Disposals	-	-	(9,754)	-	-	(9,754)
Reclassification	-	-	(13)	-	-	(13)
Effects of foreign currency exchange differences	-	18,101	6,598	5,649	2,193	32,541
Balance, end of year	-	355,756	233,951	99,400	38,654	727,761
Accumulated impairment losses						
Recognized impairment loss	62,638	-	-	-	-	62,638
Effects of foreign currency exchange differences	1,416	-	-	-	-	1,416
Balance, end of year	64,054	-	-	-	-	64,054
Carrying amount, end of year	$ 702,992	$ 211,763	$ 208,484	$ 846	$ 5,577	$ 1,129,662

	For the Year Ended December 31, 2015					
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Cost						
Balance, beginning of year	$ 767,046	$ 567,519	$ 442,435	$ 100,246	$ 44,231	$ 1,921,477
Additions	-	-	16,898	865	-	17,763
Acquisition of subsidiaries (Note 29)	-	7,190	3,197	66,268	-	76,655
Disposals	-	-	(6,479)	(78)	-	(6,557)
Disposal of subsidiaries (Note 30)	(63,912)	(226,652)	(20,925)	(966)	(13,726)	(326,181)
Reclassification	-	-	(14,092)	-	13,775	(317)
Effects of foreign currency exchange differences	25,266	10,304	7,719	3,315	1,594	48,198
Balance, end of year	728,400	358,361	428,753	169,650	45,874	1,731,038
Accumulated amortization						
Balance, beginning of year	-	355,756	233,951	99,400	38,654	727,761
Amortization expenses	-	57,805	66,592	150	3,667	128,214
Acquisition of subsidiaries (Note 29)	-	-	2,910	55,228	-	58,138
Disposals	-	-	(5,779)	(54)	-	(5,833)

(Continued)

	For the Year Ended December 31, 2015					
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Disposal of subsidiaries (Note 30)	$ -	$ (134,931)	$ (7,763)	$ (90)	$ -	$ (142,784)
Effects of foreign currency exchange differences	-	9,438	6,777	3,251	681	20,147
Balance, end of year	-	288,068	296,688	157,885	43,002	785,643
Accumulated impairment losses						
Balance, beginning of year	64,054	-	-	-	-	64,054
Recognized impairment loss	687,928	57,281	15,448	8	1	760,666
Disposal of subsidiaries (Note 30)	(63,912)	-	-	-	-	(63,912)
Effects of foreign currency exchange differences	6,737	573	161	-	-	7,471
Balance, end of year	694,807	57,854	15,609	8	1	768,279
Carrying amount, end of year	$ 33,593	$ 12,439	$ 116,456	$ 11,757	$ 2,871	$ 177,116

(Concluded)

	For the Year Ended December 31, 2016					
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Cost						
Balance, beginning of year	$ 728,400	$ 358,361	$ 428,753	$ 169,650	$ 45,874	$ 1,731,038
Additions	-	-	23,584	1,130	-	24,714
Disposals	-	-	(58,140)	-	-	(58,140)
Reclassification	-	-	313	-	-	313
Effects of foreign currency exchange differences	(12,434)	(5,961)	(7,997)	(7,458)	(804)	(34,654)
Balance, end of year	715,966	352,400	386,513	163,322	45,070	1,663,271
Accumulated amortization						
Balance, beginning of year	-	288,068	296,688	157,885	43,002	785,643
Amortization	-	12,087	50,805	2,660	514	66,066
Disposals	-	-	(52,531)	-	-	(52,531)
Reclassification	-	-	182	-	-	182
Effects of foreign currency exchange differences	-	(4,595)	(6,109)	(6,310)	(650)	(17,664)
Balance, end of year	-	295,560	289,035	154,235	42,866	781,696
Accumulated impairment losses						
Balance, beginning of year	694,807	57,854	15,609	8	1	768,279
Disposals	-	-	(2,424)	-	-	(2,424)
Effects of foreign currency exchange differences	(12,171)	(1,014)	(246)	-	-	(13,431)
Balance, end of year	682,636	56,840	12,939	8	1	752,424
Carrying amount, end of year	$ 33,330	$ -	$ 84,539	$ 9,079	$ 2,203	$ 129,151

	For the Year Ended December 31, 2016					
	Goodwill	Technical Know-how	Computer Software	Patents	Others	Total
	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)
Cost						
Balance, beginning of year	$ 23,977	$ 11,796	$ 14,113	$ 5,584	$ 1,510	$ 56,980
Additions	-	-	776	37	-	813
Disposals	-	-	(1,913)	-	-	(1,913)
Reclassification	-	-	10	-	-	10
Effects of foreign currency exchange differences	(410)	(196)	(263)	(245)	(27)	(1,141)
Balance, end of year	23,567	11,600	12,723	5,376	1,483	54,749
Accumulated amortization						
Balance, beginning of year	-	9,482	9,766	5,197	1,415	25,860
Amortization expenses	-	398	1,672	88	17	2,175
Disposals	-	-	(1,729)	-	-	(1,729)
Reclassification	-	-	6	-	-	6
Effects of foreign currency exchange differences	-	(151)	(201)	(208)	(21)	(581)
Balance, end of year	-	9,729	9,514	5,077	1,411	25,731
Accumulated impairment losses						
Balance, beginning of year	22,871	1,904	514	-	-	25,289
Disposals	-	-	(80)	-	-	(80)
Effects of foreign currency exchange differences	(401)	(33)	(8)	-	-	(442)
Balance, end of year	22,470	1,871	426	-	-	24,767
Carrying amount, end of year	$ 1,097	$ -	$ 2,783	$ 299	$ 72	$ 4,251

For more information about the impairment loss of goodwill and other intangible assets, refer to Note 14. In addition, the Group recognized an impairment loss on goodwill of NT$62,638 thousand, after the recoverable amount of goodwill was tested at the end of 2014. The Group took the future operating condition of Hallys into consideration and recognized the full amount of the initial investment premium in impairment loss. TPK HK, one of the subsidiaries of the Company, sold its shares of CIM on August 24, 2015. Intangible assets related to the disposal of the investment were derecognized. Refer to Note 30 for more information.

The intangible assets listed above were amortized on a straight-line basis over the estimated useful life of the related asset as follows:

Technical know-how	3-7 years
Computer software	1-6 years
Patents	3-19 years
Other intangible assets	3-10 years

17. PREPAYMENTS FOR LEASES

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Current assets (included in other current assets)	$ 18,558	$ 21,618	$ 9,143	$ 301
Non-current assets (included in long-term prepayments for leases)	1,994,552	1,888,284	1,782,145	58,662
	$ 2,013,110	$ 1,909,902	$ 1,791,288	$ 58,963

As of December 31, 2014, 2015 and 2016 the Group's prepayments for leases were mainly for land use rights in mainland China.

Refer to Note 14 for more information on impairment losses of long-term prepayments for leases.

18. BORROWINGS

a. Short-term borrowings

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Secured borrowings (Note 35)				
Bank loans	$ 8,540,377	$ 5,252,000	$ 596,625	$ 19,639
Unsecured borrowings				
Bank loans	44,145,954	34,297,609	26,103,131	859,221
	$ 52,686,331	$ 39,549,609	$ 26,699,756	$ 878,860

The Group's short-term secured borrowings were guaranteed by related parties as of December 31, 2014, 2015 and 2016 (refer to Note 35). The Group's subsidiaries also provided deposits and financial products in the amounts of NT$8,352,150 thousand, NT$5,636,381 thousand and NT$621,776 thousand (approximately US$20,467 thousand) (included in debt investments with no active market - current) as collateral for the aforementioned borrowings as of December 31, 2014, 2015 and 2016, respectively.

As of December 31, 2014, 2015 and 2016, the range of weighted average effective interest rates on bank loans was 1.06%-3.50%, 0.83%-4.00%, and 1.44%-5.00% per annum, respectively.

b. Long-term borrowings

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Secured borrowings (Note 35)				
Bank loans	$ 5,078	$ -	$ -	$ -
Unsecured borrowings				
Bank loans	13,654,013	12,019,738	2,648,144	87,167
	13,659,091	12,019,738	2,648,144	87,167
Less: Current portion (due in one year)	(5,731,567)	(7,190,754)	(1,525,844)	(50,225)
Long-term borrowings	$ 7,927,524	$ 4,828,984	$ 1,122,300	$ 36,942

The Group's long-term secured borrowings were guaranteed by related parties (see Note 35) as of December 31, 2014. As of December 31, 2014, 2015 and 2016, the range of weighted average effective interest rates of the bank borrowings was 1.18%-3.63%, 1.73%-3.83%, and 2.74%-3.95% per annum, respectively. The Group will repay such loans in the next 3 years, 4 years and 3 years, respectively.

The Company signed a loan agreements with Mega International Commercial Bank and made a commitment that the debt ratio must not exceed 300%, interest coverage ratio cannot be lower than 3, and the tangible net worth cannot be lower than NT$35,000,000 thousand as consideration in the determination of interest rates for an on-going loan contract. The bank would examine the aforementioned terms every April and September. If the Company did not meet the conditions and was not able to improve the circumstances before the next two examination dates, then this would be considered a breach of contract. Though a certain of the financial ratios of the Company did not meet the terms of the commitment, the Company has adjusted the effective interest rates in accordance with the borrowing contracts to correspond to the commitment.

TPKP signed a loan agreement with China Trust Commercial Bank and made a commitment that the tangible net worth would be maintained at greater than US$180,000 thousand. If TPKP did not meet the requirement, then there must be improvement within nine months. If the terms were reached after the improvement, then this would not be considered a breach of contract.

The Company signed a loan agreement with China Trust Commercial Bank and made a commitment that the Company would keep the tangible net worth greater than NT$40,000,000 thousand, the current ratios as of June and the end of each year must be greater than 85% and 90%, respectively, and finally, the net financial obligations ratio must be lower than 55%. If the commitment is not fulfilled and the Company did not deal with the defaults within the given time, the bank could suspend credit or amend the terms of the credit.

The Company signed a loan agreements with Barclays PLC and committed that the proportion of the borrowings in net assets must be no greater than 3, the interest coverage ratio cannot be lower than 3, the tangible net worth cannot be lower than NT$35,000,000 thousand and the net profit before income tax, interest, depreciation expenses and amortization expenses must be maintained at above NT$8,100,000 thousand. If the Company breached certain terms of its long-term loan arrangement and no improvement was made before the end of the grace period given by the bank, then this would be considered a breach of contract.

As of December 31, 2015, the Group did not meet a certain of its financial ratios. The management of the Group was confident that the terms of the arrangement could be improved or that the Group would be granted an exemption from the bank before the end of the grace period.

19. BONDS PAYABLE

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Overseas convertible bonds II (b)	$ 7,216,200	$ -	$ -	$ -
Overseas convertible bonds III (c)	-	8,843,055	7,202,477	237,080
Unsecured bonds in RMB (c)	-	-	2,325,225	76,538
	7,216,200	8,843,055	9,527,702	313,618
Less: Convertible bonds discount	(382,572)	(992,905)	(644,287)	(21,208)
	6,833,628	7,850,150	8,883,415	292,410
Less: Current portion (due in one year)	(6,833,628)	-	(2,308,756)	(75,996)
	$ -	$ 7,850,150	$ 6,574,659	$ 216,414

a. Overseas convertible bonds I

In its meeting on March 8, 2011, the Company's board of directors resolved to issue unsecured zero-coupon overseas convertible bonds with a face value of US$400,000 thousand and an effective interest rate of 3.50%. The proceeds will be used for funding a subsidiary to expand production facilities and to acquire machinery and equipment. This proposal was approved and became effective under in letter No. 1000012068 issued by the FSC on April 11, 2011. The bonds whose durations are 3 years were listed on the Singapore Stock Exchange on April 20, 2011. In accordance with the IFRSs, the Company has bifurcated the bonds into liability and equity components. On April 20, 2011, the Company received the net proceeds of these overseas convertible bonds of US$397,539 thousand which was recognized as bonds payable of US$360,170 thousand and capital surplus of US$37,369 thousand.

Bondholders may request that the Company convert the bonds into the Company's ordinary shares at NT$724.90 per share and at the fixed exchange rate of US$1.00 to NT$29.065 between May 31, 2011 and April 10, 2014 (barring the period in which the registration of share transfer is suspended). As of April 20, 2014, the Company redeemed the remaining outstanding convertible bonds at their face value of US$367,000 thousand.

b. Overseas convertible bonds II

The Company planned to issue overseas convertible bonds in order to meet the need of overseas procurement funding for subsidiaries with the consideration of the diversity of fundraising. The shareholders held their annual meeting on May 16, 2012 and, in that meeting, resolved to issue second unsecured zero-coupon overseas convertible bonds with a face value of up to US$250,000 thousand. This proposal was approved and became effective under letter No. 10100422921 issued by the FSC on September 20, 2012. The bonds whose durations were 5 years were listed on the Luxembourg Stock Exchange on October 1, 2012, and the total amount of US$230,000 thousand in convertible bonds were issued. In accordance with the IFRSs, the Company has bifurcated the bonds into liability and equity components. On October 1, 2012, the Company received the net proceeds of these overseas convertible bonds of US$229,281 thousand, which was recognized as bonds payable of US$208,312 thousand and capital surplus of US$20,969 thousand.

Bondholders may request that the Company convert the bonds into the Company's ordinary shares at NT$436.70 per share and at the fixed exchange rate of US$1.00 to NT$29.332 between November 9, 2012 and September 21, 2017 (barring the period in which the registration of share transfer is suspended).

In May 2013, part of the bondholders requested that the Company convert the bonds with a face value of US$2,000 thousand into the Company's ordinary shares totaling 130 thousand shares at NT$452.68 per share and at the fixed exchange rate of US$1.00 to NT$29.332. The Company redeemed all outstanding overseas convertible bonds II at their face value of US$228,000 thousand before October 30, 2015.

c. Overseas convertible bonds III and IV

In order to meet the need of overseas procurement funding for subsidiaries with due consideration of the diversity of fund raising, the Company's board of directors resolved to issue third and fourth unsecured overseas convertible bonds with a face value of up to US$250,000 thousand individually, and with an aggregate face value of up to US$400,000 thousand, on November 4, 2014. This proposal was approved and became effective under in letter No. 10300519131 issued by the FSC on December 31, 2014. The bonds whose durations are 5 years were listed on the Luxembourg Stock Exchange on April 8, 2015, and the total amount of US$250,000 thousand of convertible bonds were issued. In accordance with the IFRSs, the Company has bifurcated the bonds into liability and equity components. On April 8, 2015, the Company received the net proceeds of overseas convertible bonds of US$248,602 thousand, which was recognized as bonds payable of US$234,333 thousand, financial liabilities at fair value through profit or loss of US$1,168 thousand and capital surplus of US$13,101 thousand. On June 30, 2015, the overseas convertible bonds IV became automatically invalid due to not being issued.

Bondholders may request that the Company convert the bonds into the Company's ordinary shares at NT$238.70 per share and at the fixed exchange rate of US$1.00 to NT$31.29 between May 19, 2015 and March 29, 2020 (barring the period in which the registration of share transfer is suspended).

As of January 18, 2016, the Company's board of directors resolved to buy back and cancel the overseas convertible bonds III in the amount of up to US$150,000 thousand in the open market before the end of December 31, 2016. In the first half of the year 2016, the Company redeemed the convertible bonds with the face value of US$42,750 thousand and at the price of US$36,015 thousand, and the gain from the redemption of the bonds was US$6,075 thousand. As of December 31, 2016, the face value of outstanding overseas convertible bonds III was US$207,250 thousand.

d. Unsecured bonds in Renminbi

In order to replenish the operating capital of TPKC and develop its fundraising diversity, the Company's board of directors resolved to issue Renminbi bonds with a face value of up to RMB2,000,000 thousand and with durations of up to 5 years. The bonds could be issued at once or in installments. As of July 25, 2016, TPKC issued its bonds in the total amount of RMB500,000 thousand at the Shanghai Clearing House. The bonds with 5.10% interest rates have been discounted RMB5,675 thousand, and the durations of the bonds were 1 year.

Movements of debt instruments for the years ended December 31, 2014, 2015 and 2016 were as follows:

	For the Year Ended December 31					
	2014		2015		2016	
	NT$	US$	NT$	US$	NT$	US$
Balance, beginning of year	$ 17,136,551	$ 574,956	$ 6,833,628	$ 215,912	$ 7,850,150	$ 239,152
Interest expense	240,396	7,956	254,218	8,051	196,321	6,086
Issuance of bonds	-	-	7,334,605	234,333	2,406,297	74,546
Redemption of bonds	(11,091,658)	(367,000)	(7,203,264)	(219,144)	(1,355,693)	(41,053)
Effects of foreign currency exchange differences	548,339	-	630,963	-	(213,660)	(3,275)
Balance, end of year	$ 6,833,628	$ 215,912	$ 7,850,150	$ 239,152	$ 8,883,415	$ 275,456

20. OTHER LIABILITIES

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Other payables				
Payables for purchase of equipment	$ 4,043,135	$ 2,041,961	$ 1,140,455	$ 37,540
Other payables - others				
Payable for salaries and bonuses	$ 976,012	$ 873,402	$ 765,127	$ 25,185
Payable for repairs	296,140	432,875	460,977	15,174
Payable for supplies	321,886	244,354	201,993	6,649
Interest payable	163,638	139,858	164,557	5,417
Payable for miscellaneous purchase	188,069	155,277	144,523	4,757
Tax payable	-	54,928	133,284	4,387
Others	1,475,410	1,022,616	783,228	25,781
	$ 3,421,155	$ 2,923,310	$ 2,653,689	$ 87,350

21. PROVISIONS

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Current				
Warranties (a)	$ 1,398,167	$ 1,390,156	$ 1,098,763	$ 36,167
Onerous contracts (b)	129,576	4,770	17,723	583
	$ 1,527,743	$ 1,394,926	$ 1,116,486	$ 36,750

	Warranties	Onerous Contracts	Total
	NT$	NT$	NT$
Balance, January 1, 2014	$ 1,628,419	$ 240,291	$ 1,868,710
Additions (reversals)	993,340	(67,523)	925,817
Usage	(1,312,494)	(51,997)	(1,364,491)
Effects of foreign currency exchange differences	88,902	8,805	97,707
Balance, December 31, 2014	$ 1,398,167	$ 129,576	$ 1,527,743
Balance, January 1, 2015	$ 1,398,167	$ 129,576	$ 1,527,743
Additions (reversals)	1,607,844	(90,412)	1,517,432
Usage	(1,667,590)	(34,420)	(1,702,010)
Disposal of subsidiaries	(3,367)	-	(3,367)
Effects of foreign currency exchange differences	55,102	26	55,128
Balance, December 31, 2015	$ 1,390,156	$ 4,770	$ 1,394,926
Balance, January 1, 2016	$ 1,390,156	$ 4,770	$ 1,394,926
Additions	1,282,191	18,616	1,300,807
Usage	(1,548,545)	(3,852)	(1,552,397)
Effects of foreign currency exchange differences	(25,039)	(1,811)	(26,850)
Balance, December 31, 2016	$ 1,098,763	$ 17,723	$ 1,116,436

	Warranties	Onerous Contracts	Total
	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)
Balance, January 1, 2016	$ 45,759	$ 157	$ 45,916
Additions	42,205	613	42,818
Usage	(50,973)	(127)	(51,100)
Effects of foreign currency exchange differences	(824)	(60)	(884)
Balance, December 31, 2016	$ 36,167	$ 583	$ 36,750

a. The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

b. The provision for onerous contracts represents the loss that the Group was presently obligated to make under non-cancellable onerous purchase contracts where the purchased materials and supplies cannot be used for other products. The estimate may vary as a result of changes in future products.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

TPKT, TPK HK Taiwan branch and TCS adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Company's subsidiaries in China are members of retirement benefit plans operated by their respective governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Company with respect to the retirement benefit plans is to make the specified contributions.

The Company's subsidiaries in the USA and Japan are required to contribute to the retirement benefit schemes according to the respective policies.

b. Defined benefit plans

The defined benefit plans adopted by TPKT and TPK HK Taiwan branch, in accordance with the Labor Standards Law, are operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. TPKT contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Present value of defined benefit obligation	$ 30,755	$ 21,059	$ 20,390	$ 671
Fair value of plan assets	(8,845)	(8,048)	(8,801)	(290)
Net defined benefit liability	$ 21,910	$ 13,011	$ 11,589	$ 381

Movements in the net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
	NT$	NT$	NT$
Balance at January 1, 2014	$ 35,117	$ (9,050)	$ 26,067
Service cost			
Net interest expense (income)	614	(170)	444
Recognized in profit or loss	614	(170)	444
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(37)	(37)
Actuarial gain - changes in financial assumptions	(1,315)	-	(1,315)
Actuarial gain - experience adjustments	(2,313)	-	(2,313)
Recognized in other comprehensive income	(3,448)	(37)	(3,485)
Contributions from the employer	-	(1,116)	(1,116)
Benefits paid	(1,528)	1,528	-
Balance at December 31, 2014	30,755	(8,845)	21,910
Service cost			
Net interest expense (income)	615	(188)	427
Recognized in profit or loss	615	(188)	427
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(55)	(55)
Actuarial loss - changes in financial assumptions	785	-	785
Actuarial gain - experience adjustments	(9,265)	-	(9,265)
Recognized in other comprehensive income	(8,480)	(55)	(8,535)
Contributions from the employer	-	(791)	(791)
Benefits paid	(1,831)	1,831	-
Balance at December 31, 2015	21,059	(8,048)	13,011
Service cost			
Net interest expense (income)	369	(148)	221
Recognized in profit or loss	369	(148)	221
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	89	89
Actuarial loss - changes in financial assumptions	478	-	478
Actuarial loss - experience adjustments	514	-	514
Recognized in other comprehensive income	992	89	1,081
Contributions from the employer	-	(694)	(694)
Benefits paid	(2,030)	-	(2,030)
Balance at December 31, 2016	$ 20,390	$ (8,801)	$ 11,589

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)
Balance at December 31, 2015	$ 693	$ (265)	$ 428
Service cost			
Net interest expense (income)	12	(5)	7
Recognized in profit or loss	12	(5)	7
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	3	3
Actuarial loss - changes in financial assumptions	16	-	16
Actuarial loss - experience adjustments	17	-	17
Recognized in other comprehensive income	33	3	36
Contributions from the employer	-	(22)	(22)
Benefits paid	(67)	-	(67)
Balance at December 31, 2016	$ 671	$ (289)	$ 382

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in both domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31		
	2014	2015	2016
Discount rate	2.00%	1.75%	1.60%
Expected rate of salary increase	3.00%	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Discount rate				
0.25% increase	$ (1,080)	$ (777)	$ (783)	$ (26)
0.25% decrease	$ 1,132	$ 815	$ 822	$ 27
Expected rate of salary increase				
1% increase	$ 4,782	$ 3,458	$ 3,479	$ 115
1% decrease	$ (4,054)	$ (2,925)	$ (2,939)	$ (97)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
The expected contributions to the plan for the next year	$ 1,116	$ 791	$ 694	$ 23
The average duration of the defined benefit obligation	17 years	17 years	17 years	

23. EQUITY

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Share capital				
Ordinary shares	$ 3,312,948	$ 3,516,318	$ 3,466,338	$ 114,099
Capital surplus	16,839,470	21,483,184	21,537,232	708,928
Retained earnings	22,955,998	2,790,827	1,179,998	38,841
Other equity items	2,224,754	3,746,515	3,232,790	106,412
Treasury shares	-	(433,358)	(243,595)	(8,018)
Non-controlling interests	817,987	423,092	239,436	7,882
	$ 46,151,157	$ 31,526,578	$ 29,412,199	$ 968,144

a. Share capital

1) Ordinary shares

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Numbers of shares authorized (in thousands)	600,000	600,000	600,000	
Shares authorized	$ 6,000,000	$ 6,000,000	$ 6,000,000	$ 197,498
Number of shares issued and fully paid (in thousands)	331,295	351,632	346,634	
Shares issued	$ 3,312,948	$ 3,516,318	$ 3,466,338	$ 114,099
Additional paid-in capital	14,706,395	18,673,266	18,407,849	605,920
	$ 18,019,343	$ 22,189,584	$ 21,874,187	$ 720,019

Each fully paid ordinary share with a par value of NT$10 contains the rights to dividends and to vote.

The movement of the Company's share capital is mainly in the result of the issuance of the ordinary share for cash in the form of global depositary receipts ("GDRs"), the exercise of employee share options, and the cancellation of treasury shares.

For the purpose of replenishing operating capital, repaying borrowings, as well as improving the Group's financial structure in order to react to the demand for funds for future development and to strengthen its competitiveness, on March 21, 2017, the Company's board of directors resolved to issue up to 30,000 thousand ordinary shares for cash or overseas convertible bonds of up to US$100,000 thousand in private placement. The Company could choose to only issue ordinary shares for cash or overseas convertible bonds, otherwise both could be done in concert. However, the actual numbers of shares offered in private placement shall still depend on the condition of the market and the Company's demand for funds.

Furthermore, the Company's board of directors resolved to conduct the issuance of ordinary shares at up to 60,000 thousand shares for cash in the form of GDRs.

In addition, the Company's board of directors resolved to issue ordinary shares at up to 20,000 thousand shares in private placement on March 21, 2017, and the issuance could only be done within the authorization of the resolution of the shareholders' meeting on May 27, 2016. The issued shares were subscribed for by Shenzhen O-Film Tech Co., Ltd. ("O-Film Tech") at NT$90.5 per share in the total amount of NT$1,810,000 thousand. The Company's board of directors also resolved to participate in the direct issuance from O-Film Tech or subscribe for the shares of O-Film Tech in the open market within one year after the share subscription agreement was signed by both sides. The subscription of O-Film Tech's shares with the par value of no greater than RMB40.34 amounted to up to RMB204,000 thousand in sum. This cross-shareholding has strengthened and steadied the business relationship between both companies. The Company signed a share subscription agreement with O-Film Tech on March 21, 2017.

The numbers of the ordinary shares issued in the form of GDRs, as well as the numbers of ordinary shares issued for cash and overseas convertible bonds in private placement aforementioned, were limited to 80,000 thousand shares. However, if the private offering which was subscribed for by O-Film Tech were not finished before the annual shareholders' meeting on May 16, 2017, then the shares issued for cash in private placement could not exceed 50,000 thousand shares. As a result, the numbers of ordinary shares issued in the form of GDRs, as well as the numbers of ordinary shares issued for cash and overseas convertible bonds in private placement, were limited to 85,000 thousand shares.

The Company signed the letter of intent for a joint venture with O-Film Tech, and the joint venture will be founded after further negotiation and the signing of an official agreement. The Company and O-Film Tech will have joint control of the arrangement where the Company and O-Film Tech will respectively hold 49% and 51% of the interest in the joint company. By integrating the specialties from both companies, a comprehensive solution to the series of manufacturing processes for designing the products with front-end to back-end connectivity could be provided.

2) Global depositary receipts

The issuance of the GDRs was completed on October 1, 2012 and the GDRs were traded and listed on the Luxembourg Stock Exchange where 17,600 thousand units of GDRs with a price of US$13.42 less the issuance cost per unit were issued in the total amount of US$231,734 thousand. One GDR unit represents one share of the Company's ordinary shares.

The shareholders meeting was held on May 29, 2014 and, in that meeting, the shareholders resolved to authorize the Company's board of directors to issue new shares of up to 38,000 thousand ordinary shares by simultaneously or separately issuing new ordinary shares for cash or issuing new ordinary shares in the form of GDRs in one or several tranches.

For the purpose of the capital needs for material procurement, on November 4, 2014, the Company's board of directors resolved to issue new ordinary shares in the form of GDRs. The Company's board of directors planned to issue 16,700 thousand to 20,000 thousand ordinary shares in this regard. This proposal was approved and declared by the FSC in letter No. 1030051913 on December 31, 2014. On April 8, 2015, 20,000 thousand units of GDRs were issued at a price of US$6.68 less the issuance cost per unit in the total amount of US$131,405 thousand. One GDR unit represents one share of the Company's ordinary shares. As of December 31, 2016, a total of 7 thousand units of GDRs corresponding to 7 thousand ordinary shares were outstanding.

b. Capital surplus

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)				
Recognized on issuance of ordinary shares	$ 14,706,395	$ 18,673,266	$ 18,407,849	$ 605,920
Recognized on redemption of convertible bonds	1,087,412	1,697,683	1,750,078	57,606
	15,793,807	20,370,949	20,157,927	663,526

(Continued)

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
May not be used for any purpose				
Share of changes in capital surplus of associates	$ 5,769	$ 5,477	$ 5,477	$ 180
Recognized on employee share options	429,623	696,686	1,033,878	34,032
Recognized on conversion option of convertible bonds	610,271	410,072	339,950	11,190
	1,045,663	1,112,235	1,379,305	45,402
	$ 16,839,470	$ 21,483,184	$ 21,537,232	$ 708,928

(Concluded)

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation (the "Articles"), the Company may distribute its profits in accordance with the proposals made by the Company's board of directors for a distribution plan and approved in the annual shareholders' meeting. While distributing any profit, the profit shall be first utilized for offsetting losses of previous years, and 10% of the remaining profit shall be set aside as a legal reserve until the accumulated legal reserve equals the Company's paid-in capital. Secondly, the Company shall appropriate the remaining profit to a special reserve in accordance with the Applicable Public Company Rules or as requested by the competent authorities. Moreover, the Company may appropriate up to 1% of the remaining profit as remuneration of directors, as well as set aside up to 10% of the remaining profit as bonuses for the employees of the Company and its subsidiaries. The Company's board of directors shall specify the exact percentages or amounts to be distributed as bonuses for the directors and employees. Shareholders may amend such proposals prior to approval. Directors who are also the executive officers of the Company may receive remuneration and bonuses simultaneously. Any remaining profit may be distributed as dividends (including cash dividends and share dividends) or bonuses under the Company Law of the Cayman Islands and Applicable Public Company Rules after taking into consideration financial, business and operational factors. The total amount to be distributed as dividends shall be no less than 10 % of the remaining profit, where the total amount of the distributed cash dividends shall be greater than 10 % of the total dividends. However, if dividends per share is less than NT$1 in any given year, the aforementioned 10% threshold shall not apply. The Company may decide to distribute cash dividends or share dividends in whole or in part at its sole discretion.

Refer to Note 25(e) for more information related to the estimation and actual distribution of employees' compensation and remuneration of directors for the years ended December 31, 2014, 2015 and 2016.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company. Distribution can be made out of any subsequent reversal of the debit to other equity items.

The shareholders held their meeting on May 27, 2016 and, in that meeting, resolved not to appropriate earnings for 2015. The appropriations of earnings for 2013 and 2014 approved in the shareholders' meetings on May 29, 2014 and June 12, 2015, respectively, were as follows:

	Appropriation of Earnings				Dividends Per Share	
	2013 (In Thousands of U.S. Dollars)	2014 (In Thousands of U.S. Dollars)	2013 (In Thousands of N.T. Dollars)	2014 (In Thousands of N.T. Dollars)	2013 (N.T. Dollars)	2014 (N.T. Dollars)
Legal reserve	$ 24,334	$ -	$ 732,443	$ -	$ -	$ -
Cash dividends	54,703	5,359	1,646,549	165,692	4.9784	0.4715

The cash dividends in U.S. dollars distributed for 2013 and 2014 were calculated based on the average closing exchange rates of US$1 to NT$30.10 and US$1 to NT$30.92, respectively, which were the closing prices at Bank of Taiwan on the bank trading day immediately preceding the shareholders' meeting.

On February 23, 2017, the Company's board of directors proposed to draw up a plan for offsetting the loss for 2016 by using legal reserve of US$31,345 thousand to offset the deficit. The proposal for offsetting of the loss for 2016 is subject to resolution in the shareholders' meeting to be held on May 16, 2017.

d. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Balance at January 1	$ (138,785)	$ 2,226,093	$ 3,746,515	$ 123,322
Exchange differences arising on translating of foreign operations	(311,638)	(82,669)	3,353	110
Income tax relating to gains or losses on translating foreign operations	(4,891)	(4,597)	2,316	76
Share of exchange differences of associates accounted for using equity method	9,707	197,843	(20,326)	(669)
Exchange differences on translating to presentation currency	2,671,700	1,409,845	(499,068)	(16,427)
Balance at December 31	$ 2,226,093	$ 3,746,515	$ 3,232,790	$ 106,412

2) Unrealized gain (loss) on available-for-sale financial assets (for the year ended December 31, 2016: None)

	For the Year Ended December 31	
	2014	2015
	NT$	NT$
Balance at January 1	$ (1,078)	$ (1,339)
Share of unrealized gain (loss) arising on revaluation of available-for-sale financial assets of associates accounted for using equity method	(261)	1,339
Balance at December 31	$ (1,339)	$ -

e. Non-controlling interests

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Balance at January 1	$ 906,072	$ 817,987	$ 423,092	$ 13,927
Attributable to non-controlling interests:				
Share of profit (loss) for the year	289,915	(69,177)	(36,565)	(1,204)
Exchange differences on translating foreign operations	(6,057)	48,657	(3,510)	(115)
Exchange differences on translating to presentation currency	52,371	2,355	(8,070)	(266)
JJS distributed cash dividends	(424,316)	(378,796)	(283,443)	(9,330)
Non-controlling interests from acquisition of subsidiaries - TPKJ	-	-	134,886	4,440
Acquisition of non-controlling interests in CIM	2	-	-	-
Partial disposal of CIM	-	2,066	-	-
Transfer of additional non-controlling interests in TPKF HK without consideration (Note 31)	-	-	13,046	430
Balance at December 31	$ 817,987	$ 423,092	$ 239,436	$ 7,882

The Group restructured its investment structure in June 2016. TPK HK and non-controlling interest shareholders have acquired 51% and 49% interest in TPKJ from JJS, respectively, based on the result of the relevant valuation report.

f. Treasury shares (for the year ended December 31, 2014: None)

Buy-back of Shares	Shares Transferred to Employees (In Thousands of Shares)	Shares Cancelled (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at January 1, 2015	-	-	-
Increase during the year	-	4,855	4,855
Number of shares at December 31, 2015	-	4,855	4,855
Number of shares at January 1, 2016	-	4,855	4,855
Increase during the year	3,482	143	3,625
Decrease during the year	-	(4,998)	(4,998)
Number of shares at December 31, 2016	3,482	-	3,482

On November 4, 2015, the Company's board of directors resolved to buy back a limited amount of its outstanding shares to transfer to the employees of the Company and its subsidiaries. Nevertheless, considering its overall equity and financial structure, on February 26, 2016, the Company's board of directors resolved to amend the purpose of the buy-back to maintain the Group's reputation and shareholders' rights; afterwards, the Company cancelled the treasury shares after the buy-back. As of January 4, 2016 (the last day of buy-back period), the Company had bought back 4,998 thousand shares in total, and cancelled the treasury shares on March 16, 2016.

On January 18, 2016, the Company's board of directors resolved to buy back its outstanding shares at a price range of NT$50 and NT$118 per share to transfer to employees within the buy-back period from January 19, 2016 to March 18, 2016. The upper limit of the buy-back amount was NT$1,770,000 thousand, or the equivalent of 15,000 thousand shares. As of March 18, 2016 (the last day of buy-back period), the Company had bought back 3,482 thousand shares in total.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

24. REVENUE

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Revenue from sale of goods	$ 127,785,096	$ 119,934,171	$ 87,401,152	$ 2,876,931
Others	1,731,823	1,429,441	1,815,132	59,747
	$ 129,516,919	$ 121,363,612	$ 89,216,284	$ 2,936,678

25. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Bank deposits and debt investments with no active market	$ 1,290,095	$ 877,202	$ 233,887	$ 7,699
Loans to related parties and rental deposits	20,846	38,790	23,914	787
	$ 1,310,941	$ 915,992	$ 257,801	$ 8,486

b. Other income

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Rental income				
Operating lease rental income				
Investment properties	$ 56,417	$ 54,039	$ 13,676	$ 450
Others	9,540	49,370	40,163	1,322
	65,957	103,409	53,839	1,772
Others	82,681	80,164	281,485	9,265
	$ 148,638	$ 183,573	$ 335,324	$ 11,037

c. Finance costs

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Interest on bank loans	$ 1,190,055	$ 1,019,385	$ 910,875	$ 29,983
Interest on overseas convertible bonds	240,396	254,218	196,321	6,462
Interest on loans from related parties	335	151	-	-
Total interest expense for financial liabilities measured at amortized cost	$ 1,430,786	$ 1,273,754	$ 1,107,196	$ 36,445

d. Depreciation and amortization

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Property, plant and equipment	$ 7,868,568	$ 9,550,594	$ 8,710,031	$ 286,703
Investment properties	20,996	23,483	22,429	738
Intangible assets	163,581	128,214	66,066	2,175
	$ 8,053,145	$ 9,702,291	$ 8,798,526	$ 289,616
An analysis of depreciation by function				
Operating costs	$ 6,124,390	$ 7,742,194	$ 8,023,499	$ 264,105
Operating expenses	1,744,178	1,808,400	686,532	22,598
Non-operating expenses	20,996	23,483	22,429	738
	$ 7,889,564	$ 9,574,077	$ 8,732,460	$ 287,441
An analysis of amortization by function				
Operating costs	$ 44,733	$ 36,296	$ 5,139	$ 169
Selling and marketing expenses	578	643	586	19
General and administrative expenses	104,130	86,823	57,249	1,885
Research and development expenses	14,140	4,452	3,092	102
	$ 163,581	$ 128,214	$ 66,066	$ 2,175

e. Employee benefits expense

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Post-employment benefits (see Note 22)				
Defined contribution plans	$ 184,003	$ 220,064	$ 378,690	$ 12,465
Defined benefit plans	807	427	221	7
	184,810	220,491	378,911	12,472
Share-based payments				
Equity-settled	171,629	292,441	337,192	11,099
Other employee benefits	13,348,074	12,089,293	9,277,517	305,383
Total employee benefits expense	$ 13,704,513	$ 12,602,225	$ 9,993,620	$ 328,954
An analysis of employee benefits expense by function				
Operating costs	$ 10,665,761	$ 10,097,257	$ 7,660,022	$ 252,140
Operating expenses	3,038,752	2,504,968	2,333,598	76,814
	$ 13,704,513	$ 12,602,225	$ 9,993,620	$ 328,954

1) Employees' compensation and remuneration of directors for 2015 and 2016

Since the Company suffered from deficits in both 2015 and 2016, there was no estimated employees' compensation and remuneration of directors recognized. In their meeting on May 27, 2016, the shareholders approved not to distribute any employees' compensation and remuneration of directors. If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on employees' compensation and remuneration of directors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

2) Employees' compensation and remuneration of directors for 2013 and 2014

For the year ended December 31, 2014, the Company did not recognize any estimated employees' compensation, but remuneration of directors was NT$1,555 thousand. The remuneration of directors was based on past distributed amounts and in accordance with the most recent year's distribution percentage.

Material differences between such estimated amounts and the amounts proposed by the Company's board of directors on or before the consolidated financial statements are authorized for issue are adjusted in the year in which the compensation and remuneration are recognized. If there is a change in the proposed amounts after the consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate. If compensation in shares is resolved to be distributed to employees, the number of shares is determined based on the amount of the compensation in shares divided by the closing price (after considering the effect of cash and share dividends) of the day immediately preceding the shareholders' meeting.

Remuneration of directors for the years ended December 31, 2013 and 2014 (employees' compensation: none), which have been approved by the Company's shareholders meeting on May 29, 2014 and June 12, 2015, respectively, were as follows:

	For the Year Ended December 31		**For the Year Ended December 31**	
	2013 (In Thousands of U.S. Dollars)	**2014 (In Thousands of U.S. Dollars)**	**2013 (In Thousands of N.T. Dollars)**	**2014 (In Thousands of N.T. Dollars)**
	Cash	**Cash**	**Cash**	**Cash**
Remuneration of directors	$ 1,200	$ 98	$ 36,120	$ 3,025

There was no difference between the actual amount of remuneration of directors paid and the amount recognized in the consolidated financial statements for the year ended December 31, 2013. The difference between the approved amount of the remuneration of directors and the actual amount recognized in the consolidated financial statements for the year ended December 31, 2014 was adjusted in profit and loss for the year ended December 31, 2015.

Information on employees' compensation and remuneration of directors resolved by the shareholders in their meetings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAX RELATED TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Current tax				
In respect of the current year	$ 484,864	$ (156,333)	$ 654,154	$ 21,533
Adjustments for prior years	31,600	(23,256)	28,162	927
	516,464	(179,589)	682,316	22,460
Deferred tax				
In respect of the current year	(526,876)	(759,966)	(411,517)	(13,545)
Translation adjustments	18,788	(3,802)	(9,931)	(327)
	(508,088)	(763,768)	(421,448)	(13,872)
Income tax expense (benefit) recognized in profit or loss	$ 8,376	$ (943,357)	$ 260,868	$ 8,587

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Profit (loss) before tax from continuing operations	$ 575,097	$ (21,019,042)	$ (1,243,099)	$ (40,918)
Income tax expense (benefit) calculated at the statutory rate	$ 136,480	$ (6,729,276)	$ (2,245,649)	$ (73,919)
Permanent differences	(232,957)	1,372,891	(6,488)	(213)
Deferred tax effect of earnings of subsidiaries	116,925	(763,418)	(314,392)	(10,349)
Additional income tax under the Alternative Minimum Tax Act	751	192	26	1
Unrecognized deductible temporary differences	93,492	2,386,146	1,014,746	33,402
Unrecognized loss carryforwards	153,404	1,954,760	1,449,522	47,713
Exchange differences on translating to presentation currency	18,788	(3,802)	(9,931)	(327)
Effect of tax rate changes	(346,756)	-	87,238	2,872
Adjustments for prior years tax	93,401	988,189	15,811	520
Others	(25,152)	(149,039)	269,985	8,887
Income tax expense (benefit) recognized in profit or loss	$ 8,376	$ (943,357)	$ 260,868	$ 8,587

The applicable tax rates used by subsidiaries to calculate deferred tax were as follows:

	December 31		
	2014	2015	2016
TPKT, TCS and TPK HK (Taiwan Branch)	17%	17%	17%
TPKC, TPKL, TPKS, TPKJ, TPKG, RSO, TPKF, TPKP, TPKD, TPKMS, JSX, MTOH, and TPKM	About 12.5%-25%	About 12.5%-25%	About 12.5%-25%
OTX, RST, and RSS	25%	25%	-
UYH (Hong Kong Branch) and TPK HK	5%-16.5%	5%-16.5%	5%-16.5%
RSSL	10%	10%	10%
TPKA	12.5%	12.5%	12.5%
OTH and UYH	10%	10%-30%	10%-30%
TPKU	43%	49%	49%
CIM and Hallys	30%	-	-
JJS	10%	10%	-
TPKF HK	10%	10%	10%

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Deferred tax				
In respect of the current year:				
Translating foreign operations	$ 4,891	$ 4,597	$ (2,316)	$ (76)
Remeasurement on defined benefit plans	592	1,451	(184)	(6)
Total income tax expense (benefit) recognized in other comprehensive income	$ 5,483	$ 6,048	$ (2,500)	$ (82)

c. Current tax assets and liabilities

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Current tax assets				
Tax refund receivable	$ 376,172	$ 820,674	$ 138,770	$ 4,568
Current tax liabilities				
Income tax payable	$ 175,253	$ 94,487	$ 333,562	$ 10,980

d. Deferred tax assets and liabilities

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Deferred tax assets				
Unrealized compensation costs	$ 42,386	$ 33,919	$ 62,439	$ 2,055
Loss carryforwards	990,426	513,513	9,176	302
Unrealized warranty expenses	234,188	158,122	178,661	5,881
Unrealized losses on inventories	211,638	90,026	143,290	4,716
Unrealized impairment losses	3,836	1,048,872	1,569,518	51,663
Others	138,438	170,587	80,861	2,662
	$ 1,620,912	$ 2,015,039	$ 2,043,945	$ 67,279
Deferred tax liabilities				
Unappropriated earnings of subsidiaries	$ 3,283,096	$ 2,573,593	$ 2,079,008	$ 68,433
Unrealized foreign exchange gains	8,006	-	1,360	45
Others	4,891	9,488	7,173	236
	$ 3,295,993	$ 2,583,081	$ 2,087,541	$ 68,714

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Loss carryforwards				
Expire in 5 years	$ 1,539,321	$ 12,211,761	$ 20,963,587	$ 690,046
Expire in 6-10 years	110,126	149,697	477,367	15,713
More than 10 years	57,793	41,328	39,701	1,307
	$ 1,707,240	$ 12,402,786	$ 21,480,655	$ 707,066
Deductible temporary differences				
Unrealized impairment losses	$ 695,628	$ 12,933,340	$ 9,546,312	$ 314,230
Others	61,242	1,238,035	1,726,566	56,832
	$ 756,870	$ 14,171,375	$ 11,272,878	$ 371,062

f. Information about unused loss carryforwards

Loss carryforwards of subsidiaries as of December 31, 2016 were comprised of:

Subsidiaries	Year of Loss	Assessment	Unused Amount		Creditable Amount		Expiry Year
			NT$	US$ (Note 4)	NT$	US$ (Note 4)	
TPKT	2016	Estimated	$ 250,787	8,255	$ 42,634	1,403	2026
TCS	2013	Assessed	19,301	635	3,281	108	2023
	2014	Assessed	19,526	643	3,319	109	2024
	2015	Reported	110,868	3,649	18,848	620	2025
	2016	Estimated	76,885	2,531	13,070	430	2026
TPK HK	2015	Reported	8,143	268	1,344	44	-
	2016	Estimated	37,433	1,232	6,176	203	-
RSO	2014	Reported	60,682	1,997	15,170	499	2019
	2015	Reported	502,050	16,526	125,513	4,131	2020
	2016	Estimated	418,967	13,791	104,742	3,448	2021
TPKF	2012	Reported	11,754	387	2,938	97	2017
	2013	Reported	89,397	2,943	22,349	736	2018
	2014	Reported	219,982	7,241	54,996	1,810	2019
	2015	Reported	250,472	8,245	62,618	2,061	2020
	2016	Estimated	243,567	8,017	60,892	2,004	2021
TPKU	2010	Reported	1,850	61	164	5	2030
	2011	Reported	28,025	922	2,477	82	2031
	2012	Reported	9,826	323	867	29	2032
TPKG	2012	Reported	23,208	764	5,802	191	2017
	2013	Reported	633,033	20,837	158,258	5,209	2018
	2014	Reported	681,615	22,436	170,404	5,609	2019
	2015	Reported	1,231,039	40,521	307,760	10,130	2020
	2016	Estimated	2,117,504	69,701	529,375	17,425	2021
TPKC	2014	Reported	1,059,291	34,868	264,823	8,717	2019
	2015	Reported	3,270,518	107,654	817,629	26,913	2020
	2016	Estimated	2,834,784	93,311	708,696	23,328	2021
TPKMS	2014	Reported	50	2	12	-	2019
	2015	Reported	113	4	28	1	2020
	2016	Estimated	565	19	141	5	2021
MTOH	2013	Reported	43,151	1,420	10,788	355	2018
	2015	Reported	372,712	12,268	93,178	3,067	2020
	2016	Estimated	47,961	1,579	11,990	395	2021
TPKP	2014	Reported	30,576	1,006	4,586	151	2019
	2015	Reported	953,521	31,386	143,028	4,708	2020
	2016	Estimated	1,544,427	50,837	231,664	7,626	2021
TPKL	2012	Reported	80,508	2,650	20,127	663	2017
	2013	Reported	145,967	4,805	36,492	1,201	2018
	2014	Reported	563,595	18,552	140,899	4,638	2019
	2015	Reported	843,095	27,752	210,774	6,938	2020
	2016	Estimated	308,427	10,152	77,107	2,538	2021
TPKS	2013	Reported	117,177	3,857	17,577	579	2018
	2014	Reported	664,833	21,884	99,725	3,283	2019
	2015	Reported	877,316	28,878	131,597	4,332	2020
	2016	Estimated	722,458	23,781	108,369	3,567	2021
JSX	2014	Reported	699	23	175	6	2019
	2015	Reported	2,642	87	660	22	2020
	2016	Estimated	2,560	84	640	21	2021
			$ 21,532,860	$ 708,784	$ 4,843,702	$ 159,437	

g. Income tax assessment

The income tax returns through 2014 of TPK HK Taiwan Branch, TCS and TPKT have been assessed by the tax authorities. However, TPKT disagreed with the tax authorities' assessment of its 2014 tax return and applied for a re-examination. Nevertheless, to be conservative, TPKT provided for the income tax assessed by the tax authorities.

27. EARNINGS (DEFICIT) PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit (Loss) for the Year

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Profit (loss) for the year attributable to owners of the Company	$ 276,806	$ (20,006,508)	$ (1,467,402)	$ (48,301)

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31		
	2014	2015	2016
Weighted average number of ordinary shares in computation of basic earnings per share	330,248	345,798	343,544
Effect of potentially dilutive ordinary shares:			
Employee share options	847	-	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	331,095	345,798	343,544

The outstanding convertible bonds issued by the Company may be converted to ordinary shares; as such, since the exercise price of the employee share options issued by the Company exceeded the average market price of the shares issued during 2014, they were considered anti-dilutive and excluded from the computation of diluted earnings per share.

28. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plans

In May 2010, June 2012, April 2014, December 2014 and November 2015, 9,000 units, 2,808 units, 6,000 units, 6,300 units and 10,000 units of options were respectively granted to qualified employees of the Company and its subsidiaries. Each unit of options entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted in 2010, 2012, 2014 and 2015 are valid for 10 years, 7 years, 5 years and 5 years, respectively, and are exercisable at certain percentages after the second anniversary from the grant date. For any subsequent changes in the Company's capital surplus (via share dividend distributions and capital reductions other than by the cancellation of treasury shares), the exercise price shall be adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31						
	2014		2015		2016		
	Units of Options	Weighted-average Exercise Price	Units of Options	Weighted-average Exercise Price	Units of Options	Weighted-average Exercise Price	
		NT$		NT$		NT$	US$ (Note 4)
Balance at January 1	4,796	$181.5	14,080	$214.4	21,413	$161.6	$5.32
Options granted	12,300	212.6	10,000	101.0	-	-	-
Options forfeited	(1,010)	232.0	(2,330)	216.8	(2,682)	174.7	5.75
Options exercised	(2,006)	96.2	(337)	94.8	-	-	-
Balance at December 31	14,080	214.4	21,413	161.6	18,731	160.1	5.27
Options exercisable, end of year	1,490	215.5	1,343	248.6	5,659	217.1	7.15
Weighted-average fair value of options granted (NT$)	$ 80.88		$ 39.80		$ -		

The weighted-average share prices at the date of exercise of share options for the years ended December 31, 2014 and 2015 were NT$204.95 and NT$176.25 (for the year ended December 31, 2016: None), respectively.

Information about outstanding options as of December 31, 2014, 2015 and 2016 was as follows:

	December 31, 2014	
Issue Date	Range of Exercise Price	Weighted-average Remaining Contractual Life
	NT$	Years
May 1, 2010	$ 94.8	5.33
June 4, 2012	268.8	4.42
April 23, 2014	224.1	4.31
December 2, 2014	197.0	4.92
December 16, 2014	221.0	4.96

	December 31, 2015	
Issue Date	Range of Exercise Price	Weighted-average Remaining Contractual Life
	NT$	Years
May 1, 2010	$ 94.2	4.33
June 4, 2012	263.6	3.42
April 23, 2014	221.7	3.31
December 2, 2014	195.7	3.92
December 16, 2014	218.8	3.96
November 5, 2015	101.0	4.85

Issue Date	December 31, 2016		
	Range of Exercise Price		Weighted-average Remaining Contractual Life
	NT$	US$ (Note 4)	Years
May 1, 2010	$ 94.2	$ 3.10	3.33
June 4, 2012	263.6	8.68	2.42
April 23, 2014	221.7	7.30	2.31
December 2, 2014	195.7	6.44	2.92
December 16, 2014	218.8	7.20	2.96
November 5, 2015	101.0	3.32	3.85

Options granted were priced using the Black-Scholes pricing model, and the inputs for the model were as follows:

Issue date	May 2010	June 2012	April 2014	December 2014	November 2015
Grant-date share price (NT$)	$155	$386	$228.5	$197/$221	$101
Exercise price (NT$)	$164	$386	$228.5	$197/$221	$101
Expected volatility	51.65%-52.01%	47.95%-48.20%	48.66%	48.53%-49.40%	50.90%-51.78%
Expected life (in years)	6-7	4.5-5.5	3.5-4.5	3.5-4.5	3.5-4.5
Expected dividend yield	-	-	-	-	-
Risk-free interest rate	1.44%-1.51%	0.98%-1.06%	0.89%-1.09%	0.96%-1.13%	0.68%-0.79%

Expected volatility was based on the historical share price volatility of similar industries.

Compensation costs recognized were NT$171,629 thousand, NT$292,441 thousand, and NT$337,192 thousand (approximately US$11,099 thousand) for the years ended December 31, 2014, 2015 and 2016, respectively.

29. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
JT	Protective film and optical adhesive manufacture and sales	December 8, 2015	100	$ 254,498

JT was acquired in order to integrate the business and resources of both counterparties.

b. Considerations transferred

The acquisition of JT was made under a cash consideration arrangement.

c. Assets acquired and liabilities assumed at the date of acquisition

	JT
	NT$
Current assets	
Cash and cash equivalents	$ 165,747
Accounts and notes receivable	140,682
Other receivables	406
Inventories	67,808
Other current assets	5,576
Non-current assets	
Property, plant and equipment	91,418
Intangible assets	18,517
Refundable deposits	1,931
Current liabilities	
Short-term borrowings	(155,722)
Accounts payable	(81,840)
Other payables	(25)
	$ 254,498

d. Net cash outflow on acquisition of subsidiaries

	For the Year Ended December 31, 2015
	NT$
Consideration paid in cash	$ 254,498
Less: Cash and cash equivalent balances acquired	(165,747)
	$ 88,751

e. Impact of acquisitions on results of the Group

The results of the acquiree since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	From December 1, 2015 to December 31, 2015
	NT$
Revenue	$ 25,311
Net loss	$ (7,927)

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been NT$121,882,000 thousand, and the loss from continuing operations would have been NT$20,068,059 thousand for the year ended December 31, 2015. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Group had JT been acquired at the beginning of the current reporting period, the management calculated depreciation of property, plant and equipment acquired on the basis of the fair values determined at the date of the business combination rather than at the carrying amounts recognized in the financial statements prior to the date of business combination.

30. DISPOSAL OF SUBSIDIARIES

On August 12, 2015, the Company's board of directors resolved that TPK HK should sell its shares of CIM at the initial acquisition cost, reducing its continuing interest from 80% to 0.08%. The disposal was completed on August 24, 2015, at which date control of CIM passed to the acquirer.

a. Consideration received from disposal

	CIM
	NT$
Consideration received in cash and cash equivalents	$ 10,242

b. Analysis of assets and liabilities at date control was lost

	CIM
	NT$
Current assets	
Cash and cash equivalents	$ 6,714
Accounts and notes receivable	137,983
Other receivables	41
Inventories	272,406
Other current assets	27,813
Non-current assets	
Property, plant and equipment	49,222
Intangible assets	119,485
Deferred tax assets	1,037
Prepayments for equipment	1,790
Refundable deposits	3,095
Other non-current assets	1,547
Current liabilities	
Short-term borrowings	(89,005)
Accounts payable	(43,345)
Other payables	(19,421)
Short-term provisions - warranties	(3,367)
Shareholder accounts	(11,444)
Current portion of long-term liabilities	(233,478)
Other current liabilities	(196,284)
Non-current liabilities	
Long-term borrowings	(77,053)
Net assets disposed of	$ (52,264)

c. Gain on disposal of subsidiaries

	CIM
	NT$
Consideration received	$ 10,242
Net assets disposed of	52,264
Non-controlling interests	(2,066)
Reclassification of remaining interests to financial assets measured at cost - non-current	11
Gain on disposal	$ 60,451

d. Net cash inflow on disposal of subsidiaries

	CIM
	NT$
Consideration received in cash and cash equivalents	$ 10,242
Less: Cash and cash equivalent balances disposed of	(6,714)
	$ 3,528

31. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In April 2014, the Group acquired an additional share of Hallys for JPY30 thousand, increasing its continuing interest from 85.57% to 85.58%.

In June 2016, the Group acquired an additional 13.25% interest in TPKF HK for no consideration from other shareholders, increasing its continuing interest from 66.75% to 80.02%. The unappropriated earnings amounting to NT$13,046 thousand (approximately US$429 thousand) were reduced since a difference from the equity transaction occurred.

The above transactions were accounted for as equity transactions since the Group did not cease to have control over these subsidiaries.

	Hallys
	NT$
Cash consideration paid	$ 8
Proportionate share of carrying amount of net assets of subsidiaries transferred from non-controlling interests	2
Differences recognized from equity transactions	$ 10
Line items adjusted for equity transactions	
Unappropriated earnings	$ (10)

32. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of manufacturing facilities, office facilities and transportation equipment with lease terms between 1 and 17 years.

As of December 31, 2014, 2015 and 2016, the refundable deposits paid under operating leases amounted to NT$74,494 thousand, NT$75,541 thousand, and NT$45,541 thousand (approximately US$1,499 thousand), respectively.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Not later than 1 year	$ 163,301	$ 255,397	$ 198,438	$ 6,532
Later than 1 year and not later than 5 years	216,722	97,682	109,353	3,599
Later than 5 years	56,829	51,662	46,175	1,520
	$ 436,852	$ 404,741	$ 353,966	$ 11,651

b. The Group as lessor

Operating leases relate to leases of investment properties owned by the Group with lease terms of 1 year.

The future minimum lease payments of non-cancellable operating leases were as follows (as of December 31, 2016: None):

	December 31	
	2014	2015
	NT$	NT$
Not later than 1 year	$ 30,421	$ 8,629

33. CAPITAL MANAGEMENT

The capital structure of the Group consists of its net debt and equity. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of its debt and equity balance. Key management personnel of the Group review the capital structure periodically. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values, or that their fair values cannot be measured reliably.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2014

	Level 1 NT$	Level 2 NT$	Level 3 NT$	Total NT$
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ -	$ 144,324	$ 144,324

December 31, 2015

	Level 1 NT$	Level 2 NT$	Level 3 NT$	Total NT$
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ -	$ 111,605	$ 111,605

December 31, 2016

	Level 1 NT$	Level 2 NT$	Level 3 NT$	Total NT$
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ -	$ 214,550	$ 214,550

December 31, 2016

	Level 1 US$ (Note 4)	Level 2 US$ (Note 4)	Level 3 US$ (Note 4)	Total US$ (Note 4)
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ -	$ 7,062	$ 7,062

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Financial liabilities at FVTPL - derivatives				
Balance at January 1	$ -	$ 144,324	$ 111,605	$ 3,674
Total loss recognized in profit or loss	137,447	167,655	118,830	3,911
Issuance of convertible bonds	-	36,572	-	-
Redemption of convertible bonds	-	(246,564)	(16,500)	(543)
Effects of foreign currency exchange differences	6,877	9,618	615	20
Balance at December 31	$ 144,324	$ 111,605	$ 214,550	$ 7,062

3) Valuation techniques and inputs applied for Level 3 fair value measurement

There were no quoted prices in active markets for put options and redemption options of overseas convertible bonds issued by the Group. Hence, the fair values of options are determined using the binomial option pricing model where the unobservable input is historical volatility. An increase in historical volatility used in isolation would result in an increase in the fair value. As of December 31, 2014, 2015 and 2016, the historical volatility used was 47.67%, 60.13% and 50.35%, respectively.

c. Categories of financial instruments

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Financial assets				
Loans and receivables (1)	$ 66,871,683	$ 50,971,487	$ 32,817,693	$ 1,080,240
Available-for-sale financial assets (2)	150,000	150,011	150,011	4,938
Financial liabilities				
Financial liabilities at FVTPL - held for trading	144,324	111,605	214,550	7,062
Amortized costs (3)	101,195,288	79,340,670	54,150,194	1,782,429
Guarantee deposits	8,680	8,715	2,106	69

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, accounts receivable, notes receivable, and other receivables.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes and accounts payable (related parties included), payables for purchase of equipment, other payables, current portion of long-term borrowings and bonds payable, bonds payable, long-term borrowings and shareholder accounts.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, notes and accounts receivable, notes and accounts payable, bonds payable and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the Company's board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Significant financial activities of the Group should be reviewed by the Company's board of directors to ensure compliance with the related regulations and internal control rules. During the execution of financial plans, the Group shall comply with the financial operating procedures and overall financial risk management policies.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period were as follows:

In Thousands of U.S. Dollars

	December 31		
	2014	**2015**	**2016**
Assets			
RMB	$ 372,606	$ 422,089	$ 69,256
NTD	31,663	55,646	7,827
JPY	5,125	5,638	12,799
Liabilities			
RMB	177,661	156,883	351,150
NTD	27,109	16,341	6,422
JPY	32,973	9,809	6,844

Except for the data described above, the Group also disclosed its derivatives exposed to foreign currency risk at the end of the reporting period in Note 7.

b) Analysis of sensitivity for foreign currency risk

The Group was mainly exposed to RMB, NTD and JPY.

The following table details the Group's sensitivity to a 5% increase and decrease in the United States dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusted their translation at the end of the reporting period for a 5% change in foreign currency rates.

	Impact on Profit or Loss if USD Strengthened 5% Against the Relevant Currency			
	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
RMB	$ (293,856)	$ (414,536)	$ 432,772	$ 14,245
NTD	(6,863)	(61,438)	(2,158)	(71)
JPY	41,971	6,520	(9,145)	(301)

	Impact on Profit or Loss if USD Weakened 5% Against the Relevant Currency			
	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
RMB	$ 324,788	$ 458,171	$ (478,327)	$ (15,745)
NTD	7,585	67,905	2,385	79
JPY	(46,389)	(7,206)	10,108	333

c) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Fair value interest rate risk				
Financial assets	$ 28,491,533	$ 20,370,061	$ 12,659,163	$ 416,694
Financial liabilities	59,114,604	45,859,695	35,583,171	1,171,270
Cash flow interest rate risk				
Financial assets	17,773,957	12,804,641	9,150,525	301,202
Financial liabilities	14,076,353	13,559,802	2,648,144	87,167

d) Analysis of sensitivity for interest rate risk

The sensitivity analysis as determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, while the Group's pre-tax profit for the year ended December 31, 2014 would increase by NT$18,488 thousand, the pre-tax loss for the years ended December 31, 2015 and 2016 would increase by NT$3,776 thousand and decrease by NT$32,512 thousand (approximately US$1,070 thousand), respectively, which were mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and its variable-rate bank deposits.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to the failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of using internal and external credit ratings, only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty-limits that are reviewed and approved by the risk management committee semi-annually.

The Group authorized and approved hierarchical credit lines and monitored accounts receivable periodically based on accounts receivable aging, thus reducing bad debts or overdue accounts. Then, at the end of the reporting period, the Group would assess line by line its collectable amounts, allowance for uncollectable amounts, and amounts of impairment recognized on accounts receivable. Therefore, the management believed that the credit management of the Group fully covered the credit risk.

The Group's concentration of credit risk of 54.58%, 66.87% and 75.38% in total accounts receivables as of December 31, 2014, 2015 and 2016, respectively, was related to the Group's the five largest customers.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2014, 2015 and 2016, the Group had available unutilized short-term bank loan facilities of NT$46,240,735 thousand, NT$48,766,851 thousand and NT$29,053,533 thousand (approximately US$956,337 thousand), respectively.

a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following table details of the Group's remaining contractual maturity for its short-term and long-term borrowings (including bonds payable and shareholder accounts). The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2014

(In Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial liabilities					
Variable interest rate borrowings	1.8776	$ 850,594	$ 1,560,345	$ 4,183,261	$ 7,482,153
Fixed interest rate borrowings	1.7484	18,453,675	27,608,731	12,594,920	457,278
		$ 19,304,269	$ 29,169,076	$ 16,778,181	$ 7,939,431

December 31, 2015

(In Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial liabilities					
Variable interest rate borrowings	2.4744	$ 624,266	$ 3,413,570	$ 4,692,982	$ 4,828,984
Fixed interest rate borrowings	2.5912	12,470,406	11,291,422	14,247,717	7,850,150
		$ 13,094,672	$ 14,704,992	$ 18,940,699	$ 12,679,134

December 31, 2016

(In Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial liabilities					
Variable interest rate borrowings	3.4798	$ 69,111	$ 359,362	$ 1,097,371	$ 1,122,300
Fixed interest rate borrowings	2.8298	6,661,308	9,551,361	12,795,843	6,574,659
		$ 6,730,419	$ 9,910,723	$ 13,893,214	$ 7,696,959

December 31, 2016

(In Thousands of U.S. Dollars) (Note 4)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial liabilities					
Variable interest rate borrowings	3.4798	$ 2,275	$ 11,829	$ 36,121	$ 36,942
Fixed interest rate borrowings	2.8298	219,266	314,397	421,193	216,414
		$ 221,541	$ 326,226	$ 457,314	$ 253,356

The following table details the Group's expected maturity for some of its non-derivative financial assets. The table below was drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2014

(In Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial assets					
Variable interest rate assets	1.3412	$ 17,773,957	$ -	$ -	$ -
Fixed interest rate assets	3.4811	9,607,491	16,581,342	2,302,700	-
		$ 27,381,448	$ 16,581,342	$ 2,302,700	$ -

December 31, 2015

(In Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial assets					
Variable interest rate assets	0.1689	$ 12,804,641	$ -	$ -	$ -
Fixed interest rate assets	2.4419	10,179,992	8,194,801	1,995,268	-
		$ 22,984,633	$ 8,194,801	$ 1,995,268	$ -

December 31, 2016

(In Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial assets					
Variable interest rate assets	0.5550	$ 9,150,525	$ -	$ -	$ -
Fixed interest rate assets	1.3272	7,648,510	4,388,877	621,776	-
		$ 16,799,035	$ 4,388,877	$ 621,776	$ -

December 31, 2016

(In Thousands of U.S. Dollars) (Note 4)

	Weighted Average Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years
Non-derivative financial assets					
Variable interest rate assets	0.5550	$ 301,202	$ -	$ -	$ -
Fixed interest rate assets	1.3272	251,761	144,466	20,467	-
		$ 552,963	$ 144,466	$ 20,467	$ -

For non-interest-bearing liabilities recorded as notes and accounts payable, payables for purchase of equipment and other payables, the Group has set up the financial risk management policy to secure payment for all the payables prior to the expiry of the credit terms.

b) Financing facilities

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Unsecured bank overdraft facility reviewed annually and payable at call:				
Amount used	$ 69,837,632	$ 51,378,664	$ 34,502,867	$ 1,135,710
Amount unused	55,914,151	48,911,211	29,005,158	954,745
	$ 125,751,783	$ 100,289,875	$ 63,508,025	$ 2,090,455
Secured bank overdraft facility:				
Amount used	$ 8,545,456	$ 5,252,000	$ 596,625	$ 19,639
Amount unused	339,288	1,496,492	48,375	1,592
	$ 8,884,744	$ 6,748,492	$ 645,000	$ 21,231

e. Transfers of financial assets

Factored accounts receivable for the years ended December 31, 2014, 2015 and 2016 were as follows:

Subsidiary	Counterparties	Currencies	Receivables Sold	Amounts Collected	Translation Adjustments	Advances Received at Year-end (Note 1)	Interest Rates on Advances Received (%)	Credit Line (Note 2)
For the year ended December 31, 2014								
TPK HK	Standard Chartered	US$	$ 1,729,490	$ 1,760,957	$ -	$ 342,058	2M Libor+0.66%	US$400,000 thousand (approximately NT$12,660,000 thousand)
		NT$	$ 52,269,501	$ 53,220,511	$ 644,235	$ 10,826,140		
	HSBC	US$	$ 10,720	$ 13,441	$ -	$ -	-	-
		NT$	$ 323,981	$ 406,224	$ 1,136	$ -		
Hallys	Mizuho Trust & Banking Co., Ltd.	JPY	$ 968	$ 809	$ -	$ 223	1.175%	-
		NT$	$ 278	$ 232	$ (5)	$ 59		
	The Mitsubishi UFJ Factors Limited	JPY	$ 8,279	$ 9,386	$ -	$ 546	1.475%	-
		NT$	$ 2,376	$ 2,693	$ (7)	$ 145		
For the year ended December 31, 2015								
TPK HK	Standard Chartered	US$	$ 1,778,285	$ 1,928,784	$ -	$ 191,559	2M Libor+0.66%	US$400,000 thousand (approximately NT$13,130,000 thousand)
		NT$	$ 56,313,136	$ 61,079,004	$ 227,655	$ 6,287,927		
For the year ended December 31, 2016								
TPK HK	Standard Chartered	US$	$ 1,233,654	$ 846,722	$ -	$ 578,491	2M Libor+0.66%	US$400,000 thousand (approximately NT$12,900,000 thousand)
		NT$	$ 39,814,687	$ 27,326,924	$ (119,355)	$ 18,656,335		

Note 1: Advances received included those for receivables factored but unused.

Note 2: Credit line is the advance limit receivable from the bank.

Pursuant to the factoring agreements, losses from sales returns and allowances were borne by the Group, while losses from credit risk shall be borne by the Bank. The above credit lines may be used on a revolving basis except for the factored accounts receivable of Hallys which were sold individually and without a credit line. The factoring agreement between the subsidiary, TPK HK, and HSBC expired in May 2014. The factored but unused amount between TPK HK and Standard Chartered Bank/HSBC has been reclassified from accounts receivable to other receivables.

f. Offsetting financial assets and financial liabilities

As of December 31, 2015 and 2016 (as of December 31, 2014: None), the Group is eligible to present certain financial assets and financial liabilities with Bank of China Xiamen Branch and China Construction Bank, respectively, on a net basis on the balance sheet since the offsetting criteria are met.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2015

Financial Assets	Currencies	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet
Debt investments with no active market	NT$	$ 21,285,555	$ (4,498,995)	$ 16,786,560

Financial Liabilities	Currencies	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet
Short-term borrowings	NT$	$ 44,048,604	$ (4,498,995)	$ 39,549,609

December 31, 2016

Financial Assets	Currencies	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet
Debt investments with no active market	NT$	$ 2,298,281	$ (911,424)	$ 1,386,857
	US$ (Note 4)	$ 75,651	$ (30,001)	$ 45,650

Financial Liabilities	Currencies	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet
Short-term borrowings	NT$	$ 27,611,180	$ (911,424)	$ 26,699,756
	US$ (Note 4)	$ 908,861	$ (30,001)	$ 878,860

35. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Sales and other income

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
1) Sales of goods, net				
Associates	$ 266,900	$ 1,161,183	$ 790,405	$ 26,017
Other related parties	245,893	133,167	70,234	2,312
	$ 512,793	$ 1,294,350	$ 860,639	$ 28,329
2) Rental income (recorded as other income)				
Associates	$ 56,417	$ 54,039	$ 8,505	$ 280
Other related parties	8,769	6,141	5,171	170
	$ 65,186	$ 60,180	$ 13,676	$ 450
3) Other income				
Associates	$ 1,629	$ 1,148	$ 219	$ 7
Other related parties	-	883	2,503	82
	$ 1,629	$ 2,031	$ 2,722	$ 89

Subsidiaries leased factories, offices and equipment to related parties under mutual lease agreements with monthly rental payments.

b. Purchases of goods, costs and expenses

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
1) Purchases of goods				
Associates	$ 3,785,110	$ 3,886,156	$ 842,251	$ 27,724
Other related parties	409,157	303,865	82,679	2,721
	$ 4,194,267	$ 4,190,021	$ 924,930	$ 30,445
2) Rental expenses (recorded as cost of goods sold - manufacturing expenses)				
Other related parties	$ 119,472	$ 126,205	$ 114,139	$ 3,757
3) Rental expenses (recorded as operating expenses)				
Associates	$ 304	$ 6	$ 55	$ 2
Other related parties	102,833	87,568	77,417	2,548
	$ 103,137	$ 87,574	$ 77,472	$ 2,550

Subsidiaries leased factories, offices and dormitories from related parties under mutual lease agreements with monthly rental payments.

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
4) Research expenses				
Associates	$ 47,953	$ 1,037	$ 6,290	$ 207
Other related parties	137,294	12,132	1,371	45
	$ 185,247	$ 13,169	$ 7,661	$ 252
5) Fees for technical services				
Associates	$ -	$ 1,489	$ -	$ -
Other related parties	125	-	250	8
	$ 125	$ 1,489	$ 250	$ 8
6) Miscellaneous expenses				
Associates	$ 559	$ 70	$ 177	$ 6
Other related parties	9,197	3,836	5,143	169
	$ 9,756	$ 3,906	$ 5,320	$ 175

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
7) Repair and maintenance expenses				
Associates	$ -	$ -	$ 7	$ -
Other related parties	-	4,045	6,235	205
	$ -	$ 4,045	$ 6,242	$ 205
8) Miscellaneous material expenses				
Other related parties	$ -	$ -	$ 613	$ 20

c. Receivables from (payables to) related parties

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
1) Accounts receivable - related parties (recorded as accounts receivable)				
Associates	$ 62,638	$ 150,514	$ 125,959	$ 4,146
Other related parties	35,327	24,793	21,235	699
	$ 97,965	$ 175,307	$ 147,194	$ 4,845
2) Accounts payable - related parties				
Associates	$ 1,073,799	$ 767,471	$ 115,679	$ 3,808
Other related parties	83,054	34,913	30,811	1,014
	$ 1,156,853	$ 802,384	$ 146,490	$ 4,822

The outstanding payables to related parties are unsecured and will be settled in cash. No guarantees were received for receivables from related parties.

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
3) Other receivables - related parties (recorded as other receivables, excluding loans to related parties)				
Associates	$ 13,706	$ 592,365	$ 482,246	$ 15,874
Other related parties	1,314	174,237	180,501	5,941
	$ 15,020	$ 766,602	$ 662,747	$ 21,815

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
4) Payables for purchase of equipment				
Associates	$ 23,386	$ 2,291	$ 5,893	$ 194
Other related parties	3,286	16,014	15,975	526
	$ 26,672	$ 18,305	$ 21,868	$ 720
5) Other payables (recorded as other payables-others)				
Associates	$ 22,113	$ 74,399	$ 1,056	$ 35
Other related parties	6,608	3,165	14,182	467
	$ 28,721	$ 77,564	$ 15,238	$ 502

d. Others

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Refundable deposits				
Associates	$ 5	$ 5	$ 38	$ 1
Other related parties	26,101	25,693	23,549	775
	$ 26,106	$ 25,698	$ 23,587	$ 776

Refundable deposits are the security deposits for leasing parts of plants and offices from related parties during the lease period from 2011 to 2019. For the years ended December 31, 2014, 2015 and 2016, the interest income on the deposits was NT$5 thousand per year.

e. Loans to related parties

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Associates	$ 1,107,750	$ 1,087,164	$ 547,021	$ 18,006
Other related parties	-	247,655	-	-
	$ 1,107,750	$ 1,334,819	$ 547,021	$ 18,006

The Group provided associates with short-term loans at rates comparable to the market rate of interest.

For the years ended December 31, 2014, 2015 and 2016, the loans to related parties were unsecured loans with interest income of NT$20,841 thousand, NT$38,785 thousand and NT$23,909 thousand (approximately US$787 thousand), respectively.

The above receivables from (payables to) related parties - associates, including receivables from (payables to) Cando and its subsidiaries, as of December 31, 2015 and 2016 were as follows:

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Accounts receivable	$ 62,638	$ 46,860	$ 27,785	$ 915
Accounts payable	(1,073,799)	(672,469)	(8,473)	(279)
Other receivables	13,706	592,225	481,920	15,863
Loans receivable	1,107,750	1,017,575	547,021	18,006
Refundable deposits	5	5	5	-
Payables for purchase of equipment	(23,386)	(2,291)	(5,818)	(191)
Other payables	(22,113)	(8,212)	(294)	(10)

By the Group's assessment, Cando and its subsidiaries suffered so much from financial difficulties that they were believed to have difficulty repaying their debts. Hence, for the year ended December 31, 2015, the Group recognized an allowance for impairment losses of NT$1,158,825 thousand against accounts receivable and other receivables, while for the year ended December 31, 2016, the Group reversed impairment losses in the amount of NT$99,824 thousand (approximately US$3,286 thousand), after taking into consideration the offset of receivables and payables and claims and obligations as a group. As of December 31, 2015 and 2016, the Group recognized an allowance for doubtful receivables from Cando and its subsidiaries amounting to NT$1,167,181 thousand and NT$1,046,349 thousand (approximately US$34,442 thousand), respectively, while none was recognized as of December 31, 2014.

f. Loans from related parties

	December 31, 2014
	NT$
Other related parties	$ 11,907

As of December 31, 2015 and 2016, the Group had no loans from related parties.

The Group obtained loans at rates comparable to market interest rates for its loans from related parties.

For the years ended December 31, 2014 and 2015, the related interest expense on loans from related parties were NT$335 thousand and NT$151 thousand, respectively, while none was recognized for the year ended December 31, 2016.

g. Property, plant and equipment acquisitions

	Purchase Price			
	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Associates	$ 5,669	$ 2,552	$ 5,216	$ 172
Other related parties	6,871	-	493	16
	$ 12,540	$ 2,552	$ 5,709	$ 188

h. Property, plant and equipment disposals

	Proceeds				Gains on Disposals			
	For the Year Ended December 31				For the Year Ended December 31			
	2014	2015	2016		2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)	NT$	NT$	NT$	US$ (Note 4)
Associates	$ 75	$ 18,879	$ 215	$ 7	$ -	$ 1,630	$ 18	$ 1
Other related parties	1,223	36,563	6	-	1	6,748	6	-
	$ 1,298	$ 55,442	$ 221	$ 7	$ 1	$ 8,378	$ 24	$ 1

i. Endorsements and guarantees

Guarantees given by related parties

As of December 31, 2014, 2015 and 2016, guarantees for long-term and short-term borrowings provided by related parties were as follows:

	December 31, 2014		
	US$	NT$	Guarantor
TPK HK	$ 251,308	$ 7,953,898	TPKC
JJS	60,500	1,914,825	TPKJ
Hallys	6,688	211,680	TPKH
Hallys	160	5,078	Hiroshi Aoyama

	December 31, 2015		
	US$	NT$	Guarantor
TPK HK	$ 224,840	$ 7,380,373	TPKC
JJS	57,750	1,895,644	TPKJ

	December 31, 2016		
	US$	NT$	Guarantor
TPK HK	$ 158,620	$ 5,115,495	TPKC
JT	14,420	465,045	TPKJ
TPKC	20,000	645,000	TPKT

Hallys' long-term borrowings were jointly guaranteed by the related parties mentioned above as well as Credit Guarantee Corporation in Hyogo, Japan.

Endorsements provided by the Group

On May 12, 2015, the Company's board of directors resolved to provide guarantees totaling NT$520,200 thousand for the bonds payable issued by Cando. As of December 31, 2015, there were no endorsements provided by the Group. Refer to Note 10 and Table 2 for more details.

Other related parties that have a substantive related party relationship with the Company and the transaction price and payment terms of transactions with such related parties are provided in Table 5 following the Notes to Consolidated Financial Statements.

j. Compensation of key management personnel

For the years ended December 31, 2014, 2015 and 2016, the total amounts of remuneration of directors and other key management personnel were as follows:

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Short-term employee benefits	$ 90,231	$ 86,857	$ 87,774	$ 2,889
Share-based payments	21,229	105,599	127,094	4,183
Post-employment benefits	2,029	1,840	1,445	48
	$ 113,489	$ 194,296	$ 216,313	$ 7,120

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and the tariff of imported raw material guarantees:

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Bank deposits and financing products (classified as debt investments with no active market)	$ 8,397,617	$ 5,667,890	$ 631,163	$ 20,775

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Group as of December 31, 2014, 2015 and 2016 were as follows:

a. As of December 31, 2014, 2015 and 2016, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately NT$819,885 thousand, NT$82,189 thousand and NT$10,140 thousand (approximately US$334 thousand), respectively.

b. Unrecognized commitments are as follows:

	December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Acquisition of property, plant and equipment	$ 1,528,725	$ 569,409	$ 206,895	$ 6,810

38. SIGNIFICANT LOSSES FROM DISASTERS

a. On January 3, 2015, a fire occurred on the ground floor of Building C of TPKC's Xiang An Campus where photo etching and sputtering equipment were primarily located, causing severe damage to the building. For the year ended December 31, 2015, the related loss from disaster damage of NT$1,194,717 thousand was recognized (including an impairment loss on property, plant and equipment of NT$941,312 thousand, an impairment loss on inventories of NT$26,881 thousand and the cost of refurbishment of NT$226,524 thousand). The insurance claim of NT$942,356 thousand was reimbursed and recognized in December 2015.

b. Typhoon Meranti struck Xiamen in September 2016 and caused serious damage to property, plants, equipment and inventories of the subsidiaries in the area. The Group recognized a repair expenditure of NT$253,800 thousand (approximately US$8,354 thousand) for the damaged property, plants, equipment and inventories (recorded as a loss from disaster damage and other payables). The assets damaged were properly insured, and the Company has reached an agreement on the reimbursement contract with the insurance company in the amount of NT$236,995 thousand (approximately US$7,801 thousand).

39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currency (the U.S. dollar) and the related exchange rates between the foreign currencies and the respective functional currency were as follows:

(All Currencies In Thousands)

	December 31, 2014		
	Foreign Currencies	Exchange Rate	U.S. Dollars
Financial assets			
Monetary items			
RMB	$ 2,280,332	6.1190	$ 372,606
NTD	1,002,128	31.6500	31,663
JPY	612,998	119.6145	5,125
Investment accounted for using equity method			
NTD	476,883	31.6500	15,067
Financial liabilities			
Monetary items			
RMB	1,087,277	6.1190	177,661
NTD	858,013	31.6500	27,109
JPY	3,944,010	119.6145	32,973

	December 31, 2015		
	Foreign Currencies	Exchange Rate	U.S. Dollars
Financial assets			
Monetary items			
RMB	$ 2,740,835	6.4936	$ 422,089
NTD	1,826,589	32.8250	55,646
JPY	678,638	120.3704	5,638
Financial liabilities			
Monetary items			
RMB	1,018,721	6.4936	156,883
NTD	536,398	32.8250	16,341
JPY	1,180,696	120.3704	9,809

	December 31, 2016		
	Foreign Currencies	Exchange Rate	U.S. Dollars
Financial assets			
Monetary items			
RMB	$ 480,275	6.9370	$ 69,256
NTD	252,417	32.2500	7,827
JPY	1,497,678	117.0174	12,799
Financial liabilities			
Monetary items			
RMB	2,435,158	6.9370	351,150
NTD	207,093	32.2500	6,422
JPY	800,839	117.0174	6,844

For the year ended December 31, 2014 and 2016, the realized and unrealized foreign exchange gains were NT$219,361 thousand and NT$126,681 thousand (approximately US$4,170 thousand), respectively. For the year ended December 31, 2015, the realized and unrealized foreign exchange losses were NT$321,945 thousand. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

40. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities). (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

9) Trading in derivative instruments. (Notes 7 and 34)

10) Intercompany relationships and significant intercompany transactions. (Table 9)

11) Information on investees. (Table 7)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investee, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 1, 2, 5 and 6)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

41. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segment under IFRS 8 "Operating Segments" is the touch modules segment. The related information was as follows:

a. Information of reportable segment's gains or losses and assets

	For the Year Ended December 31					
	2014			2015		
	Touch Modules NT$	Others NT$	Total NT$	Touch Modules NT$	Others NT$	Total NT$
Revenue from external customers	$ 126,376,984	$ 3,139,935	$ 129,516,919	$ 120,649,201	$ 714,411	$ 121,363,612
Inter-segment revenue	1,246,399	21,132,233	22,378,632	4,167,902	15,454,345	19,622,247
Interest income	1,370,754	399,530	1,770,284	1,123,331	358,453	1,481,784
Finance costs	759,668	1,130,461	1,890,129	817,193	1,022,353	1,839,546
Depreciation and amortization	3,966,802	4,086,343	8,053,145	5,164,770	4,537,521	9,702,291
Impairment loss on assets	298,595	1,519,520	1,818,115	7,348,065	10,920,376	18,268,441
Reportable segment profit (loss) before tax	1,140,319	649,481	1,789,800	(24,438,009)	(42,688,371)	(67,126,380)
Reportable segment income tax benefit (expense)	(205,512)	197,136	(8,376)	1,786,459	(843,102)	943,357
Reportable segment net profit (loss)	934,807	846,617	1,781,424	(22,651,550)	(43,531,473)	(66,183,023)
Reportable segment assets	163,492,642	158,282,958	321,775,600	137,011,411	109,967,254	246,978,665
Reportable segment capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	15,155,612	11,940,922	27,096,534	5,730,623	2,776,023	8,506,646

	For the Year Ended December 31, 2016					
	Touch Modules		Others		Total	
	NT$	US$ (Note 4)	NT$	US$ (Note 4)	NT$	US$ (Note 4)
Revenue from external customers	$ 88,872,073	$ 2,952,348	$ 344,211	$ 11,330	$ 89,216,284	$ 2,936,678
Inter-segment revenue	660,466	21,740	7,167,843	235,940	7,828,309	257,680
Interest income	760,363	25,028	166,570	5,483	926,933	30,511
Finance costs	733,438	24,142	1,042,890	34,328	1,776,328	58,470
Depreciation and amortization	5,987,938	197,101	2,810,588	92,515	8,798,526	289,616
Impairment loss on assets	1,010	33	183,399	6,037	184,409	6,070
Reportable segment profit (loss) before income tax	1,621,848	53,386	(6,895,489)	(226,975)	(5,273,641)	(173,589)
Reportable segment income tax benefit (expense)	(43,177)	(1,421)	(217,691)	(7,166)	(260,868)	(8,587)
Reportable segment net profit (loss)	1,578,671	51,964	(7,113,180)	(234,140)	(5,534,509)	(182,176)
Reportable segment assets	100,204,231	3,298,362	93,062,943	3,063,296	193,267,174	6,361,658
Reportable segment capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	3,039,331	100,044	1,645,196	54,154	4,684,527	154,198

b. Reportable segment's gains or losses and other significant items reconciliation

1) Segment revenues and results

	For the Year Ended December 31			
	2014	2015	2016	
Profit and Loss	**NT$**	**NT$**	**NT$**	**US$ (Note 4)**
Reportable segment profit (loss) before tax	$ 1,140,319	$ (24,438,009)	$ 1,621,848	$ 53,385
Reportable segment income tax benefit (expense)	(205,512)	1,786,459	(43,177)	(1,421)
Reportable segment net profit (loss)	934,807	(22,651,550)	1,578,671	51,964
Non-reportable segments' profit or loss	846,617	(43,531,473)	(7,113,180)	(234,140)
Less: Inter-segment profit (loss)	(1,214,703)	46,107,338	4,030,542	132,671
Less: Net loss (profit) on non-controlling interests	(289,915)	69,177	36,565	1,204
Net profit (loss) attributable to owners of the Company	$ 276,806	$ (20,006,508)	$ (1,467,402)	$ (48,301)

2) Other significant items reconciliation

Other Significant Items	Total Amount of Reportable Segment	Total Amount of Non-reportable Segments	Reconciliation	Total
For the Year Ended December 31, 2014				
	NT$	NT$	NT$	NT$
Interest income	$ 1,370,754	$ 399,530	$ (459,343)	$ 1,310,941
Finance costs	759,668	1,130,461	(459,343)	1,430,786
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	15,155,612	11,940,922	(13,177,765)	13,918,769
Depreciation and amortization	3,966,802	4,086,343	-	8,053,145
Impairment loss	298,595	1,519,520	-	1,818,115

Other Significant Items	Total Amount of Reportable Segment	Total Amount of Non-reportable Segments	Reconciliation	Total
For the Year Ended December 31, 2015				
	NT$	NT$	NT$	NT$
Interest income	$ 1,123,331	$ 358,453	$ (565,792)	$ 915,992
Finance costs	817,193	1,022,353	(565,792)	1,273,754
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	5,730,623	2,776,023	(2,634,107)	5,872,539
Depreciation and amortization	5,164,770	4,537,521	-	9,702,291
Impairment loss	7,348,065	10,920,376	-	18,268,441

Other Significant Items	Total Amount of Reportable Segment	Total Amount of Non-reportable Segments	Reconciliation	Total
For the Year Ended December 31, 2016				
	NT$	NT$	NT$	NT$
Interest income	$ 760,363	$ 166,570	$ (669,132)	$ 257,801
Finance costs	733,438	1,042,890	(669,132)	1,107,196
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	3,039,331	1,645,196	(1,041,741)	3,642,786
Depreciation and amortization	5,987,938	2,810,588	-	8,798,526
Impairment loss	1,010	183,399	-	184,409

Other Significant Items	Total Amount of Reportable Segment	Total Amount of Non-reportable Segments	Reconciliation	Total
For the Year Ended December 31, 2016				
	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)	US$ (Note 4)
Interest income	$ 25,028	$ 5,483	$ (22,025)	$ 8,486
Finance costs	24,142	34,328	(22,025)	36,445
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for leases	100,044	54,154	(34,291)	119,907
Depreciation and amortization	197,101	92,515	-	289,616
Impairment loss	33	6,037	-	6,070

3) Revenue from major products and services

The Company and its subsidiaries categorized reportable segments based on the type of products. There were no specific regulations on additional disclosure for products and revenue.

4) Geographical information

The Company and its subsidiaries operate in four principal geographical areas - Taiwan, the United States ("USA"), China and Japan.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers				Non-current Assets			
	For the Year Ended December 31				December 31			
	2014	2015	2016		2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)	NT$	NT$	NT$	US$ (Note 4)
North America	$ 69,843,045	$ 77,639,706	$ 63,313,148	$ 2,084,040	$ 764,489	$ 6,217	$ 3,828	$ 126
Asia	58,784,620	43,405,494	25,622,700	843,407	75,539,827	52,022,768	44,604,539	1,468,221
Others	889,254	318,412	280,436	9,231	-	-	-	-
	$ 129,516,919	$ 121,363,612	$ 89,216,284	$ 2,936,678	$ 76,304,316	$ 52,028,985	$ 44,608,367	$ 1,468,347

Non-current assets above excludes deferred tax assets and financial assets measured at cost.

5) Information about major customers

Customers who contributed 10% or more to the Group's revenue for the years ended December 31, 2014, 2015 and 2016 are as follows:

	For the Year Ended December 31			
	2014	2015	2016	
	NT$	NT$	NT$	US$ (Note 4)
Customer A	$ 52,100,144	$ 55,547,498	$ 41,520,020	$ 1,366,689
Customer B	15,480,287	19,976,880	19,535,304	643,032
	$ 67,580,431	$ 75,524,378	$ 61,055,324	$ 2,009,721

TABLE 1

TPK HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 5)	Ending Balance (Note 5)	Actual Borrowing Amount (Note 6)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)	Note
													Item	Value			
0	TPKH	TPK HK	Loans to related parties	Y	$ 1,935,000	$ -	$ -	1.3316%-1.3334%	b	$ -	Operating capital	$ -	-	$ -	$ 11,669,105	$ 14,586,382	
		UYH	Loans to related parties	Y	15,867,000	3,386,250	2,476,800	1.2759%-1.6381%	b	-	Operating capital	-	-	-	11,669,105	14,586,382	
		Hallys	Loans to related parties	N	304,690	144,327	144,327	2.0000%	b	-	Operating capital	144,327	-	-	11,669,105	14,586,382	6 and 9
		TES	Loans to related parties	Y	41,280	-	-	1.3842%	b	-	Operating capital	-	-	-	11,669,105	14,586,382	6
		TES XM	Loans to related parties	Y	64,500	-	-	1.8273%	b	-	Operating capital	-	-	-	11,669,105	14,586,382	6
1	UYH	TPKG	Loans to related parties	Y	5,979,150	1,302,900	1,302,900	1.3545%-2.2489%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
		TPKG	Loans to related parties - long-term	Y	2,741,250	2,741,250	2,741,250	1.5545%-2.2489%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
2	TPKC	Cando (Xiamen) Corporation ("Cando XM")	Loans to related parties	Y	999,750	999,750	547,021	3.5000%	b	-	Operating capital	547,021	-	-	12,854,640	16,068,300	6 and 7
		MTOH	Loans to related parties	Y	4,805,250	2,580,000	1,303,485	1.8000%-3.2500%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
		OTX	Loans to related parties	Y	645,000	-	-	1.6500%-3.5000%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	8
		RSO	Loans to related parties	Y	387,000	64,500	23,252	1.8000%-3.2500%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
		TPKD	Loans to related parties	Y	1,935,000	1,612,500	323	2.0000%-3.2500%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
		TPKF	Loans to related parties	Y	2,257,500	1,128,750	1,101,545	1.6500%-3.2500%	b	-	Operating capital	-	-	-	12,854,640	16,068,300	
		TPKG	Loans to related parties	Y	8,062,500	4,837,500	470,918	1.8000%-3.2500%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
		TPKG	Loans to related parties	Y	1,612,500	-	-	1.8000%-3.2500%	b	-	Payment for acquisition of equipment	-	-	-	29,172,763	43,759,145	
		TPKH	Loans to related parties	Y	13,383,750	10,191,000	4,708,500	1.8000%-2.5000%	b	-	Operating capital	-	-	-	12,854,640	16,068,300	
		TPKL	Loans to related parties	Y	2,322,000	967,500	897,227	1.8000%-3.2500%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
		TPKP	Loans to related parties	Y	15,480,000	6,450,000	4,683,158	1.6500%-3.2500%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
		TPKS	Loans to related parties	Y	322,500	322,500	25,577	3.2500%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
3	TPK HK	CIM	Loans to related parties	N	168,752	79,935	79,935	2.0000%	b	-	Operating capital	79,935	-	-	4,209,559	5,261,949	6 and 9
		MTOH	Loans to related parties	Y	967,500	-	-	1.2500%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	

(Continued)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 5)	Ending Balance (Note 5)	Actual Borrowing Amount (Note 6)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)	Note
													Item	Value			
3	TPK HK	TPKC	Loans to related parties	Y	$ 4,708,500	$ -	$ -	1.2766%-1.3252%	b	$ -	Operating capital	$ -	-	$ -	$ 29,172,763	$ 43,759,145	
		TPKH	Loans to related parties	Y	5,482,500	3,225,000	3,225,000	1.4920%-1.8633%	b	-	Operating capital	-	-	-	4,209,559	5,261,949	
		TPKP	Loans to related parties	Y	2,580,000	-	-	1.2500%	b	-	Payment for acquisition of equipment	-	-	-	29,172,763	43,759,145	
		MTOH	Loans to related parties - long-term	Y	837,081	837,081	837,081	1.8982%-1.9041%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
		TPKC	Loans to related parties - long-term	Y	1,612,500	1,612,500	1,609,275	1.8529%-1.9971%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
		TPKG	Loans to related parties - long-term	Y	4,837,500	4,837,500	3,225,000	1.8529%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
		TPKP	Loans to related parties - long-term	Y	2,232,216	2,232,216	2,232,216	1.9116%-1.9554%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
		UYH	Loans to related parties - long-term	Y	4,031,250	4,031,250	1,515,750	1.9973%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
4	TPKA	TPKC	Loans to related parties	Y	967,500	-	-	1.3329%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
		TPK HK	Loans to related parties - long-term	Y	1,225,500	1,225,500	1,225,500	1.8529%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
5	TPKS	TPKC	Loans to related parties	Y	1,290,000	645,000	633,936	1.8000%-3.2500%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
6	RST	TPKC	Loans to related parties	Y	483,750	-	-	2.0000%-3.5000%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	8
7	TPKM	TPKC	Loans to related parties	Y	645,000	322,500	234,472	2.0000%-3.5000%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
8	TPKJ	TPKC	Loans to related parties	Y	161,250	-	-	3.5000%	b	-	Operating capital	-	-	-	134,461	168,077	
		JT	Loans to related parties	Y	381,337	102,310	102,310	3.2500%	b	-	Operating capital	-	-	-	134,461	168,077	
9	TPKG	TPKC	Loans to related parties	Y	1,322,250	-	-	3.2500%-3.5000%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
10	TPKD	TPKC	Loans to related parties	Y	4,837,500	3,225,000	1,468,147	1.8000%-3.2500%	b	-	Operating capital	-	-	-	29,172,763	43,759,145	
11	TPKT	TCS	Loans to related parties	Y	621,500	471,500	471,000	1.2900%-2.0900%	b	-	Operating capital	-	Plants and buildings	687,734	1,223,169	1,528,961	
		TPKC	Loans to related parties	Y	967,500	-	-	1.6186%	b	-	Operating capital	-	-	-	1,223,169	1,528,961	
		TPK HK	Loans to related parties	Y	645,000	645,000	645,000	1.8826%	b	-	Operating capital	-	-	-	1,223,169	1,528,961	

(Continued)

Note 1: The parent company is indicated by "0", while all other numbers indicate subsidiaries.

Note 2: Types of financing were as follows:

a. Business and trade.
b. Short-term financing.

Note 3: The limits of financing amounts were as follows:

a. Financing received from TPKH cannot exceed 50% of TPKH's net asset value, and the total short-term financing cannot exceed 40% of TPKH's net asset value.

b. Financing received from a financing company cannot exceed 50% of the financing company's net asset value, and the total short-term financing cannot exceed 40% of the financing company's net asset value.

c. The limits of individual financing provided are as follows:

1) Intercompany business and trade financing cannot exceed the business and trade amount. The business and trade amount is the higher of the sales amount or purchases amount within one year.
2) Short-term financing cannot exceed 40% of the financing company's net asset value.

d. The financing limits where TPKH directly and indirectly holds voting right shares of subsidiaries at 100% are as follows:

1) Business and trade: The total financing amount cannot exceed 50% of the financing company's net asset value; the amount of individual financing provided is limited to the business and trade amount where the business and trade amount is the higher of the sales amount or purchases amount within one year.

2) Short-term financing: The total financing amount cannot exceed 150% of TPKH's net asset value. The amount of individual financing provided cannot exceed 100% of TPKH's net asset value.

Note 4: The Company's board of directors approved the credit line of loans to another party for NT$60,221,019 thousand. The loans to other parties disclosed on Table 1 did not exceed the credit lines approved by the Company's board of directors.

Note 5: The highest balance and ending balance for the period only indicate a credit line of loans to others, and not the actual amount of loans.

Note 6: Except for CIM, Hallys, Cando XM, TES and TES XM, intercompany balances and transactions were eliminated upon consolidation.

Note 7: On November 5, 2015, Cando, the parent company of Cando XM, proposed in-court reorganization and disposal. On July 20, 2016, the withdrawal of disposal was approved by the Court, and on July 21, 2016, Cando declared bankruptcy. The Group has recognized an allowance for impairment losses against receivables based on the estimated irrecoverable amounts. Refer to Notes 10 and 35 to the consolidated financial statements for more information.

Note 8: Subsidiaries OTX and RST were merged by TPKC and dissolved afterwards. Refer to Note 12 to the consolidated financial statements for more information.

Note 9: Hallys is a subsidiary of which CIM held 100% equity interest. After selling CIM's equity on hand at original cost on August 24, 2015, TPK HK's percentage of ownership decreased from 80% to 0.08%, and hence, the Group lost the control of CIM. By assessing the operating situation of CIM and Hallys and the recoverable amounts of receivables, the Company recognized an allowance for impairment losses of 100% against other receivables from CIM and Hallys. Refer to Note 10 to the consolidated financial statements for more information.

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
1	TPKJ	JJS	Subsidiary of which the Company indirectly held a more than 50% equity interest	$ 7,293,191	$ 1,743,919	$ -	$ -	$ -	-	$ 14,586,382	N	N	N	4
		JT	Subsidiary of which the Company indirectly held a more than 50% equity interest	7,293,191	465,045	465,045	-	-	1.59%	14,586,382	N	N	Y	
2	TPKC	TPK HK	Subsidiary of which the Company held a 100% equity interest	7,293,191	7,440,720	5,115,495	-	-	17.54%	14,586,382	N	N	N	
3	TPKT	TPKC	Subsidiary of which the Company held a 100% equity interest	7,293,191	645,000	645,000	596,625	621,970	2.21%	14,586,382	N	N	Y	

Note 1: The parent company is indicated by "0", while all other numbers indicate subsidiaries.

Note 2: For TPKH, the total amount of endorsements/guarantees provided and the limit on endorsement/guarantee amounts provided to each guaranteed party cannot exceed 50% and 25% of TPKH's net asset value, respectively. The maximum collateral/guarantee amount allowable was calculated based on the net asset value as of December 31, 2016.

Note 3: The maximum amount and outstanding endorsements/guarantees at the end of the period only indicate limits on endorsement/guarantee amounts to others, not the actual borrowing amount.

Note 4: The dissolution and liquidation of JJS was approved by the authorities of Samoa on August 1, 2016, and the process was finished on September 30, 2016.

TPK HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
TPKT	Kingyoup Optronics Co., Ltd. ordinary shares	-	Financial assets measured at cost - non-current	6,000,000	$ 150,000	16.57	$ -	
TPK HK	CIM Corporation ordinary shares	Note	Financial assets measured at cost - non-current	41	11	0.08	-	

Note: On August 24, 2015, TPK HK sold part of its equity interest in CIM at its original cost, and its percentage of ownership decreased from 80% to 0.08%. As a result of losing control of CIM, the Group reclassified the rest of its equity investment to financial assets measured at cost - non-current.

TABLE 4

TPK HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note 1)
TPK HK	Shares TES XM	Investments accounted for using equity method	-	-	Note 2	$ 176,384	Note 2	$ 64,500	Note 2	$ 790,641	$ 256,114	$ 512,288	Note 2	$ 195,824

Note 1: The carrying amount consists of the original cost and the gain (loss) through investments accounted for by using the equity method.

Note 2: There are no shares since it is a limited liability no-shares company.

TABLE 5

TPK HOLDING CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount (Note 2)	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 2)	% of Total	
TPKT	TPKD	The same ultimate parent company	Sale	$ 185,583	0.21	45 days after monthly closing	No significant difference	No significant difference	$ 1,191	0.02	
TPKC	TPKS	The same ultimate parent company	Purchase	659,919	1.02	45 days after monthly closing	No significant difference	No significant difference	252,148	2.08	
	TPKG	The same ultimate parent company	Purchase	2,233,338	3.46	45 days after monthly closing	No significant difference	No significant difference	131,249	1.08	
	TPK HK	Investments accounted for using equity method	Purchase	1,071,967	1.66	45 days after monthly closing	No significant difference	No significant difference	347,307	2.86	
	TPKJ	The same ultimate parent company	Purchase	528,112	0.82	45 days after monthly closing	No significant difference	No significant difference	108,375	0.89	
	TPKU	The same ultimate parent company	Sale	912,462	1.02	45 days after monthly closing	No significant difference	No significant difference	249,056	3.26	
	TPKG	The same ultimate parent company	Sale	567,778	0.63	45 days after monthly closing	No significant difference	No significant difference	109,409	1.43	
	TPK HK	Investments accounted for using equity method	Sale	36,431,636	40.74	45 days after monthly closing	No significant difference	No significant difference	7,678,779	100.43	
	MTOH	The same ultimate parent company	Sale	143,125	0.16	45 days after monthly closing	No significant difference	No significant difference	24,158	0.32	
	TPKD	Investments accounted for using equity method	Sale	2,173,157	2.43	45 days after monthly closing	No significant difference	No significant difference	623,991	8.16	
TPKS	TPKG	The same ultimate parent company	Purchase	349,147	0.54	45 days after monthly closing	No significant difference	No significant difference	31,934	0.26	
	TPKC	The same ultimate parent company	Sale	659,919	0.74	45 days after monthly closing	No significant difference	No significant difference	252,070	3.30	
	TPK HK	The same ultimate parent company	Sale	3,454,225	3.86	45 days after monthly closing	No significant difference	No significant difference	193,628	2.53	
TPKU	TPKC	The same ultimate parent company	Purchase	912,462	1.41	45 days after monthly closing	No significant difference	No significant difference	249,056	2.05	
	TPK HK	The same ultimate parent company	Purchase	157,578	0.24	45 days after monthly closing	No significant difference	No significant difference	24,823	0.20	
	TES TW	Investments accounted for using equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	Purchase	484,982	0.75	60 days after monthly closing	No significant difference	No significant difference	80,221	0.66	

(Continued)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount (Note 2)	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 2)	% of Total	
TPKG	TPKC	The same ultimate parent company	Purchase	$ 567,778	0.88	45 days after monthly closing	No significant difference	No significant difference	$ 109,429	0.90	
	TPKM	The same ultimate parent company	Purchase	138,545	0.21	45 days after monthly closing	No significant difference	No significant difference	4,200	0.03	
	TPK HK	Investments accounted for using equity method	Purchase	311,433	0.48	45 days after monthly closing	No significant difference	No significant difference	-	-	
	TPKJ	The same ultimate parent company	Purchase	114,475	0.18	45 days after monthly closing	No significant difference	No significant difference	49,320	0.41	
	TPKC	The same ultimate parent company	Sale	2,233,698	2.50	45 days after monthly closing	No significant difference	No significant difference	131,248	1.72	
	TPKS	The same ultimate parent company	Sale	349,632	0.39	45 days after monthly closing	No significant difference	No significant difference	31,934	0.42	
	TPK HK	Investments accounted for using equity method	Sale	1,234,390	1.38	45 days after monthly closing	No significant difference	No significant difference	500	0.01	
	MTOH	The same ultimate parent company	Sale	121,418	0.14	45 days after monthly closing	No significant difference	No significant difference	14,987	0.20	
	TPKD	The same ultimate parent company	Sale	614,964	0.69	45 days after monthly closing	No significant difference	No significant difference	384,470	5.03	
TPK HK	TPKC	Investments accounted for using equity method	Purchase	36,431,636	56.46	45 days after monthly closing	No significant difference	No significant difference	7,678,779	63.33	
	TPKS	The same ultimate parent company	Purchase	3,454,225	5.35	45 days after monthly closing	No significant difference	No significant difference	193,628	1.60	
	TPKG	Investments accounted for using equity method	Purchase	1,234,390	1.91	45 days after monthly closing	No significant difference	No significant difference	500	0.00	
	MTOH	Investments accounted for using equity method	Purchase	3,066,683	4.75	45 days after monthly closing	No significant difference	No significant difference	146,232	1.21	
	TPKD	Investments accounted for using equity method	Purchase	39,830,390	61.73	45 days after monthly closing	No significant difference	No significant difference	14,824,768	122.27	
	TPKC	Investments accounted for using equity method	Sale	1,498,649	1.68	45 days after monthly closing	No significant difference	No significant difference	347,307	4.54	
	TPKU	The same ultimate parent company	Sale	157,578	0.18	45 days after monthly closing	No significant difference	No significant difference	24,823	0.32	
	TPKG	Investments accounted for using equity method	Sale	311,433	0.35	45 days after monthly closing	No significant difference	No significant difference	-	-	
	TPKD	Investments accounted for using equity method	Sale	20,513,137	22.94	45 days after monthly closing	No significant difference	No significant difference	3,933,449	51.44	
	Cando	Investments accounted for using equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	Purchase	162,711	0.18	60 days after monthly closing	No significant difference	No significant difference	-	-	
	TES XM	Investments accounted for using equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	Sale	555,555	0.62	60 days after monthly closing	No significant difference	No significant difference	89,776	1.17	
MTOH	TPKC	The same ultimate parent company	Purchase	143,125	0.22	45 days after monthly closing	No significant difference	No significant difference	24,158	0.20	
	TPKG	The same ultimate parent company	Purchase	121,283	0.19	45 days after monthly closing	No significant difference	No significant difference	14,987	0.12	

(Continued)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount (Note 2)	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 2)	% of Total	
MTOH	TPKP	The same ultimate parent company	Purchase	$ 235,812	0.37	45 days after monthly closing	No significant difference	No significant difference	$ 44,585	0.37	
	TPKM	The same ultimate parent company	Purchase	134,881	0.21	45 days after monthly closing	No significant difference	No significant difference	21,098	0.17	
	TPKJ	The same ultimate parent company	Purchase	148,331	0.23	45 days after monthly closing	No significant difference	No significant difference	56,618	0.47	
	TPK HK	Investments accounted for using equity method	Sale	3,066,683	3.43	45 days after monthly closing	No significant difference	No significant difference	146,232	1.91	
	TES XM	Investments accounted for using equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	Purchase	168,546	0.19	60 days after monthly closing	No significant difference	No significant difference	26,985	0.35	
	TES TW	Investments accounted for using equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	Sale	141,991	0.16	60 days after monthly closing	No significant difference	No significant difference	-	-	
TPKP	MTOH	The same ultimate parent company	Sale	235,812	0.26	45 days after monthly closing	No significant difference	No significant difference	44,585	0.58	
TPKM	TPKG	The same ultimate parent company	Sale	138,545	0.15	45 days after monthly closing	No significant difference	No significant difference	4,199	0.05	
	MTOH	The same ultimate parent company	Sale	135,036	0.15	45 days after monthly closing	No significant difference	No significant difference	21,091	0.28	
TPKD	TPKT	The same ultimate parent company	Purchase	115,184	0.18	45 days after monthly closing	No significant difference	No significant difference	1,191	0.01	
	TPKC	The same ultimate parent company	Purchase	2,170,159	3.36	45 days after monthly closing	No significant difference	No significant difference	598,145	4.93	
	TPKG	The same ultimate parent company	Purchase	614,665	0.95	45 days after monthly closing	No significant difference	No significant difference	384,017	3.17	
	TPK HK	Investments accounted for using equity method	Purchase	20,513,137	31.79	45 days after monthly closing	No significant difference	No significant difference	3,933,449	32.44	
	TPKJ	The same ultimate parent company	Purchase	1,227,559	1.90	45 days after monthly closing	No significant difference	No significant difference	191,870	1.58	
	TPK HK	Investments accounted for using equity method	Sale	39,830,390	44.54	45 days after monthly closing	No significant difference	No significant difference	14,824,768	193.88	
TPKJ	TPKC	The same ultimate parent company	Sale	529,572	0.59	45 days after monthly closing	No significant difference	No significant difference	108,376	1.42	
	TPKG	The same ultimate parent company	Sale	115,526	0.13	45 days after monthly closing	No significant difference	No significant difference	49,320	0.64	
	MTOH	The same ultimate parent company	Sale	150,323	0.17	45 days after monthly closing	No significant difference	No significant difference	56,618	0.74	
	TPKD	The same ultimate parent company	Sale	1,228,296	1.37	45 days after monthly closing	No significant difference	No significant difference	191,870	2.51	

Note 1: The sales prices and payment terms of intercompany and related party sales and purchases were not significantly different from those transactions with third parties.

Note 2: Except for Cando, TES TW and TES XM, intercompany balances and transactions were eliminated upon consolidation.

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 1)	Allowance for Impairment Loss
					Amount	Action Taken		
TPKT	TPK HK	The same ultimate parent company	$ 123,864	-	$ -		$ 1,418	$ -
TPKC	TPK HK	Investments accounted for using equity method	7,678,779	3.73	1,126,925	Enhance collection	5,567,976	-
	TPKU	The same ultimate parent company	249,056	5.39	82,329	Enhance collection	167,565	-
	TPKG	The same ultimate parent company	109,409	9.36	-		82,203	-
	TPKD	Investments accounted for using equity method	833,803	3.48	141	Enhance collection	430,913	-
TPKS	TPKC	The same ultimate parent company	252,070	5.17	-		163,673	-
	TPK HK	The same ultimate parent company	193,628	7.07	-		-	-
TPKG	TPKC	The same ultimate parent company	131,248	5.94	371	Enhance collection	386	-
	TPKD	The same ultimate parent company	384,470	3.20	-		176,638	-
TPK HK	TPKC	Investments accounted for using equity method	347,307	6.10	-		187,823	-
	TPKD	Investments accounted for using equity method	3,933,449	6.31	-		2,171,795	-
MTOH	TPK HK	Investments accounted for using equity method	146,232	7.89	-		-	-
TPKD	TPK HK	Investments accounted for using equity method	14,824,768	3.83	2,294,088	Enhance collection	4,031,743	-
TPKJ	TPKC	The same ultimate parent company	108,376	4.03	1,821	Enhance collection	-	-
	TPKD	The same ultimate parent company	191,870	5.02	-		-	-

Note 1: The amount received in the subsequent period means that the collection was made by January 31, 2017.

Note 2: Refer to Table 1 for information on financing provided to related parties.

TABLE 7

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2016			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 2)	Note
				December 31, 2016	December 31, 2015	Number of Shares	%	Carrying Amount (Note 2)			
TPKH	Improve	Samoa	Holding company	$ 4,982,303	$ 4,982,303	154,490,000	100.00	$ 4,349,509	$ (442,740)	$ (442,740)	Subsidiary
	UYH	Samoa	Holding company and international trade	6,354,540	6,354,540	196,250,000	100.00	27,495,128	875,250	875,250	Subsidiary
	TTI	Samoa	International trade	16,125	16,125	500,000	100.00	224,609	(85,157)	(85,157)	Subsidiary
	OTH	Singapore	Holding company	1,681,934	1,681,934	31,000	100.00	1,388,420	(178,601)	(178,601)	Subsidiary
	RUSL	Hong Kong	Holding company	14,810,748	10,940,748	459,248,000	100.00	10,587,088	(1,007,513)	(1,007,513)	Subsidiary
Improve	TPKA	Malaysia	Holding company	5,372,497	5,372,497	632,187	100.00	4,311,203	(443,679)	(443,679)	Sub-subsidiary
OTH	TPKU	U.S.A.	International trade	154,800	154,800	Note 1	100.00	179,622	28,806	28,806	Sub-subsidiary
RUSL	TPK HK	Hong Kong	Touch module related product research, holding company and international trade	14,746,248	10,876,248	457,248,000	100.00	10,523,898	(1,007,289)	(1,007,289)	Sub-subsidiary
TPK HK	Cando	Taiwan	Touch modules research, development and manufacture	6,242,764	6,242,764	77,124,591	19.78	Note 4	-	-	Associate accounted for using equity method
	JJS	Samoa	Holding company	-	140,491	-	-	-	22,272	10,492	Note 6
	TPKF HK	Hong Kong	Holding company	387,484	387,484	14,403,501	80.02	(180,880)	(246,500)	(181,748)	Sub-subsidiary
TPKA	TPKT	Taiwan	Touch related materials sales and machinery manufacture, wholesale and retail	2,911,700	2,850,000	50,717,000	100.00	3,057,923	(318,255)	(318,255)	Sub-subsidiary
	TCS	Taiwan	Chemically strengthened glass processing and sales	330,000	330,000	33,000,000	55.00	128,020	(43,549)	(23,952)	Sub-subsidiary
TPKT	NSI	Samoa	Holding company	-	6,450	-	-	-	-	-	Note 5
	RSSL	Hong Kong	Holding company	429,248	429,248	13,310,000	100.00	713,058	(19,508)	(19,508)	Sub-subsidiary

Note 1: There were no shares since it is a limited liability no-shares company.

Note 2: Except for Cando, intercompany balances and transactions were eliminated upon consolidation.

Note 3: Refer to Table 8 for information on investments in mainland China.

Note 4: Based on assessments, the recoverable amounts of the Group's interests in Cando were less than their carrying amounts. Hence, impairment losses of the total carrying amounts were recognized. Refer to Note 13 to the consolidated financial statements for more information.

Note 5: To simplify its organizational structure, the Company's board of directors resolved to dissolve and liquidate NSI, and the process was finished on March 31, 2016.

Note 6: To simplify its organizational structure, the Company's board of directors resolved to dissolve and liquidate JJS, which was approved by the authorities of Samoa on August 1, 2016. The process was finished on September 30, 2016.

TABLE 8

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Investee Company	Main Business and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016
					Outward	Inward						
TPKC	Touch modules research, development, manufacture and sales	$ 7,849,456	Direct investment	$ -	$ -	$ -	$ -	$ 90,269	100.00	$ 90,269	$ 32,136,600	$ -
TPKL	Optical glass processing and sales; machinery manufacture, wholesale and retail	935,250	Direct investment	-	-	-	-	52,724	100.00	52,724	(855,485)	-
TPKS	Touch modules and touch display and systems research, development, manufacture and sales	806,250	Direct investment	-	-	-	-	20,283	100.00	20,283	708,810	-
RSO	Optical glass processing and sales	483,750	Direct investment	-	-	-	-	(9,682)	100.00	(9,682)	(119,178)	-
TPKG	Optical glass processing and sales	9,233,175	Direct investment	-	-	-		(2,437,510)	100.00	(2,437,510)	2,697,614	-
MTOH	Touch modules research, development, manufacture and sales	1,935,000	Direct investment	-	-	-	-	(8,121)	100.00	238	615,339	-
TPKP	ITO glass research, development, manufacture, processing and sales	4,837,500	Direct investment	-	-	-	-	(1,085,581)	100.00	(1,085,581)	(1,932,507)	-
TPKM	Touch related electronic materials and electronic chemicals processing, manufacture and research	112,875	Direct investment	-	-	-	-	13,207	100.00	13,207	284,545	-
TPKMS	Trade	2,615	Direct investment	-	-	-	-	(435)	100.00	(435)	1,779	-
TPKD	Touch modules research, development, manufacture and sales	4,125,790	Direct investment	-	-	-	-	2,367,894	100.00	2,367,894	11,169,190	-
RSS	Touch modules research, development, manufacture and sales	525,675	Indirect investment	428,925	-	-	428,925	(17,028)	-	(17,028)	Note 4	-
TPKJ	Protective film and optical adhesive manufacture and sales	116,100	Indirect investment	-	-	-	-	122,336	51.00	62,259	187,300	-
JT	Protective film and optical adhesive manufacture and sales	188,018	Indirect investment	-	-	-	-	(65,953)	51.00	(33,636)	161,575	-
TPKF	Touch modules research, development, manufacture and sales	467,625	Indirect investment	-	-	-	-	(246,145)	80.02	(196,965)	(269,075)	-

(Continued)

Investee Company	Main Business and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016
					Outward	Inward						
JSX	Land development	$ 809,217	Direct investment	$ -	$ -	$ -	$ -	$ 84,825	100.00	$ 84,825	$ 711,519	$ -
TES XM	Computer and electronic component manufacture and sales	483,750	Direct investment	-	-	-	-	589,208	17.30	225,880	195,824	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2016	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2)
$428,925	$525,675	$1,834,533

Note 1: It is calculated based on historical cost.

Note 2: The limit cannot exceed 60% of TPKT's net asset value as of December 31, 2016.

Note 3: The investee company's financial report was audited by the parent company's auditors.

Note 4: Subsidiary RSS was merged by TPKG and dissolved afterwards. Refer to Note 12 to the consolidated financial statements for more information.

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Relationship (Note 3)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms (Note 4)	% of Total Sales or Assets (Note 5)
1	TPKH	UYH	a	Loans to related parties	$ 2,476,800	-	2.82
		UYH	a	Interest revenue	87,696	-	0.10
		TPK HK	a	Other current assets	123,864	-	0.14
		TPK HK	a	Short-term borrowings	3,225,000	-	3.68
		TPKC	a	Short-term borrowings	4,708,500	-	5.37
		TPKC	a	Interest expense	93,008	-	0.10
2	UYH	TPKG	c	Loans to related parties	1,302,900	-	1.49
		TPKG	c	Loans to related parties - long-term	2,741,250	-	3.13
		TPK HK	c	Long-term borrowings	1,515,750	-	1.73
		TPKG	c	Interest revenue	111,735	-	0.12
3	TPKA	TPK HK	c	Loans to related parties - long-term	1,225,500	-	1.40
4	TPKT	TPK HK	c	Loans to related parties	645,000	-	0.74
		TCS	c	Loans to related parties	471,000	-	0.54
		TPKC	c	Purchases	92,348	-	0.10
		TPKD	c	Sales	185,583	-	0.21
5	TPKC	TPKL	c	Loans to related parties	897,227	-	1.02
		TPKS	c	Short-term borrowings	633,936	-	0.72
		TPKS	c	Accounts payable	252,148	-	0.29
		TPKS	c	Purchases	659,920	-	0.74
		TPKU	c	Accounts receivable, net	249,056	-	0.28
		TPKU	c	Sales	912,463	-	1.02
		TPKG	c	Loans to related parties	470,918	-	0.54
		TPKG	c	Accounts payable	131,249	-	0.15
		TPKG	c	Accounts receivable, net	109,429	-	0.12
		TPKG	c	Rental expenses	103,030	-	0.12
		TPKG	c	Purchases	2,233,342	-	2.50
		TPKG	c	Sales	567,779	-	0.63
		TPK HK	c	Long-term borrowings	1,609,275	-	1.84
		TPK HK	c	Accounts payable	347,307	-	0.40
		TPK HK	c	Accounts receivable, net	7,678,779	-	8.76
		TPK HK	c	Research and development expenses	426,682	-	0.48

(Continued)

No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Relationship (Note 3)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms (Note 4)	% of Total Sales or Assets (Note 5)
5	TPKC	TPK HK	c	Purchases	$ 1,071,969	-	1.20
		TPK HK	c	Sales	36,431,693	-	40.74
		MTOH	c	Loans to related parties	1,303,485	-	1.49
		MTOH	c	Sales	143,125	-	0.16
		TPKP	c	Loans to related parties	4,683,158	-	5.34
		TPKF	c	Loans to related parties	1,101,545	-	1.26
		TPKM	c	Short-term borrowings	234,472	-	0.27
		TPKD	c	Short-term borrowings	1,468,147	-	1.67
		TPKD	c	Accounts receivable, net	624,142	-	0.71
		TPKD	c	Other current assets	209,878	-	0.24
		TPKD	c	Rental revenue	309,964	-	0.35
		TPKD	c	Sales	2,173,161	-	2.43
		TPKD	c	Other income	456,866	-	0.51
		TPKJ & JT	c	Accounts payable	108,375	-	0.12
		TPKJ & JT	c	Purchases	528,113	-	0.59
6	TPKL	TPKD	c	Sales	97,028	-	0.11
7	TPKS	TPKG	c	Purchases	349,147	-	0.39
		TPK HK	c	Accounts receivable, net	193,628	-	0.22
		TPK HK	c	Sales	3,454,231	-	3.86
8	TPKU	TPK HK	c	Purchases	157,578	-	0.18
9	TPKG	TPK HK	c	Long-term borrowings	3,225,000	-	3.68
		TPK HK	c	Purchases	311,433	-	0.35
		TPK HK	c	Sales	1,234,392	-	1.38
		MTOH	c	Sales	121,418	-	0.14
		TPKP	c	Purchases	97,624	-	0.11
		TPKM	c	Purchases	138,545	-	0.15
		TPKD	c	Accounts receivable, net	384,470	-	0.44
		TPKD	c	Sales	614,965	-	0.69
		TPKJ & JT	c	Purchases	114,475	-	0.13
10	TPK HK	MTOH	c	Loans to related parties - long-term	837,081	-	0.95
		MTOH	c	Accounts payable	146,232	-	0.17
		MTOH	c	Purchases	3,066,688	-	3.43
		TPKP	c	Loans to related parties - long-term	2,232,216	-	2.55
		TPKD	c	Accounts payable	14,824,767	-	16.91
		TPKD	c	Accounts receivable, net	3,933,449	-	4.49
		TPKD	c	Purchases	39,830,452	-	44.54
		TPKD	c	Sales	20,513,169	-	22.94
11	MTOH	TPKP	c	Purchases	235,812	-	0.26
		TPKM	c	Purchases	134,882	-	0.15
		TPKJ & JT	c	Purchases	148,331	-	0.17

(Continued)

No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Relationship (Note 3)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms (Note 4)	% of Total Sales or Assets (Note 5)
12	TPKD	TPKJ & JT	c	Accounts payable	$ 191,870	-	0.22
		TPKJ & JT	c	Purchases	1,227,561	-	1.37

Note 1: The parent company is indicated by "1", while all other numbers indicate subsidiaries.

Note 2: The company name and counterparty are listed in Note 12 to the consolidated financial statements.

Note 3: The directional flow of the transactions are indicated by the following numerals:

a. From parent company to subsidiary.
b. From subsidiary to parent company.
c. Between subsidiaries.

Note 4: The sales prices and payment terms of intercompany sales and purchases were not significantly different from those transactions with third parties. For other intercompany transactions, prices and terms are determined based on mutual agreement.

Note 5: Other transactions that were less than 0.1% of total assets or sales are not disclosed.

Note 6: Intercompany balances and transactions were eliminated upon consolidation.

(Concluded)

Appendix 1

The securities market of the ROC

The information presented in this section has been extracted from publicly available documents that have not been prepared or independently verified by us, the Initial Purchaser or any of our respective affiliates or advisors in connection with this offering.

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. Effective July 1, 2004, the ROC Securities and Futures Commission has been renamed the ROC Securities and Futures Bureau of the FSC (the "SFB"), and its supervisory authority has been transferred from the MOF to the FSC.

Taiwan Stock Exchange

In 1961, the SFB established the TWSE to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms (firms which are permitted to combine the activities of brokerage trading and underwriting), must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the SFB actively encouraged new listings on the TWSE and the number of listed companies has grown from 119 in 1983 to 900 as of June 30, 2017. As of June 30, 2017, the market capitalization of companies listed on the TWSE was approximately NT$30.84 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the SFB has encouraged companies to list other types of securities. In 1988, the MOF permitted the issuance of ROC's first exchangeable bonds. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by super-national financial institutions are also listed on the TWSE or traded on the TPEx (which is discussed below). The FSC also has promulgated regulations which permit foreign issuers to list certain securities on the TWSE.

The TWSE considers the following factors when evaluating a company for listing:

- the number and distribution of shareholders, including the diversification of such shareholders;
- length of time in business;
- amount of paid-in capital; and
- profitability.

However, special listing criteria apply to technology companies and key businesses that are engaged in the national economic development.

Taipei exchange

To complement the TWSE, Taipei Exchange (the "TPEx", formerly known as GreTai Securities Market) was established in September 1982 on the initiative of the SFB to encourage the trading of securities of companies that do not qualify for listing on the TWSE. As of August 9, 2017, 741 companies had listed equity securities on the TPEx and the total market capitalization of those companies was NT$3.1 trillion.

Price limits, commissions, transaction tax and other matters

The TWSE has placed limits on block trading and on the range of daily price movements. According to the TWSE's block trading guidelines, transactions in one class of securities that involve 500 or more trading lots or trading amounts exceeding NT$15 million, and transactions involving five or more different classes of securities and trading amounts exceeding NT$15 million must be registered and executed in accordance with the guidelines. Fluctuations in the price of stock traded on the TWSE are currently subject to a restriction of 10% above and below the previous day closing price (or reference price set by the TWSE if the previous day closing price is not available because of lack of trading activity). However, these restrictions have been modified from time to time by the FSC based on market conditions. The FSC has announced that limitations on price fluctuations may be relaxed with a view to eventually abolish all share price fluctuation controls. Brokerage commission can be set at any rate of the transaction price, provided that any rate exceeding 0.1425% shall be reported to the TWSE and notified to the client in advance. A STT, currently levied at 0.3% of the transaction price for sale of shares, is payable by the seller and withheld at the time of the transaction giving rise to such tax. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales.

Regulation and supervision

The FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from the FSC for all securities offerings. The FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the FSC establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The FSC has responsibility for implementing ROC Securities and Exchange Law and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Law specifically empowers the FSC to promulgate necessary rules. ROC Securities and Exchange Law prohibits market manipulation. For example, it permits an issuer to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the shares of the issuer. ROC Securities and Exchange Law prohibits trading by "insiders" based on non-public information that materially affects share price movement prior to publication of such information and within 18 hours after publication of such information. "Insiders" include:

- directors, supervisors, managers, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the issuing company's shares and any individual designated by a governmental or corporate director or supervisor to act on its behalf;
- any person who has learned material, non-public information due to an occupational or controlling relationship with the issuing company;

- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and
- any person who has learned material, non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction. ROC Securities and Exchange Law also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of an issuer's contracts, reports and other documents related to securities transactions. The FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, ROC Securities and Exchange Law provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers. The FSC does not have criminal or civil enforcement powers under ROC Securities and Exchange Law. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;
- temporary suspension of operation;
- imposition of administrative fines; and
- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the FSC, delist the securities of these issuers.

For a foreign issuer who lists its shares for trading on the TWSE, such as us, in addition to the above-mentioned regulations and supervision, certain restrictions and provisions of the ROC Securities and Exchange Law shall also be applicable to such foreign companies, including but not limited to the following:

- responsibility for preparation and announcement of financial statements;
- responsibility for preparation and distribution of prospectus;
- reporting obligations of change of shareholding of directors, managers and shareholders who hold more than 10% of the shares of the issuer;
- tender offer;
- private placement of securities; and
- margin trading.

ISSUER
TPK Holding Co., Ltd.

P.O. Box 309
Ugland House, Grand Cayman KY1-1104
Cayman Islands

DEPOSITARY
Citibank, N.A.

388 Greenwich Street
New York, New York 10013
United States of America

CUSTODIAN IN ROC
Citibank Taiwan Limited

9th Floor, No.16 Nan Jing East Road, Section 4,
Taipei, Taiwan
Republic of China

LEGAL ADVISORS

Cayman Islands Legal Advisor to the Issuer

Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

ROC Legal Advisor to the Issuer

Lee and Li, Attorneys-at-Law

7th Floor, 201, Tun Hua North Road
Taipei, Taiwan
Republic of China

PRC Legal Advisor to the Issuer

L&L-Leaven, Attorneys-at-Law

Room 1801-1815
No. 2008, Huqingping Road
Qingpu, Shanghai
People's Republic of China

US Legal Advisor to the Initial Purchaser

Davis Polk & Wardwell

18th Floor
The Hong Kong Club Building
3A Chater Road
Hong Kong

Legal Advisor to the Depositary

Patterson Belknap Webb & Tyler LLC

1133 Avenue of the Americas
New York, New York 10036
United States of America

INDEPENDENT ACCOUNTANTS OF THE ISSUER

Deloitte & Touche

12th Floor, Hung Tai Financial Plaza
No. 156, Sec. 3, Min Sheng East Road
Taipei, Taiwan
Republic of China

LUXEMBOURG LISTING AGENT AND LUXEMBOURG INTERMEDIARY

Deutsche Bank Luxembourg S.A.

2, Boulevard Konrad Adenauer
L-1115 Luxembourg