HITRON TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

INDEX TO FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of
Hitron Technologies Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Hitron Technologies Inc. and its subsidiaries as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (noted other matter), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Hitron Technologies Inc. and its subsidiaries as at December 31, 2016 and 2015, 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of our report. We are independent of the Hitron Technologies Inc. and its subsidiaries in accordance with the Codes of Professional Ethics for Certified Public Accountants in the Republic of China (the "Codes"), and we have fulfilled our other ethical responsibilities in accordance with the Codes. 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 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, we do not provide a separate opinion on these matters.

Revenue recognition

Description

Please refer to Note 4(19) to the consolidated financial statements about accounting policy of revenue recognition, Note 5(1) about accounting judgments, key sources of estimates and uncertainty for revenue recognition.

Hitron Technologies Inc. and its subsidiaries mainly engaged in the development, manufacture and sale of broadband CPE. The main products are cable modem, cable router and other telecommunication products. As the market demand changes rapidly, customer needs and contract terms become complex and impact the performance of the management. Revenue recognition in the proper period become an audit risk, so we consider revenue recognition a key audit matter.

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

1. Assess the appropriateness of the accounting policy of revenue recognition.
2. Understand the internal control process of sales cycle and assess the effectiveness of its operation.
3. Check customer sales contracts, order status, shipping and account collection of the selected transactions, and perform sales margins and inventory turnover analysis.
4. Perform cut-off test to confirm the proper period of revenue recognition.
5. Check significant returns and discounts in subsequent period.

Valuation of inventories

Description

Please refer to Note 4(11) to the consolidated financial statements about accounting policy of inventory, Note 5(2) about accounting judgments, key sources of estimation and uncertainty for inventory evaluation, and Note 6(6) for the details of the information about allowance for inventory valuation losses.

Due to rapid change in consumer needs and competition in the market, product price volatility cause inventory value risk. We consider valuation of inventories a key audit matter.

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

1. Understand and assess the provision policies on allowance for inventory valuation losses. Confirm the policies applied on allowance for inventory valuation losses are consistent for all periods. Check inventory aging report generated by the system.
2. Sampling the selling price of the most recent sales and confirm to the measurement of impairment loss of inventory under the lower of cost and net realized value.
3. Observing physical inventory counts and check any obsolete, slow-moving or damaged inventories.

Other matter

The 2016 and 2015 financial statements of the Hitron Technologies Europe Holding B.V. in the above mentioned consolidated financial statements were audited by other auditors. Thus, the amounts and information of the subsidiary shown within are in accordance with the audit reports assured by other auditors whose reports thereon have been furnished to us. Total assets of the company were NT$199,049 thousand and NT$185,570 thousand, constituting 2.46% and 2.59% of the consolidated total assets as of December 31, 2016 and December 31, 2015 respectively. Total operating revenues of the company were NT$288,496 thousand and NT$276,741 thousand, constituting 3.29% and 3.43% of the consolidated operating revenues for December 31, 2016 and December 31, 2015 respectively.

We have audited the parent company only financial statements of Hitron Technologies Inc. as of and for the years ended December 31, 2016 and 2015 on which we have expressed an unqualified opinion on the financial statements.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 ability of Hitron Technologies Inc. and its subsidiaries 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 Hitron Technologies Inc. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of Hitron Technologies Inc. and its subsidiaries.

Auditor's 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 auditor's 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 ROC GAAS 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 ROC GAAS, 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 Hitron Technologies Inc. and its subsidiaries 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 Hitron Technologies Inc. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause Hitron Technologies Inc. and its subsidiaries 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 appropriate audit evidence regarding the financial information of the entities or business activities within Hitron Technologies Inc. and its subsidiaries 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.

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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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

BDO Taiwan

BDO TAIWAN

March 21, 2017

Notice to Readers

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

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2016 and 2015

UNIT：NTD (In Thousands)

Assets	Notes	December 31,2016	%	December 31, 2015	%
Current assets					
Cash and cash equivalents	6.1	$2,621,524	32.34	$2,416,388	33.71
Financial assets at fair value through profit or loss - current	6.2	68,870	0.85	199,318	2.78
Notes receivable, net	6.4	6,151	0.08	21,277	0.30
Trade accounts receivable, net	6.5	1,716,324	21.17	1,290,298	18.00
Other receivables		46,631	0.58	6,491	0.09
Income tax assets		3,790	0.05	91	-
Inventories	6.6	1,717,586	21.19	1,486,625	20.74
Prepayments		341,093	4.20	367,847	5.13
Other current assets		73,603	0.90	57,678	0.80
Sub-total		6,595,572	81.36	5,846,013	81.55
Non-current assets					
Available-for-sale financial assets - non-current	6.3	19,366	0.24	39,326	0.55
Property, plant and equipment	6.7	1,183,031	14.59	925,729	12.91
Intangible assets		50,531	0.62	53,466	0.75
Deferred income tax assets		41,271	0.51	51,844	0.72
Other non-current assets		216,930	2.68	251,810	3.52
Sub-total		1,511,129	18.64	1,322,175	18.45
Total assets		$8,106,701	100.00	$7,168,188	100.00

Liabilities & Equity	Notes	December 31,2016	%	December 31, 2015	%
Current liabilities					
Short-term borrowings	6.8	$489,180	6.03	$538,761	7.52
Financial liabilities at fair value through profit or loss - current	6.2	159	-	2,486	0.03
Notes payable		2,551	0.03	5,358	0.07
Accounts payable		1,451,596	17.91	1,444,978	20.16
Other Payables		528,225	6.52	363,018	5.06
Income tax payable		116,777	1.44	57,409	0.80
Provisions - current	6.9	223,130	2.75	245,327	3.42
Other current liabilities	6.10	312,377	3.86	395,754	5.53
Sub-total		3,123,995	38.54	3,053,091	42.59
Non-current liabilities					
Financial liabilities at fair value through profit or loss - non-current	6.2	1,550	0.02	-	-
Bonds payable	6.11	489,516	6.04	-	-
Long-term borrowings	6.12	488,934	6.03	524,917	7.32
Provisions - non-current	6.9	38,182	0.47	51,447	0.72
Deferred Income tax liabilities		7,551	0.09	4,618	0.06
Other non-current Liabilities		41,058	0.51	58,843	0.83
Sub-total		1,066,791	13.16	639,825	8.93
Total liabilities		4,190,786	51.70	3,692,916	51.52
Equity					
Equity attributable to owners of parent					
Share Capital	6.14				
Common stock		2,262,684	27.91	2,239,112	31.24
Share capital collected in advance		-	-	3,714	0.05
Capital surplus	6.15	569,274	7.02	522,030	7.28
Retained earnings	6.16				
Legal reserve		129,212	1.59	110,161	1.54
Unappropriated retained earnings		451,541	5.57	190,515	2.66
Other equity interest		(25,387)	(0.31)	24,721	0.34
Total equity attributable to owners of the parent		3,387,324	41.78	3,090,253	43.11
Non-controlling interests		528,591	6.52	385,019	5.37
Total equity		3,915,915	48.30	3,475,272	48.48
Total liabilities and equity		$8,106,701	100.00	$7,168,188	100.00

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOMES

For the Years Ended December 31, 2016 and 2015

UNIT：NTD (In Thousands)

Item	Notes	2016	%	2015	%
Operating revenue	6.17	$8,762,719	100.00	$8,062,949	100.00
Operating costs	6.6	(6,535,360)	(74.58)	(6,306,144)	(78.21)
Operating margin (loss)		2,227,359	25.42	1,756,805	21.79
Net operating margin (loss)		2,227,359	25.42	1,756,805	21.79
Operating expenses					
Selling expenses		(622,176)	(7.10)	(655,610)	(8.13)
General and administrative expenses		(510,740)	(5.83)	(410,032)	(5.09)
Research and development expenses		(340,373)	(3.88)	(274,802)	(3.41)
Sub-total		(1,473,289)	(16.81)	(1,340,444)	(16.63)
Net operating income (loss)		754,070	8.61	416,361	5.16
Non-operating income and expense					
Other income		24,158	0.28	43,011	0.53
Other gains and loss	6.18	(88,505)	(1.01)	(46,605)	(0.58)
Financial costs		(32,201)	(0.38)	(33,067)	(0.40)
Sub-total		(96,548)	(1.11)	(36,661)	(0.45)
Profit (loss) before tax		657,522	7.50	379,700	4.71
Income tax	6.21	(134,628)	(1.53)	(90,446)	(1.12)
Profit (loss) from continuing operations		522,894	5.97	289,254	3.59
Profit (loss) for the year		522,894	5.97	289,254	3.59
Other comprehensive income(loss)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit plans		775	0.01	(1,405)	(0.02)
Income tax related to items that will not be reclassified subsequently		(132)	-	239	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of foreign operations		(50,637)	(0.58)	(14,769)	(0.18)
Unrealized gains/(losses) on available-for-sale financial assets		-	-	3,379	0.04
Other comprehensive income(loss) for the year		(49,994)	(0.57)	(12,556)	(0.16)
Total comprehensive income for the year		472,900	5.40	276,698	3.43
Profit (loss) attributable to ：					
Owners of parent		449,272	5.13	223,181	2.77
Non-controlling interests		73,622	0.84	66,073	0.82
Total		522,894	5.97	289,254	3.59
Total comprehensive income(loss) attributable to：					
Owners of parent		399,671	4.56	212,406	2.63
Non-controlling interests		73,229	0.84	64,292	0.80
Total		$472,900	5.40	$276,698	3.43
Earnings per share	6.22				
Basic earnings (loss) per share		$1.99		$1.01	
Diluted earnings per share		$1.79		$1	

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2016 and 2015

UNIT：NTD (In Thousands)

Summary	Stockholders' equity of Parent Company										
	Stock			Retained Earnings		Equity Adjustments					
	Common Stock	Share capital collected in advance	Capital surplus	Legal Reserve	Unappropriated retained earnings	Exchange differences on translation of foreign operations	Unrealized gain or loss on available-for –sale financial assets	Treasury Stocks	Sub Total	Non-controlling interests	Total equity
Balance on January 1, 2015	$2,405,487	$0	$548,319	$96,565	$135,956	$36,499	$(605)	$(136,540)	$3,085,681	$395,831	$3,481,512
Appropriation and distribution of retained earnings 2014											
Legal reserve	-	-	-	13,596	(13,596)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(120,275)	-	-	-	(120,275)	-	(120,275)
Profit for the Year 2015	-	-	-	-	223,181	-	-	-	223,181	66,074	289,255
Other comprehensive income for the year 2015	-	-	-	-	398	(14,552)	3,379	-	(10,775)	(1,782)	(12,557)
Cash capital increase, discount and premium / share capital collected in advance	-	3,714	-	-	-	-	-	-	3,714	-	3,714
Bonds payable converted into common stock and capital surplus	22,165	-	9,719	-	-	-	-	-	31,884	-	31,884
Acquisition of treasury stocks	-	-	-	-	-	-	-	(123,158)	(123,158)	-	(123,158)
Retirement of treasury stocks	(188,540)	-	(36,008)	-	(35,149)	-	-	259,698	1	-	1
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(75,104)	(75,104)
Balance on January 1, 2016	$2,239,112	$3,714	$522,030	$110,161	$190,515	$21,947	$2,774	$0	$3,090,253	$385,019	$3,475,272
Appropriation and distribution of retained earnings 2015											
Legal reserve	-	-	-	19,052	(19,052)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(169,701)	-	-	-	(169,701)	-	(169,701)
Adjustments to share of changes in equities of associates and joint venture	-	-	26,011	-	-	-	-	-	26,011	-	26,011
From share of changes in capital surplus of subsidiaries	-	-	940	-	-	-	-	-	940	-	940
Profit for the Year 2016	-	-	-	-	449,272	-	-	-	449,272	73,622	522,894
Other comprehensive income for the year 2016	-	-	-	-	507	(50,108)	-	-	(49,601)	(393)	(49,994)
Cash capital increase, discount and premium / share capital collected in advance	-	(3,714)	-	-	-	-	-	-	(3,714)	-	(3,714)
Bonds payable converted into common stock and capital surplus	23,572	-	13,498	-	-	-	-	-	37,070	-	37,070
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	-	6,795	-	-	-	-	-	6,795	-	6,795
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	70,343	70,343
Rounding	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Balance on December 31, 2016	$2,262,684	$0	$569,274	$129,212	$451,541	$(28,161)	$2,774	$0	$3,387,324	$528,591	$3,915,915

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

UNIT：NTD (In Thousands)

Items	2016	2015
Cash flows from operating activities		
Profit(loss) before income tax	$657,522	$379,700
Consolidated profit and loss before tax	657,522	379,700
Adjusted items:		
Income and expenses having no effect on cash flows		
Depreciation	148,806	134,696
Amortization	14,084	11,505
Provision for doubtful accounts	5,278	635
Net gains (losses) on financial assets (liabilities) at fair value through profit or loss	(9,758)	14,201
Interest expense	32,201	33,068
Interest income	(4,403)	(4,967)
Dividend income	(8,054)	(5,444)
Loss(gain) on disposal and obsoleteness of property, plant and equipment	2,508	3,895
Loss(gain) on disposal of investments	(2,549)	(10,803)
Other losses on reversal from intangible assets	21	-
Loss(gain) on liquidation	-	403
Changes in current assets and liabilities related to operating activities		
(Increase)decrease in held-for-trading financial assets	145,594	(47,419)
(Increase)decrease in notes receivable	15,126	(12,241)
(Increase)decrease in accounts receivable	(431,305)	87,285
(Increase)decrease in other receivables	(39,691)	28,013
(Increase)decrease in inventories	(230,961)	29,522
(Increase)decrease in prepaid expenses	11,492	(9,183)
(Increase)decrease in prepayments	15,263	82,156
(Increase)decrease in other current assets	6,509	(4,484)
(Increase)decrease in other financial assets	(22,434)	6,523
Increase(decrease) in held-for-trading financial liabilities	-	(16)
Increase(decrease) in notes payable	(2,807)	(11,593)
Increase(decrease) in accounts payable	6,618	357,349
Increase(decrease) in accounts payable - related parties	(4,710)	-
Increase(decrease) in other payables	138,078	64,052
Increase(decrease) in provisions	(35,461)	77,373
Increase(decrease) in advanced receipts	(96,411)	227,304
Increase(decrease) in other current liabilities	(14,510)	7,665
Increase(decrease) in net defined benefit liability	(6,680)	1,163
Interest received	3,954	4,972
Dividends received	8,054	5,444
Interest paid	(30,336)	(33,302)
Income taxes refund (paid)	(65,454)	(48,499)
Net cash generated from (used in) operating activities	205,584	1,368,973
Cash flows from investing activities		
Acquisition of financial assets at fair value through profit or loss, designated upon initial recognition	9	-
Proceeds from disposal of available-for-sale financial assets	11,429	-
Proceeds from capital reduction of financial assets carried at cost	5,332	6,201
Acquisition of property, plant and equipment	(416,201)	(84,768)
Proceeds from disposal of property, plant and equipment	475	1,453
Increase in refundable deposits	-	(16,528)
Decrease in refundable deposits	55,139	-
Acquisition of intangible assets	(13,039)	(2,011)
Increase in other financial assets	(14,236)	-
Increase in other non-current assets	-	(9,549)
Decrease in other non-current assets	1,958	-
Increase in prepayments for equipment	(7,979)	(11,943)
Net cash generated from (used in) investing activities	(377,113)	(117,145)
Cash flows from (used in) financing activities		
Increase in short-term borrowings	-	32,370
Decrease in short-term borrowings	(49,581)	-
Issuance of bonds payable	500,000	-
Repayments of bonds payable	(1,300)	-
Increase in long-term borrowings	20,619	-
Decrease in long-term borrowings	-	(684,507)
Decrease in financial liabilities at fair value through profit or loss, designated upon initial recognition	(2,427)	(213)
Increase in guarantee deposits received	79	134
Increase in other non-current liabilities	-	17,468
decrease in other non-current liabilities	(10,677)	-
Cash dividends paid	(169,701)	(120,274)
Purchase of treasury stock	-	(123,157)
Increase(decrease) in non-controlling interests	69,950	(76,886)
Net cash generated from (used in) financing activities	356,962	(955,065)
Effect of exchange rate	19,703	(1,651)
Net increase(decrease)in cash and cash equivalents	205,136	295,112
Cash and cash equivalents at the beginning of year	2,416,388	2,121,276
Cash and cash equivalents at the end of year	$2,621,524	$2,416,388

The accompanying notes are an integral part of financial statements

HITRON TECHNOLOGIES INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Hitorn Technologies Inc. (HT) was incorporated in the Republic of China (R.O.C.) on March 24, 1986 under Company Act. The Company is mainly engaged in integrating communication systems, producing and selling electronic and telecom communication products. The operating activities and information of the Company and its subsidiaries (collectively as the“Company”) are described in note 4.3 and 13.2.

2. THE AUTHORIZATION OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 21, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1 Effect of the adoption of new issuances or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)：None

3.2 Effect of new issuances or amendments to IFRSs endorsed by the FSC but not yet adopted by the Company：

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Company's financial condition and operating results based on the Company's assessment.

3.3 IFRSs issued by IASB but not yet endorsed by the FSC

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
IFRS 16, ‘Leases’	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses(amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

1. IFRS 9, ‘Financial instruments’

(1)Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(2)The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses (‘ECL’) or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

2. IFRS 15, ‘Revenue from contracts with customers’

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

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

   Step 1: Identify contracts with customer.

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

   Step 3: Determine the transaction price.

   Step 4: Allocate the transaction price.

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

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

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

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

4. IFRS 16, ‘Leases’

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

5. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC.

4.2. Basis of Preparation

4.2.1. The consolidated financial statements have been prepared on the historical cost basis except for the following items:

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

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

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

4.2.2. The preparation of financial statements in compliance with the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involve higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, please refer to Note 5 for more information.

4.3. Basis of Consolidation

4.3.1. Basis for preparation of consolidated financial statements:

(1) The consolidated financial statements incorporate the financial statements of HT and entities controlled by the HT (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Company controls an entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date of obtaining control and are excluded from the date of losing control.

(2) Inter-company transactions, balances and unrealized gains or losses are eliminated. Accounting policies of subsidiaries have been adjusted to align with those used by the Company.

(3) Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the Company’s interests and the non-controlling interests are adjusted to reflect the changed in their 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.

4.3.2. Subsidiaries included in the consolidated financial statements:

			Percentage of Ownership		
Investor	Investee	Main Business and Products	2016.12.31	2015.12.31	Note
The Company	HITRON TECHNOLOGIES (SAMOA) INC.	International trade	100.00	100.00	
The Company	WEI TECH (SAMOA) INC., LTD.	International trade	100.00	100.00	
The Company	INTERACTIVE DIGITIAL TECHNOLOGIES INC. (IDT)	Telecommunications and broadband network systems and services	49.14	55.30	(1)
The Company	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	International trade	100.00	100.00	
The Company	HITRON TECHNOLOGIES AMERICAS INC.	International trade	100.00	100.00	
The Company	INNOAUTO TECHNOLOGIES INC.	Investment and automotive electronics products	100.00	100.00	
The Company	Di’s Suzhou Electronic Technology Co., LTD	Auto parts product development and sales	80.00	-	(2)
HITRON TECHNOLOGIES (SAMOA) INC.	HITRON TECHNOLOGIES (SIP) INC.	Produce and sell wireless and telecom products	100.00	100.00	
HITRON TECHNOLOGIES (SAMOA) INC.	JIETECH TRADING (SUZHOU) INC.	Sell wireless and telecom products	100.00	100.00	

Investor	Investee	Main Business and Products	Percentage of Ownership 2016.12.31	2015.12.31	Note
INTERACTIVE DIGITIAL TECHNOLOGIES INC.	HWA CHI TECHNOLOGIES (SHANGHAI) INC.	Technical consulting, researching, maintenance and after service of electronic and telecom products	100.00	100.00	

Note (1): The Company sold 532 thousand shares of INTERACTIVE DIGITAL TECHNOLOGIES INC. in 2016. The proceeds received were $17,556 thousand and the Company's share percentage down to 54.03%. Since this change in the Company's ownership interests in a subsidiary does not result in the Company's loss of control over the subsidiary, this transaction is accounted for as equity transactions. Difference between the carrying amounts of the investment and the fair value of the consideration received amounted to $6,795 thousand is recognized directly in equity. Board of directors of INTERACTIVE DIGITAL TECHNOLOGIES INC. decide to increase capital by cash and the Company did not subscribe, therefor, shareholding decrease to 49.14%.

Note (2): The Company has purchased 80% of shares of Di's Suzhou Electronic Technology Co., LTD for $18,623 thousand in November 2016.

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

4.3.4. Adjustments for subsidiaries with different reporting period: None

4.3.5. Significant restrictions: None.

4.3.6. Subsidiaries that have non-controlling interests that are material to the Company:

As of December 31, 2016 and 2015, the information on non-controlling interest and respective subsidiaries is as follows:

	Non-controlling interest			
	2016.12.31	Ownership (%)	2015.12.31	Ownership (%)
Interactive Digital Technologies Inc.	$526,233	50.86	$385,019	44.70

Summarized financial information of the subsidiaries:

(1) Balance sheets

	Interactive Digital Technologies Inc.	
	2016.12.31	2015.12.31
Current assets	$1,599,140	$1,506,981
Non-current assets	393,056	399,716
Current liabilities	(901,367)	(967,347)
Non-current liabilities	(52,934)	(74,862)
Total net assets	$1,037,895	$864,488

(2) Statements of comprehensive incomes

	Interactive Digital Technologies Inc.	
	Year ended December 31, 2016	Year ended December 31, 2015
Operating revenue	$1,906,879	$2,157,242
Profit (loss) before tax	195,470	185,606
Income tax	(35,118)	(34,660)
Profit (loss) from continuing operations	160,352	150,946
Profit (loss) for the year	160,352	150,946
Total comprehensive income for the year	$159,554	$146,959

(3) Statements of cash flows

	Interactive Digital Technologies Inc.	
	Year ended December 31, 2016	Year ended December 31, 2015
Net cash generated from (used in) operating activities	$135,242	$417,238
Net cash generated from (used in) investing activities	2,602	(26,036)
Net cash generated from (used in) financing activities	11,985	(167,806)
Effect of exchange rate	(1,060)	(485)
Net increase(decrease) in cash and cash equivalents	148,769	222,911
Cash and cash equivalents at beginning of year	389,964	$167,053
Cash and cash equivalents at the end of year	$538,733	$389,964

4.4. Foreign currency transaction

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). The functional currency of the HT and presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT$). In preparing the consolidated financial statement, the operating results and financial positions of each consolidated entity are translated into NT$.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded 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. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NT$ using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity (attributed to no controlling interests as appropriate).

4.5. Classification of current and non-current items

4.5.1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(2) Assets held mainly for trading purposes;

(3) Assets that are expected to be realized within twelve months from the end of the reporting period;

(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the end of the reporting period.

4.5.2. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(1) Liabilities that are expected to be paid off within the normal operating cycle;

(2) Liabilities arising mainly from trading activities;

(3) Liabilities that are to be paid off within twelve months from the end of the reporting period;

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

4.6. Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

4.7. Financial assets or financial liabilities at fair value through profit or loss

4.7.1. Financial assets or financial liabilities at fair value through profit or loss are financial assets or financial liabilities held for trading or financial assets or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial assets or financial liabilities acquired principally for the purpose of short-term selling are classified in the category of held for trading. Derivatives are also categorized as financial assets or financial liabilities held for trading unless they are designated as hedges. Financial assets or financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(1) Hybrid (combined) contracts; or

(2) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(3) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

4.7.2. On a regular deal basis, financial assets held for trading are recognized and derecognized using transaction date accounting.

4.7.3. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

4.8. Available-for-sale financial assets

4.8.1. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. On a regular deal basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

4.8.2. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

4.9. Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage the market risk exposure to foreign exchange rate, interest rate and equity price fluctuation, including forward exchange contracts, cross currency swap contracts, interest rate swaps and forward stock contracts.

Derivative financial instruments are initially recognized at fair value at the date 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 unless the derivative financial instrument is designated and effective as a hedging instrument, in which situation the timing of the recognition in profit or loss depends on the nature of the hedge.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedges reserve. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period when the hedged item is recognized in profit or loss.

4.10. Accounts Receivable and Allowance for Doubtful Accounts

Imputed rate of interest should be applied to determine the fair value of accounts receivable. The difference between fair value and maturity value is recorded as unrealized interest revenue and will be reclassified to interest revenue in terms by the interest method. If the receivable from sales is due within one year, the difference between its present value and maturity value is immaterial, and the sales transaction is frequent, the fair value method will not be used.

When the evidences exist and indicate there are impairments occurring, the impairment loss on significant accounts receivable should be evaluated individually. Those insignificant accounts receivable with similar credit risk are collectively assessed for impairments.

4.11. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Fixed manufacturing cost is amortized to finished goods and work in progress based on normal operating capacity. Variable manufacturing cost is amortized according to actual production. However, when the difference between normal operating capacity and actual production is insignificant, amortization based on actual production should be adopted. When actual production exceeds normal operating capacity, manufacturing cost should be amortized by the actual operating capacity.

4.12. Property, Plant and Equipment

4.12.1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

4.12.2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed to profit or loss during the financial period in which they are incurred.

4.12.3. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Land is not depreciated. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

4.12.4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for buildings are 5~56 years, useful lives for other PP&E are 1 to 10 years.

4.13. Intangible Asset

Intangible assets individually acquired are measured by cost less accumulated amortization and impairment losses. Amount of amortization is calculated on a straight-line basis over their estimated useful lives of 1 to 5 years.

Estimated useful life and amortization method of intangible assets should be reviewed at each financial year-end. Any changes in accounting estimates can be applied prospectively.

4.14. Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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. An impairment loss is recognized immediately in profit or loss.

When an impairment loss no longer exist or decrease subsequently, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but not exceed 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 immediately in profit or loss.

4.15. Provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate 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. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

An onerous contract is defined as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The provision for onerous contracts is measured by the lower of the cost of fulfilling the contract and any compensation or penalties arising on cancellation of the contract. Impairment losses of assets related to the onerous contract should be recognized before recognizing a separate provision for the onerous contract.

4.16. Employee benefits

4.16.1. Pensions

(1) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Effective July 1, 2005, HT adopted the “Labor Pension Act” (the Act), which prescribes a defined contribution pension plan for those employees who were covered by the “Labor Standards Act” prior to the enforcement of the Act but chose to be subject to the pension mechanism under the Act, and those employees employed after the enforcement of the Act. HT makes monthly contributions to individual employee pension fund accounts at a rate of 6% of the employee’s monthly wages. The contributions are accounted for as current pension expense.

(2) Defined benefit plans

1. A defined benefit pension plan uses projected unit credit method to calculate actuarial valuation at the end of the fiscal year. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise. In accordance with the “Labor Standards Act”, HT makes contributions on a monthly basis to the labor pension fund deposited in the Bank of Taiwan.
2. Subsidiaries in the People’s Republic of China participate in the pension benefit plan operated by the local governments. The benefit plan is a defined contribution plan. After making contribution and recognizing as an expense, the subsidiaries are not liable to pay the retirement-eligible employees any pension benefits, but the local governments in PRC assume the obligations to pay instead.

4.16.2. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.16.3. Bonuses to Employees and Remuneration to Directors and Supervisors

Employees' remuneration and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

4.17. Income Tax

4.17.1. The tax expense for the period comprises both current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases, the tax is recognized in other comprehensive income or equity respectively.

4.17.2. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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.

4.17.3. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

4.17.4. Land Value Increment Tax arose from selling the land should be classified as income tax expenses when occurring.

4.18. Treasury Shares

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under “capital reserve – treasury share transactions”; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there is insufficient capital reserve to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted-average method and grouped by the type of repurchase.

When treasury shares are cancelled, capital reserve-share premiums and share capital are debited proportionately. If the share capital and capital reserve is insufficient to offset the book value of treasure shares cancelled, such deficiency are charged to retained earnings. If the carrying amount of treasure shares cancelled were lower, then the amount is offset against capital reserves arising from similar types of treasury shares.

4.19. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

4.19.1. Sales of goods

Revenue from sales of goods is recognized as conditions mentioned bellow are all satisfied：

(1) The Company has transferred significant risks and returns of ownership to the counterparty;

(2) The Company has not involved in any control activities and has not maintained effective control over the goods sold;

(3) The amount can be reliably measured;

(4) Economic benefits relevant to the transactions will probably flow into the Company;

(5) Costs related to the transactions, whether incurred or expected, can be reliably measured.

Revenues are generally applicable to each individual transaction. However, in some cases, to reflect the substance of the transaction, the Company recognizes the conditions allocated to each separately identifiable component of the transaction. If the product price includes follow-up services identifiable amount, the amount shall be deferred and recognized as performed.

4.19.2. Revenue of service, technical service, leases, dividend and interest income

Revenue from delivering services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable.

Revenue of technical services is recognized according to the service contract. However, the associated economic benefits of the transaction should be likely flowing into the Company and the amount can be reliably measured.

Rental income was recognized as income on a straight-line basis over the lease term.

If it is highly probable that the economic benefit associated with the transactions made by the investee will flow to the Company, the dividend income attributable to investments is recognized on the date that it is certain that the Company has the right to receive dividends.

Recognition of the interest is based on an accrual basis, and revenue is in accordance with the weighted-average outstanding principal and effective interest rate.

4.20. Leases

Based on the terms of a lease contract, a lease is classified as an operating lease if the Company assumes substantially all the risks and rewards incidental to ownership of the leased asset. Under an operating lease, rental income or expense were recognized as income or expense less grants awards on a straight-line basis over the lease term.

4.21. Earnings per share

Basic earnings per share are computed by dividing profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the current reporting period. Diluted earnings per share are computed after adjustments (regarding all impact caused by potential diluted ordinary shares) made on profit or loss attributable to ordinary shareholders of the Company and weighted-average number of ordinary shares outstanding. Potential diluted ordinary shares include bonus paid to employee. However, the adverse dilutive share is not computed.

4.22. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for assessing performance and allocating resources to the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of financial statements requires management to make critical judgments in applying the accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

5.1 Revenue recognition

In principle, sales revenues are recognized when the earning process is completed. The Company estimates discounts and returns based on historical experience and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Company reassesses the reasonableness of estimates of discounts and returns periodically.

5.2 Valuation of inventory

Inventories are stated at the lower of cost and net realizable value, and the Company determines the net realizable value of inventories using judgments and estimates at the end of each reporting period.

Due to the rapid technology innovation, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is mainly determined based on assumptions of future demand within a specific time horizon. Therefore, there might be material changes to the evaluation.

5.3 Impairment assessment of tangible and intangible assets other than goodwill

The Company assesses impairment of tangible and intangible assets other than goodwill based on its subjective judgment and determines the independent cash flows, useful lives and the expected future revenue and expenses related to specific asset groups with the consideration of the nature of industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company’s strategy might cause material impairment on assets in the future.

6 DETAILS OF SIGNIFICANT ACCOUNTS

6.1 Cash and cash equivalents

	December 31,2016	December 31,2015
Cash on hand	$1,396	$1,408
Deposits in bank	2,079,028	2,354,980
Time deposit	541,100	60,000
Total	$2,621,524	$2,416,388

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

6.1.2 The Company has no cash and cash equivalents pledged to others.

6.2 Financial assets and liabilities at fair value through profit or loss

6.2.1 Current items:

(1)Financial assets

	December 31,2016	December 31,2015
Financial assets held for trading		
Stocks	$62,393	$92,584
Derivative financial assets		
Forward exchange contracts	6,477	6,800
Guaranteed return financial products	-	99,934
Total	$68,870	$199,318

(2)Financial liabilities

	December 31,2016	December 31,2015
Derivative financial liabilities		
Forward exchange contracts	$159	$2,486

6.2.2 Non-current items:

	December 31,2016	December 31,2015
Valuation adjustment for embedded derivative that initially recognized as financial liabilities at fair value through profit or loss	$1,550	$-

6.2.3 The Company entered into the above derivative financial instruments is intended to hedge risks of the exchange rate. However, these derivative financial instruments did not meet the criteria for hedge accounting.

6.2.4 Net gain (loss) of the disposal of financial assets held for trading were $5,748 thousand and $10,803 thousand for the year 2016 and 2015, respectively.

6.2.5 Unrealized gain (loss) on valuation of financial assets and liabilities at fair value through profit or loss were $37 thousand and $2,193 thousand for the year 2016 and 2015, respectively.

6.2.6 Outstanding forward exchange contracts of financial assets are as follows:

December 31,2016	Contract Amount (in thousands)	Contract Period
Buying USD/Selling TWD	USD1,000/TWD29,740	2015.04.29~2018.07.10
Buying USD/Selling EUR	USD1,634/EUR1,500	2016.10.31~2017.03.31
Buying USD/Selling CAD	USD5,873/CAD7,799	2016.10.12~2017.04.28

December 31,2015	Contract Amount (in thousands)	Contract Period
Buying USD/Selling TWD	USD 1,000/TWD 29,740	2015.04.29~2018.07.10
Buying USD/Selling EUR	USD 1,104/EUR 1,000	2015.12.10~2016.04.29
Buying USD/Selling CAD	USD 2,500/CAD3,293	2015.10.14~2016.02.26
Buying USD/Selling CNY	USD 500/CNY3,245	2015.08.31~2016.05.03

6.2.7 Outstanding forward exchange contracts of the financial liabilities are as follows:

December 31,2016	Contract Amount (in thousands)	Contract Period
Buying USD/Selling CAD	USD1,000/CAD1,353	2016.11.18~2017.05.31

December 31,2015	Contract Amount (in thousands)	Contract Period
Buying USD/Selling EUR	USD 1,094/EUR 1,000	2015.12.04~2016.05.31
Buying USD/Selling CNY	USD 500/CNY 3,253	2015.08.31~2016.07.05
Buying CNY/Selling USD	CNY 15,754/USD 2,500	2015.06.08~2016.06.10

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

6.3 Available-for-sale financial assets

Items	December 31,2016	December 31,2015
Unlisted stocks – noncurrent		
Remoteck Co., Ltd.	$-	12,120
Chao Long Motor Parts Corp.	15,848	15,848
Yung Li Investments Inc.	7,997	13,329
Subtotal	23,845	41,297
Valuation adjustments	266	2,774
Accumulated impairment	(4,745)	(4,745)
Total	$19,366	$39,326

The Company sold 690 thousand shares of Remoteck Co., Ltd. in 2016. The proceeds received were $11,429 thousand and net loss were ($3,199) thousands of the disposal.

6.4 Notes receivable

	December 31,2016	December 31,2015
Notes receivable	$6,151	$21,299
Less: allowance for doubtful account	-	(22)
Total	$6,151	$21,277

6.5 Accounts receivable

	December 31,2016	December 31,2015
Accounts receivable	$1,756,156	$1,326,987
Less: allowance for doubtful account	(39,832)	(34,701)
Less: allowance for sales discount	-	(1,988)
Total	$1,716,324	$1,290,298

6.5.1 The ageing analysis of financial assets that were past due but not impaired is as follows:

	December 31,2016	December 31,2015
Up to 30 days	$139,994	$75,384
31 to 90 days	9,971	17,519
91 to 180 days	5,456	8
Over 180 days	106,043	80,231
Total	$261,464	$173,142

6.5.2 The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Company Credit Quality Control Policy:

	December 31,2016	December 31,2015
Group 1	$ 49,466	$27,428
Group 2	1,309,443	927,843
Group 3	135,783	198,574
Total	$ 1,494,692	$1,153,845

Group 1: New customers (transaction under 6 months)/ government entities/ public schools.

Group 2: Current customers (transaction over 6 months) with share capital under one billion/ telecom network.

Group 3: Public companies/ private schools / others.

6.5.3 The maximum exposure to credit risk was the carrying amount of each class of accounts receivable.

6.5.4 The Company does not hold any collateral as guaranty of collectability.

6.6 Inventories

	December 31,2016	December 31,2015
Raw materials	$621,035	$472,092
Work in process	57,193	123,290
Finished goods	131,124	80,488
Merchandise inventories	604,292	573,013
Other inventories-	337,596	278,796
Subtotal	1,751,240	1,527,679
Allowance for inventory valuation losses	(33,654)	(41,054)
Total	$1,717,586	$1,486,625

Inventory related cost and expense

	2016	2015
Cost of goods sold	$6,399,760	$6,126,268
Loss on inventory disposal	4,399	10,931
Loss on inventory write-down	(9,389)	(19,682)
Total cost of goods sold	6,394,770	6,117,517
Costs of service revenue	140,590	188,627
Total	$6,535,360	$6,306,144

The Company has no inventories pledged to others.

6.7 Property, plant and equipment

	Land	Buildings	Machinery and equipment	Others	Total
2016.1.1					
Cost	$207,450	$529,774	$545,250	$220,964	$1,503,438
Accumulated depreciation and impairment	-	(161,087)	(289,416)	(127,206)	(577,709)
Total	$207,450	$368,687	$255,834	$93,758	$925,729
2016					
As at 1.1	$207,450	$368,687	$255,834	$93,758	$925,729
Additions	-	4,551	221,672	189,978	416,201
Disposals	-	-	(180)	(2,679)	(2,859)
Reclassification	-	-	8,088	18,118	26,206
Depreciation charge	-	(17,485)	(71,865)	(59,456)	(148,806)
Net exchange differences	-	(11,839)	(20,314)	(1,287)	(33,440)
As at 12.31	$207,450	$343,914	$393,235	$238,432	$1,183,031
2016.12.31					
Cost	$207,450	$521,092	$727,874	$350,595	$1,807,011
Accumulated depreciation and impairment	-	(177,178)	(334,639)	(112,163)	(623,980)
Total	$207,450	$343,914	$393,235	$238,432	$1,183,031

	Land	Buildings	Machinery and equipment	Others	Total
2015.1.1					
Cost	$207,450	$537,517	$518,217	$246,753	$1,509,937
Accumulated depreciation and impairment	-	(150,353)	(243,125)	(123,954)	(517,432)
Total	$207,450	$387,164	$275,092	$122,799	$992,505
2015					
As at 1.1	$207,450	$387,164	$275,092	$122,799	$992,505
Additions	-	2,077	53,634	29,057	84,768
Disposals	-	-	(3,574)	(1,742)	(5,316)
Reclassification	-	456	672	272	1,400
Depreciation charge	-	(18,054)	(61,099)	(55,453)	(134,696)
Net exchange differences	-	(2,956)	(8,891)	(1,085)	(12,932)
As at 12.31	$207,450	$368,687	$255,834	$93,758	$925,729
2015.12.31					
Cost	$207,450	$529,774	$545,250	$220,964	$1,503,438
Accumulated depreciation and impairment	-	(161,087)	(289,416)	(127,206)	(577,709)
Total	$207,450	$368,687	$255,834	$93,758	$925,729

Please refer to Note 8 for details of the property, plant and equipment pledged as collateral.

6.8 Short-term borrowings

	December 31,2016	December 31,2015
Unsecured loans	$489,180	$538,761
Interest rate range	2.45%~4.13%	1.5%~1.8%

Please refer to Note 8 for details of the related assets pledged as collateral.

6.9 Provisions

	December 31,2016	December 31,2015
Warranties - current	$223,130	$245,327
Warranties - non-current	38,182	51,447
Total	$261,312	$296,774

6.10 Other current liabilities

	December 31,2016	December 31,2015
Receipts in advance	$190,041	$258,224
Convertible bonds due within one year	-	29,058
Current portion of long-term loans	94,179	37,577
Others	28,157	70,895
Total	$312,377	$395,754

6.11 Bonds payable

6.11.1 Outstanding secured convertible bonds issued by the Company as follows:

	December 31,2016	December 31,2015
Total of issuance of convertible bonds	$1,000,000	$1,150,000
Less: discount on bonds payable	(10,484)	(42)
Less: accumulated converted amount	(498,700)	(1,120,900)
Redemption on maturity	(1,300)	-
Convertible bonds due within one year	-	(29,058)
Total	$489,516	$-

6.11.2 The third secured convertible bonds has expired on January 31, 2016 and which converted into common stocks of 33,651 thousand shares and NT$177,654 thousand of capital surplus were recognized.

6.11.3 The second secured convertible bonds has expired on January 18, 2015 and which converted into common stocks of 54,643 thousand shares and NT$118,272 thousand of capital surplus were recognized

6.11.4 With the aim of repaying the bank borrowings, improving the financial structure and reducing interest costs, the third issuance of secured convertible bonds in 2013 was approved by Financial Supervisory Commission. Terms and conditions of the issuance are as follows:

Total issuance	NT$500,000 thousand
Issue date	January 31, 2013
The coupon rate	0%
Issue period	January 31, 2013 ~ January 31, 2016
Repayment	According to Article 6 of the terms and conditions of the issuance, the coupon rate of the convertible bonds is 0%. Unless the bond is converted by bondholder or put option is exercised according to Article 10 and 20, or the bonds are redeemed, repurchased and retired by the Company in accordance with Article 19, the Company shall redeem the bonds in cash at maturity.
Redemption at the option of the Company	The Company shall redeem the bonds in the following cases: 1. At any time starting one month from the issue date until the 41th day prior to the maturity date, when the closing price of its common shares on the Taiwan Stock Exchange is over 30% of the conversation price for 30 consecutive trading days, the Company could redeem the outstanding bonds based on par value in cash. 2. At any time starting one month from the issue date until the 41th day prior to the maturity date, when the balance of outstanding bonds is lower than 10% of the total issuance, the Company could redeem the outstanding bonds based on par value in cash during the remaining period.
Redemption at the option of the bondholders	Within the 30 days prior to 2 years after the issue day, the bondholders shall have the right to require the Company to redeem; in whole or in part; the bonds at redemption price of principal amount plus a gross yield in cash.
Conversion period	Bondholders may convert bonds into the Company's common shares at any time starting one month from the issue date until 10 days prior to the maturity date, except for the book closure date for stock dividend, the cash dividend or 15 business days prior to cash capital increase subscription.
Conversion price	The conversion price was NT$16.0 per share at issuing. The conversion price was adjusted to NT$14.9 from NT$16.0 since July 27, 2013. The conversion price was adjusted to NT$14.6 from NT$14.9 since July 27, 2014. The conversion price was adjusted to NT$14.6 from NT$14.0 since July 19, 2015.

6.11.5 With the aim of increasing working capital, improving the financial structure and reducing interest costs, the fourth issuance of secured convertible bonds in 2016 was approved by Financial Supervisory Commission. Terms and conditions of the issuance are as follows:

Total issuance	NT$500,000 thousand
Issue date	June 15, 2016
The coupon rate	0%
Issue period	June 15, 2016 ~ June 15, 2019
Repayment	According to Article 5 of the terms and conditions of the issuance, the coupon rate of the convertible bonds is 0%. Unless the bond is converted by bondholder or put option is exercised according to Article 10 and 19, or the bonds are redeemed, repurchased and retired by the Company in accordance with Article 18, the Company shall redeem the bonds in cash at maturity.
Redemption at the option of the Company	1. At any time starting one month from the issue date until the 41th day prior to the maturity date, when the closing price of its common shares on the Taiwan Stock Exchange is over 30% of the conversation price for 30 consecutive trading days, the Company could redeem the outstanding bonds based on par value in cash. 2. At any time starting one month from the issue date until the 41th day prior to the maturity date, when the balance of outstanding bonds is lower than 10% of the total issuance, the Company could redeem the outstanding bonds based on par value in cash during the remaining period.
Redemption at the option of the bondholders	Within the 40 days prior to 2 years after the issue day, the bondholders shall have the right to require the Company to redeem; in whole or in part; the bonds at redemption price of principal amount plus a gross yield in cash.
Conversion period	Bondholders may convert bonds into the Company's common shares at any time starting one month from the issue date to the maturity date, except for the book closure date for stock dividend, the cash dividend or 15 business days prior to cash capital increase subscription.
Conversion price	The conversion price was NT$20.6 per share at issuing. The conversion price was adjusted to NT$19.9 from NT$20.6 since July 19, 2016.

6.12 Long-term borrowings

Bank	Borrowing period and repayment term	Interest rate range	Collateral	December 31,2016
The Export-Import Bank of the ROC	From 2013.07.18 to 2018.07.18, by installments	2.3914%	-	$73,828
First Bank	From 2014.02.24 to 2019.01.19, by installments	2.6300%	-	98,112
First Bank	From 2016.06.07 to 2021.05.31, by installments	3.0400%	-	144,164
First Bank	From 2014.10.17 to 2019.10.17, circulation	1.8000%	-	166,051
Mega Bank	From 2016.05.30 to 2017.05.29, circulation	1.3000%	-	20,333
Shin Kong Bank	From 2015.02.26 to 2018.01.14, circulation	2.3818%	-	80,625
Less: current portion				(94,179)
Total				$488,934

Bank	Borrowing period and repayment term	Interest rate range	Collateral	December 31,2015
The Export-Import Bank of the ROC	From 2013.07.18 to 2018.07.18, by installments	1.6024%	-	$112,731
First Bank	From 2014.02.24 to 2019.01.19, circulation	2.2828%	-	139,103
First Bank	From 2014.10.17 to 2019.10.17, circulation	1.8629%	-	96,884
First Bank	From 2014.10.17 to 2019.10.17, circulation	1.8199%	-	43,060
First Bank	From 2014.10.17 to 2019.10.17, circulation	2.192%	-	137,886
First Bank	From 2014.10.17 to 2019.10.17, circulation	2.2855%	-	32,830
Less: current portion				(37,577)
Total				$524,917

The long term credit loan is a syndicated loan from the First Bank and other financial institutions. It is for long-term working capital requirements of the Company and its subsidiaries, and for enhancing their financial structures. Pursuant to the syndicated loan contract, during the loan period, the Company is obligated to maintain a certain flow ratio for each semi-annual period including the debt ratio, and the interest coverage ratio.

6.13 Pensions

6.13.1 HT and Interactive Digital Technologies Inc. (IDT) have defined contribution pension plans set up according to Labor Pension Act. 6% of employees' monthly salaries are contributed to each individual account governed by Bureau of Labor Insurance. Pension cost of $24,712 thousand and $25,218 thousand are recognized for the year 2016 and 2015, respectively.

6.13.2

(1) HT and IDT have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. As that Act, employee's pension is based on an employee's length of service and average monthly salary. HT and IDT contribute an amount equal to 2% of salaries paid each month to their respective pension fund deposited with Bank of Taiwan. The balance of pension fund in Bank of Taiwan ended as December 31, 2016 and 2015 respectively were $106,589 thousand and $103,355 thousand. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

(2) The amounts recognized in the balance sheet are as follows:

	December 31,2016	December 31,2015
Present value of defined benefit obligations	$(148,137)	$(152,089)
Fair value of plan assets	106,589	103,355
Net defined benefit liability	$(41,548)	$(48,734)

(3) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January1	$ (152,089)	$103,355	$ (48,734)
Current service cost	(481)	-	(481)
Interest (expense) income	(2,148)	1,502	(646)
	(154,718)	104,857	(49,861)
Remeasurements:			
Return on plan assets	-	(776)	(776)
Change in demographic assumptions	(640)	-	(640)
Experience adjustments	2,191	-	2,191
Benefits paid from plan assets	1,062	(1,062)	-
	(152,105)	103,019	(49,086)
Contributions from employer	-	7,538	7,538
Benefits paid from plan assets	3,968	(3,968)	-
Balance at December 31	$ (148,137)	$ 106,589	$ (41,548)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January1	$(150,068)	$102,098	$(47,970)
Current service cost	(1,500)	-	(1,500)
Interest (expense) income	(2,864)	2,004	(860)
	$(154,432)	$104,102	$(50,330)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Remeasurements:			
Return on plan assets	$-	701	701
Change in demographic assumptions	(386)	-	(386)
Change in financial assumptions	(9,318)	-	(9,318)
Experience adjustments	7,598	-	7,598
	$(156,538)	$104,803	$(51,735)
Contributions from employer	-	3,001	3,001
Benefits paid from plan assets	4,449	(4,449)	-
Balance at December 31	$(152,089)	$103,355	$(48,734)

(4)

A. The Bank of Taiwan is commissioned to manage the fund assets of HT and IDT's pension plans in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.).With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilization Report published by the government.

B. The Company's subsidiaries located in China have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in China are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the subsidiaries have no further obligations.

(5) The principal actuarial assumptions used are as follows:

	2016	2015
Discount rate	1.25%~1.50%	1.25%~1.50%
Future salary increases rate	3.00%	3.00%

Assumptions regarding future mortality are based on actuarial advice of the Life Insurance Institutions within territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	$ (4,449)	$ 4,639	$ 4,556	$ (4,394)
December 31, 2015				
Effect on present value of defined benefit obligation	$ (4,777)	$ 4,988	$ 4,898	$ (4,718)

6.14 Share capital

	December 31,2016	December 31,2015
Authorized share capital	$4,000,000	$4,000,000
Capital Stock issued	$2,262,684	$2,239112
Share capital collected in advance	-	3,714
Total	$2,262,684	$2,242,826

(1) As of December 31 2016, HT's authorized numbers of shares were 400,000 thousand shares with 30,000 thousand shares reserved for the issuance of shares of the employee stock option plan and convertible bond convergent. Par value of common stock is $10 (in dollars) per share and each share has one voting power.

(2) In March 20 2015, according to the resolution of the Board of Directors, HT retired 8,854 thousand shares of its treasury stock and $88,540 thousand were removed from the capital account. The capital reduction plan had been approved by the Ministry of Economy in 2015.

(3) In November 12 2015, according to the resolution of the Board of Directors, HT retired 10,000 thousand shares of its treasury stock and $100,000 thousand were removed from the capital account. The capital reduction plan had been approved by the Ministry of Economy in 2015.

(4) Treasury stocks

	For the year ended December 31, 2015			
Reason for acquisition	Jan. 1	Increase	Decrease	Dec. 31
To maintain the Company's credibility and stockholders' interest	8,854	10,000	(18,854)	-

Pursuant to the Securities and Exchange Act, treasury stocks should not be pledged as collateral, have no voting rights and are not entitled to dividends before it is reissued.

6.15 Capital surplus

(1) Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations should only be used to offset accumulated deficit or to issue new stocks or cash dividend to shareholders, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to issue new stocks should not exceed 10% of the paid-in capital each year.

(2) Capital surplus for the years of 2016 and 2015 are as follows:

	December 31,2016	December 31,2015
Additional paid-in capital	$131,718	$131,718
From convertible bonds	305,051	296,316
From employee stock options	2,461	2,461
From difference between equity purchase price and carrying amount arising from actual disposal of subsidiaries	97,502	90,707
From share of changes in equities of subsidiaries	26,951	-
Others	5,591	828
Total	$569,274	$522,030

6.16 Retained earnings

(1) Legal reserve

According to Company Act, 10% of the annual net income must be appropriated as legal reserve until the accumulated amount is equal to the total capital. The legal reserve is for making good the deficit (or loss) of the company. However, when the Company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its 25% of legal reserve which exceeding the total capital by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash.

(2) Special reserve

A. In accordance with the regulations, the Company shall set aside special reserve equal to the net debit balance of other equity items at the end of the reporting period before distributing earnings. When the net debit balance of other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.

B. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with FSC regulations shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

(3) Retained earnings and dividend policies

A. According to Paragraph 29-1 of HT's Articles of Incorporation, the ordering of and restrictions on annual earnings allocation are as follows:

a. Paying income tax；
b. Offsetting previous deficit；
c. Set aside 10% of the remaining amount as legal reserve, unless the accumulated amount of the legal reserve has reached the total authorized capital of the Company.
d. Setting aside or reversing a special reserve according to relevant regulations when necessary.
e. Any balance left over shall be allocated according to the resolution of the shareholder's meeting.
f. The Company adopts a dividend distribution policy whereby only surplus profits of the Company shall be distributed to shareholders according to Paragraph 29 of Articles of Incorporation. Cash dividends shall be at least 10% of the total distribution.

B. The information about the earning appropriations by the Company as proposed by the Board of Directors and resolved by the stockholders of HT for the year 2016 and 2015 are available at the Market Observation Post System website.

C. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(20).

6.17 Operating revenue

	2016	2015
Sales revenue	$8,527,518	$7,833,632
Service revenue and others	235,201	229,317
Total	$8,762,719	$8,062,949

6.18 Other gains and losses

	2016	2015
Net currency exchange gain (loss)	$(96,985)	$(38,467)
Financial asset or liability held for trading valuation gain (loss)	9,721	(16,152)
Gain(loss) on financial asset (liability) at fair value through profit or loss	37	2,193
Gain (loss) on disposal of investments	2,549	10,803
Others	(3,827)	(4,982)
Total	$(88,505)	$(46,605)

6.19 Expenses by nature

	2016	2015
Change in merchandise	$1,130,986	$1,362,719
Change in finished goods, work in process, raw materials and supplies	4,975,096	4,385,835
Service costs and other expenses	140,590	188,627
Employee benefit	1,359,254	1,187,803
Depreciation and amortization	162,890	146,201
Other expenses	239,833	375,403
Total operating costs and expense	$8,008,649	$7,646,588

6.20 Employee benefit

	2016	2015
Wages and salaries	$1,194,463	$1,003,906
Labor and health insurance	87,443	101,436
Pension	26,546	27,578
Other expenses	50,802	54,883
Total	$1,359,254	$1,187,803

1. According to HT'S Articles of Incorporation, HT shall allocate 3%-10% of and no more 2% of annual profit as compensation to employees and compensation to directors and supervisors, respectively, by cash and stock pursuant to the resolution of the boards of directors. Employees who are entitled to receive employees' compensation include employees of subsidiaries and meet certain specific requirements set by the Board of Directors. In addition, a report of such distribution shall be submitted to the shareholders' meeting. However, if the Company has accumulated deficit, the Company should cover accumulated losses first before distributing any employees' compensation and directors' and supervisors' remuneration.

2. For the years ended December 31, 2016 and 2015, employees' compensation (bonus) and supervisors' remuneration was accrued at $44,578 and $22,955, respectively. The aforementioned amounts were recognized in salary expenses.

   The expenses recognised for 2016 were accrued based on the net income of 2016 and the percentage as prescribed by the Company's Articles of Incorporation for employees and directors/supervisors.

   Employees' bonus and directors' and supervisors' remuneration for 2015 as resolved by the shareholders during their meeting were in agreement with those amounts recognised in the profit or loss for 2015.

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

6.21 Income tax

(1) Income tax expense

A. Components of income tax (expense) benefit:

	2016	2015
Current tax:		
Current tax on profits for the period	$(120,393)	$(87,881)
Income tax adjustment of prior years	-	19,854
Additional 10% tax on unappropriated earnings	(811)	(1,078)
Foreign withholding tax (non-deductible)	(51)	(43)
Total current tax (expense)	(121,255)	(69,148)
Deferred income tax:		
Origination and reversal of temporary differences	(13,373)	(21,298)
Total deferred income tax (expense)	(13,373)	(21,298)
Income tax (expense)benefit	$(134,628)	$(90,446)

B. The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2016	2015
Actuarial gains/losses on defined benefit obligations	$(132)	$239

(2) Reconciliation between income tax expense and accounting profit

	2016	2015
Tax calculated based on profit before tax and statutory tax rate	$147,146	$93,957
Effects from items disallowed by tax regulations	(26,753)	(6,076)
Origination and reversal of temporary differences	13,373	21,298
Income tax adjustments on prior years	-	(19,854)
Additional 10% tax on unappropriated earnings	811	1,078
Foreign withholding tax (non-deductible)	51	43
Income tax expense	$134,628	$90,446

(3) Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carry forward and investment tax credit are as follows:

	2016				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:		-			-
- Deferred income tax assets:					
Investment profit (loss) under equity method	$12,875	$(12,875)	$-	$-	$-
Unrealized exchange loss	3,460	924	-	-	4,384
Doubtful account losses	5,654	(4,682)	-	-	972
Inventory valuation losses	3,342	(1,610)	-	-	1,732
Defined benefit pension plans	5,465	(1,090)	(55)	-	4,320
Unrealized gross profit from affiliates	8,339	952	-	-	9,291
Others	12,709	7,863	-	-	20,572
Subtotal	$51,844	$(10,518)	$(55)	$-	$41,271
- Deferred income tax liabilities:					
Unrealized exchange gain	$(1,926)	$(2,856)	$-	$-	$(4,782)
Defined benefit plans	(2,692)	-	(77)	-	(2,769)
Subtotal	$(4,618)	$(2,856)	$(77)	$-	$(7,551)
Rounding	-	1	-	-	1
Total	$47,226	$(13,373)	$(132)	$-	$33,721

	2015				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:		-			-
- Deferred income tax assets:					
Investment profit (loss) under equity method	$42,916	$(30,041)	$-	$-	$12,875
Unrealized exchange loss	563	2,897	-	-	3,460
Doubtful account losses	7,475	(1,821)	-	-	5,654
Inventory valuation losses	6,718	(3,376)	-	-	3,342
Defined benefit pension plans	5,000	(108)	573	-	5,465
Unrealized gross profit from affiliates	4,642	3,697	-	-	8,339
Others	6,437	6,272	-	-	12,709
Subtotal	$73,751	$(22,480)	$573	$-	$51,844
- Deferred income tax liabilities:					
Unrealized exchange gain	$(3,108)	$1,182	$-	$-	$(1,926)
Defined benefit plans	(2,358)	-	(334)	-	(2,692)
Subtotal	$(5,466)	$1,182	$(334)	$-	$(4,618)
Total	$68,285	$(21,298)	$(239)	$-	$47,226

(4) Income tax returns of HT and IDT through 2014 have been assessed and approved by the Tax Authority.

(5) Unappropriated retained earnings:

	December 31,2016	December 31,2015
Earnings generated in and after 1998	$451,541	$190,515

(6) Income Tax Integration

A. Shareholders' imputation tax credit account

	December 31,2016	December 31,2015
HT	$62,557	$49,608
IDT	$42,606	$37,753

B. Creditable ratio for distribution

	2016 (Estimated)	2015 (Actual)
HT	23.70%	18.15%
IDT	22.32%	22.02%

6.22 Earnings per share

	For the year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Profit for the year	$449,272		
Basic earnings per share			
Profit or (loss) attributable to common shareholders of the Parent Company	$449,272	225,870	$1.99
Assumed conversion of all dilutive potential common shares			
Employees' bonus	-	2,299	
Convertible bonds	1,753	24,391	
Diluted earnings per share			
Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares	$451,025	252,561	$1.79

	For the year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Profit for the year	$223,181		
Basic earnings per share			
Profit or (loss) attributable to common shareholders of the Parent Company	$223,181	220,372	$1.01
Assumed conversion of all dilutive potential common shares			
Employees' bonus	-	1,581	
Convertible bonds	589	2,707	
Diluted earnings per share			
Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares	$223,770	224,660	$1.00

(1) Potential shares from bonus to employees should be included in the weighted average number of outstanding shares in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employees by the fair value of the common shares on the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonus are resolved in the shareholders' meeting in the following year, and thus the shares of employee bonus resolved will be included in the basic EPS.

(2) Movements in common shares outstanding of HT are as follows (unit: in thousands):

	2016	2015
At January 1	223,911	240,549
Convertible bonds	1,959	1,874
Treasury shares redeemed and retired	-	(22,051)
At December 31	225,870	220,372

(3) Please refer to Note 6.14 "Share capital" for more information of capital increasing and common shares conversion.

6.23 Non-cash transaction

Financing activities with no cash flow effects

	2016	2015
Convertible bonds being converted to capital stocks and capital surplus	$33,356	$35,598

7 RELATED-PARTY TRANSACTIONS

7.1 Significant related party transactions: None

7.2 Key management compensation

	2016	2015
Salaries and other short-term employee benefit	$69,638	$81,560

8 PLEDGED ASSETS

The assets pledged as collateral are as follows:

	Book Value	
Assets item	December 31, 2016	December 31, 2015
Other current assets-restricted time deposits	$38,442	$46,008
Property, plant and equipment-land	-	190,702
Property, plant and equipment-building	-	30,231
Non-current assets- restricted time deposits	15,576	1,340
Non-current assets- refundable deposits	12,396	12,282
Total	$66,414	$280,563

(1) The pledged assets are disclosed at net carrying values.

(2) The Company provided time deposits as collateral mainly for the guarantee deposits paid to the customs for importing and exporting business and procurement contracts and for lands lease agreements. Land and building were pledged or mortgaged as collaterals for the bank borrowings. The refundable deposits was pledged or mortgaged as collateral for the performance bond and security deposit provided to the local government of overseas sales.

9 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

9.1. Contingencies

	December 31,2016	December 31,2015
1. Guarantee notes submitted for purchasing projects	$4,195	$22,409
2. Unused letters of credit for purchase overseas goods	USD248	$-
3. Guarantees of constructions	$62,603	$85,384
4. Guarantees amount for duties payable to Tax Office	$3,000	$3,000

9.2. HT and eASPNET Taiwan Inc. ("eASPNET") entered into the "Agreement for Establishment of Kaohsiung City Wireless Common Platform" (the "Agreement"). The Kaohsiung City Government rescinded the relevant contract for the reason that its performance thereunder failed the inspection. eASPNET then requested HT to rescind the Agreement. HT, instead of accepting such request, brought a lawsuit against eASPNET and claimed for the contract payment of NT$86,619 thousand. And HT has obtained the favorable judgment made by Taiwan Shilling District Court dated Feb. 17, 2011, the civil judgment was decided that eASPNET has to pay HT NT$ 72,916 thousand and the interest collected based on 5% of the annual interest rate from April 12, 2008 till paying off day, the objection and application of provisional execution raised by eASPNET were rejected and eASPNET has provided NT$ 72,916 thousand as securities for purposes of being exempted from provisional execution in April. 2011. On May 31, 2013, Taiwan High Court declared that HT won the court case. However, eASPNET did not accept the outcome and the Supreme Court of Appeal; the Supreme Court on Nov 18, 2013 abandoned the original judgment, back to the Taiwan High Court trial update. On March 29, 2016, Taiwan High Court declared that HT won the court case. The civil judgment was decided that eASPNET has to pay HT NT$ 71,115 thousand. However, the two sides filed an appeal; Taiwan High Court moved the case to the Supreme Court in June 7, 2016. The Supreme Court on January 5, 2017 abandoned the original judgment except provisional execution, back to the Taiwan High Court trial. It is estimated by HT that the lawsuit does not lead to immediate and significant impacts on the Company's financial and business.

9.3. Commitments: None

10 SIGNIFICANT DISASTER LOSS: None

11 SIGNIFICANT SUBSEQUENT EVENTS: None

12 **OTHERS**

12.1. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide the maximum returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or enhance the capital structure, the Company regularly reviews and measure associated expenses, risks and returns to ensure a good level of profitability and financial ratios. By financing or entering loans to balance the overall capital structure when necessary to cope with the needs of operating capital, debt repayment and dividend expense in future periods, etc.

12.2. Financial instruments

(1) Fair value information of financial instruments

	December 31,2016	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	$2,621,524	$2,621,524
Financial assets at fair value through profit or loss-current	68,870	68,870
Available-for-sale financial assets—equity securities Investment	19,366	19,366
Notes receivable	6,151	6,151
Accounts receivable	1,716,324	1,716,324
Other receivables	46,631	46,631
Other financial assets	254,566	254,566
Total	$4,733,432	$4,733,432

	December 31,2015	
	Book value	Fair value
Financial assets:		
Cash and cash equivalents	$2,416,388	$2,416,388
Financial assets at fair value through profit or loss-current	199,318	199,318
Available-for-sale financial assets—equity securities Investment	39,326	39,326
Notes receivable	21,277	21,277
Accounts receivable	1,290,298	1,290,298
Other receivables	6,491	6,491
Other financial assets	273,035	273,035
Total	$4,246,133	$4,246,133

	December 31,2016	
	Book value	Fair value
Financial liabilities：		
Short-term borrowings	$489,180	$489,180
Financial liabilities at fair value through profit or loss-current	1,709	1,709
Notes payable	2,551	2,551
Accounts payable	1,451,596	1,451,596
Other payables	528,225	528,225
Bonds payable	489,516	489,516
Long-term borrowings (including current portion)	583,113	583,113
Other financial liabilities	472	472
Total	$3,546,362	$3,546,362

	December 31,2015	
	Book value	Fair value
Financial liabilities：		
Short-term borrowings	$538,761	$538,761
Financial liabilities at fair value through profit or loss-current	2,486	2,486
Notes payable	5,358	5,358
Accounts payable	1,444,978	1,444,978
Other payables	363,018	363,018
Bonds payable	29,058	29,058
Long-term borrowings (including current portion)	562,494	562,494
Other financial liabilities	393	393
Total	$2,946,546	$2,946,546

(2) Financial risk management policies

a. The Company’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company’s financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. Refer to Notes 6.2.

b. Risk management is carried out by a central finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Company’s operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(3) Significant financial risks and degrees of financial risks

a. Market risk

●The major market risks undertaken by the Company are foreign currency risk and interest rate risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments; such as currency forward contracts to hedge its currency exposure. The Company's own funds are sufficient to cover its operation. The need of external borrowing is limited and all repayments are made before the maturity of borrowings. Because the net assets under floating rate are all due within one year, and the current market interest rates are still low, it is expected there will be no significant risk of changes in interest rates. Hence, no derivative financial instruments to manage interest rate risk are used.

●The management and measurement methods of the Company regarding the exposure to the market risk of financial instruments are not changed.

I. Foreign currency risk

●Cash inflow and outflow of the Company are based on foreign currency; the hedging effect is subsequently accompanied. The Company’s foreign exchange risk management is mainly for the purpose of hedging not for profiting.

●Strategy of exchange rate risk management is to regularly review various currencies, net assets and liabilities, and constantly manage the risks. When choosing the hedging instruments/tools, the hedging costs and period are important considerations. Buying / selling foreign exchange forward contracts or borrowing foreign currency liabilities are currently the main tools to avoid the exchange rate risk.

●Carrying amounts of monetary assets and liabilities denominated in foreign currencies of the Company at the end of reporting date are as follows:

	December 31,2016					
			Book value	Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	NTD	Extent of variation	Effect on profit or loss	Effect other comprehensive income
Financial assets						
Monetary items						
USD : NTD	$22,281	32.25	$718,562	5%	±$35,928	$-
EUR : NTD	$1,808	33.888	$61,270	5%	±$3,063	$-
CAD : NTD	$20,491	23.907	$489,878	5%	±$24,494	$-
Financial liabilities						
Monetary items						
USD : NTD	$53,817	32.25	$1,735,598	5%	±$86,780	$-

	December 31,2015					
			Book value	Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	NTD	Extent of variation	Effect on profit or loss	Effect other comprehensive income
Financial assets						
Monetary items						
USD : NTD	$57,636	32.83	$1,892,190	5%	±$94,609	$-
EUR : NTD	$2,465	35.883	$88,452	5%	±$4,423	$-
CAD : NTD	$20,290	27.32	$554,323	5%	±$27,716	$-
Financial liabilities						
Monetary items						
USD : NTD	$77,982	32.83	$2,560,149	5%	±$128,007	$-

●Key management personnel believe the sensitivity analysis cannot represent inherent risk of foreign exchange rate. Because the disclosure of foreign currency risk at the end of reporting date cannot reflect the level of risk exposure during middle of the year.

II. Price risk

●The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

●The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have increased/decreased as a result of gains/losses on equity securities classified as at fair value through profit or loss.

III. Interest rate risk

●The Company's interest rate risk arises from holding assets and liabilities with floating rates. These cause the exposure of cash flow interest rate risk.

●Details of financial assets and financial liabilities with floating rates of the Company are in the section of "Liquidity risk" set below.

●The following sensitivity analysis is determined upon the risk exposure level of non-derivative instruments at the end of the reporting period. For liabilities with floating rates, the analysis methods assume the amounts of outstanding debts at the end of the reporting date are outstanding throughout the whole year.

●If interest rates are 0.1% higher/lower with all other variables held constant, the Company's net income for 2016 and 2015 will subsequently increase or decrease. The Company's interest expenses increasing or decreasing are mainly due to the floating rate borrowings.

b. Credit risk

I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers which taking into account their financial position, past experience and other factors. The Company periodically monitors the use of credit and the payment status, and continually develops diverse business regions and expands overseas markets in order to reduce customer concentration risk. Accounts receivable of the Company is constituted by many customers, scattered in different regions of the world. The Company regularly assesses the financial position of accounts receivable for foreign customers, and makes sure proper insurances are in place for new customers and customer accounts with specific concerns. Accordingly, the Company has no significant credit risk exposed to any counterparty.

II. No credit limits were exceeded during the reporting periods for 2016 and 2015, and the management does not expect any significant losses from non-performance by these counterparties.

c. Liquidity risk

I. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the finance department with monitoring rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet's ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

II. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the finance department. The finance department invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

III. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31,2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$489,180	$-	$-	$-
Notes payable	2,551	-	-	-
Accounts payable	1,449,416	2,180	-	-
Other payables	528,225	-	-	-
Long-term borrowings	94,179	379,209	109,725	-

Non-derivative financial liabilities

December 31,2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$538,761	$-	$-	$-
Notes payable	5,192	166	-	-
Accounts payable	1,404,861	7,834	23,915	8,368
Other payables	363,018	-	-	-
Bonds payable	29,058	-	-	-
Long-term borrowings	37,577	427,725	97,192	-

IV. Derivative financial liabilities

As of December 31, 2016 and December 31, 2015 all derivative financial liabilities of the Company are due within one year.

12.3. Fair value estimation

(1) The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table presents the Company's financial assets and liabilities that are measured at fair value at December 31, 2016 and December 31, 2015. Equity securities, beneficiary's certificates and as such are classified into Level 1. Financial assets/liabilities measured at fair value are the valuation adjustment of embedding derivative and as such are classified into Level 2. Available-for-sale financial assets are classified into Level 3.

December 31,2016	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	$62,393	$-	$-	$62,393
Forward exchange contracts	-	6,477	-	6,477
Available-for-sale financial assets -				
Equity securities	-	-	19,366	19,366
Total	$62,393	$6,477	$19,366	$88,236
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$-	$159	$-	$159
Derivative financial instruments	-	1,550	-	1,550
Total	$-	$1,709	$-	$1,709

December 31,2015	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Equity securities	$92,584	$-	$-	$92,584
Forward exchange contracts	-	6,800	-	6,800
Preservation of guaranteed income financial products	-	99,934	-	99,934
Available-for-sale financial assets -				
Equity securities	-	14,628	24,698	39,326
Total	$92,584	$121,362	$24,698	$238,644
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$-	$2,486	$-	$2,486

(2) The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Company is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and beneficiary's certificates classified as financial assets/financial liabilities at fair value through profit or loss.

(3) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(4) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(5) Specific valuation techniques used to value financial instruments include:

(a) Quoted by market prices or dealer quotes for similar instruments.

(b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.

(c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(6) The following table presents the change in level 3 instruments for the years ended December 31, 2016 and 2015.

	Equity securities	
	2016	2015
As at January 1	$24,698	$42,550
Settlement	-	(403)
Capital deducted by returning cash	(5,332)	(6,201)
Level 2- emerging stock	-	(11,248)
As at December 31	$19,366	$24,698

13 **SUPPLEMENTARY DISCLOSURES**

13.1. Significant transactions information

(1) Loans to others:

No. (Note 1)	Creditor	Borrower	Financial statement account (Note 2)	Related party	Maximum outstanding balance during the year ended December 31, 2016(Note 3)	Balance at December 31, 2016 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)
													Item	Value		
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	Other receivables - related parties	Yes	280,470	138,059	138,059	0%	Business transaction	3,589,686	NA	-	no	-	3,589,686	1,354,930
0	HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	Other receivables - related parties	Yes	56,501	5,053	5,053	0%	Business transaction	326,192	NA	-	no	-	326,192	1,354,930
1	HITRON TECHNOLOGIES (SIP) INC.	Di's Suzhou Electronic Technology Co., LTD	Other receivables - related parties	Yes	10,622	10,622 (Note 7)	10,622	0%	Short term financing	-	Working capital	-	no	-	71,905	287,618

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

(1)The parent company is '0'.

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

Note 2: Fill in the name of account in which the loans are recognized, such as receivables–related parties, current account with shareholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others for the year ended December 31, 2015.

Note 4: The column of 'Nature of loan' shall fill in "1" for 'Business transaction' or "2" for 'Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in the purpose when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

(1)Total amount of loans to others cannot exceed 40% of overall net profit shown on the most recent audited/reviewed financial statement. Limit on loans granted to a borrower is confined according to the reasons of the borrowing:

a. The nature of the loan is related to business transactions. Amount of the loan cannot exceed the amount of business transactions occurred within the 12 months (the higher of purchasing or selling).

b. Nature of the loan is related to financing necessity, total amount of the loan cannot exceed 10% of overall net profit shown on the most recent audited/reviewed financial report.

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

(2) Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsement/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement /guarantee amount as of December 31, 2016 (Note 4)	Outstanding endorsement /guarantee amount at December 31,2016 (Note 5)	Actual Amount Drawn down (Note 6)	Amount of endorsement / guarantees secured with collateral	Ratio of accumulate endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsement / guarantees by parent company to subsidiary (Note 7)	Provision of endorsement/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsement / guarantees to the party in Mainland China (Note 7)
		Company name	Relationship with the endorser/ guarantor (Note 2)										
0	HT	INNOAUTO TECHNOLOGIES INC.	(2)	3,387,324	25,000	25,000	-	-	0.74	5,080,986	Y	N	N
0	HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	(2)	3,387,324	883,785	830,820	186,384	-	24.53	5,080,986	Y	N	N
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	(2)	3,387,324	1,754,550	1,531,875	80,625	-	45.22	5,080,986	Y	N	N
0	HT	HITRON TECHNOLOGIES (SIP) INC.	(4)	3,387,324	1,249,768	1,125,525	735,951	-	33.23	5,080,986	Y	N	Y

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

(1)The parent company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranted is classified into the following six categories; fill in the number of category each case belongs to:

(1)Business transaction

(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

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

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

(5)Mutual guarantee as required by the construction contract

(6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company’s “Procedures for Provision of Endorsements and Guarantees”, and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

(1)Total amount of provision of endorsements and guarantees to others cannot exceed 150% of total net profit of the most recent financial statement. Limit on provision of endorsements and guarantees to others granted to a single party cannot exceed 10% of the total net profit of the most recent financial statement, however, when the parent company owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity, the limit on provision of endorsements and guarantees to others is not confined by the previous described but still cannot not exceed 100% of total net profit of the most recent financial statement.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

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

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note2)	Financial statement account	As of December 31, 2016			
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value
HT	TRANSCEND	-	Financial assets at fair value through profit or loss - current	50	4,260	-	4,260
HT	Senao	-	Financial assets at fair value through profit or loss - current	257	13,441	-	13,441
HT	Fubon Financial	-	Financial assets at fair value through profit or loss - current	300	15,300	-	15,300
HT	MEDIGEN	-	Financial assets at fair value through profit or loss - current	39	3,093	-	3,093
HT	TICP	-	Financial assets at fair value through profit or loss - current	420	3,129	-	3,129
HT	AMTRAN	-	Financial assets at fair value through profit or loss - current	400	8,860	-	8,860
HT	SUPREME	-	Financial assets at fair value through profit or loss - current	400	9,960	-	9,960
HT	PTI	-	Financial assets at fair value through profit or loss - current	50	4,350	-	4,350
HT	CHAO LONG MOTOR PARTS CORP.	-	Available-for-sale financial assets	668	16,114	2.10%	16,114
HT	YUNG LI INVESTMENTS INC.	-	Available-for-sale financial assets	800	3,252	3.23%	3,252
HT	IMAGETECH CO., LTD.	-	Available-for-sale financial assets	120	-	1.20%	-
HT	TSUNAMI VISUAL TECHNOLOGIES INC.	-	Available-for-sale financial assets	1,220	-	9.34%	-
HT	PIVOT TECHNOLOGY CORP.	-	Available-for-sale financial assets	198	-	10.94%	-
HT	CARDTEK DIGITAL TECHNOLOGY CO., LTD.	-	Available-for-sale financial assets	1,000	-	6.45%	-
HT	YESMOBILE HOLDINGS COMPANY LTD.	-	Available-for-sale financial assets	294	-	0.75%	-
HT	Codent Networks (Cayman) Ltd.	-	Available-for-sale financial assets	1,570	-	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IAS 39 'Financial instruments : recognition and measurement.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortized cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

(4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

(5) Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None

(6) Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None

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

Purchaser/ seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
HT	WEI TECH (SAMOA) INC., LTD.	Subsidiary	Purchases	2,040,461	28.41%	Normal payment terms	Negotiated by two parties	Normal payment terms	-	-	N/A
HT	HITRON TECHNOLOGIES (SIP) INC.	Subsidiary	Purchases	3,503,559	48.78%	Normal payment terms	Negotiated by two parties	Normal payment terms	(1,124,061)	93.85%	N/A
HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	Subsidiary	Sales	326,192	3.72%	Normal payment terms	Negotiated by two parties	Normal payment terms	Accounts Receivables 81,300 Other Receivables 5,104	4.61%	N/A
HT	HITRON TECHNOLOGIES AMERICAS INC.	Subsidiary	Sales	3,589,686	40.92%	Normal payment terms	Negotiated by two parties	Normal payment terms	Accounts Receivables 1,222,666 Other Receivables 139,033	69.38%	N/A
WEI TECH (SAMOA) INC., LTD.	JIETECH TRADING (SUZHOU) INC.	With the same ultimate parent company	Purchases	2,001,929	100%	Normal payment terms	Negotiated by two parties	Normal payment terms	-	-	N/A

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

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

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the end of the reporting period	Allowance for doubtful accounts
					Amount	Action taken		
HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	Subsidiary	Accounts Receivables 81,300 Other Receivables 5,104	3.93%	-	-	49,008	Non
HT	HITRON TECHNOLOGIES AMERICAS INC.	Subsidiary	Accounts Receivables 1,222,666 Other Receivables 139,033	0.32%	-	-	740,267	Non

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

(9) Derivative financial instruments undertaken during the year ended December 31, 2016: Please refer to Notes 6.2 and 12.2.

(10) Please refer to Notes 13.7 of price, payment terms and unrealized profit or loss of significant transactions occurred direct or indirect with investee companies in Mainland China or through investing by the third area.

13.2. Information on investees

Name, locations, and related information of investees over which the company exercises significant influence: (not including investees in Mainland China)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016 (Note 2.2)	Investment income (loss) recognized by parent company for the year ended December 31, 2016(Notes 2.3)	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
HT	HITRON TECHNOLOGIES (SAMOA) INC.	Samoa	International trade	669,031	669,031	22,300	100.00%	653,867	8,061	8,061	Subsidiary
HT	WEI TECH (SAMOA) INC., LTD.	Samoa	International trade	-	-	-	100.00%	-	-	-	Subsidiary
HT	INTERACTIVE DIGITAL TECHNOLOGIES INC.	Taiwan	Telecommunications and broadband network systems and services	193,421	198,741	22,692	49.14%	513,020	160,352	85,403	Subsidiary
HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	Netherlands	International trade	59,604	59,604	-	100.00%	(75,437)	(10,231)	(10,231)	Subsidiary
HT	HITRON TECHNOLOGIES AMERICAS INC.	America	International trade	90,082	90,082	300	100.00%	16,571	139,916	139,916	Subsidiary
HT	INNOAUTO TECHNOLOGIES INC.	Taiwan	Investment activities	60,000	60,000	6,000	100.00%	30,183	(29,814)	(29,814)	Subsidiary

Note 1: If a public company set up an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of ‘Investee’, ‘Location’, ‘Main business activities’, ‘Initial investment amount’ and ‘Shares held as at December 31, 2016’ should fill orderly in the Company’s (public company’s) information on investees and every directly or indirectly controlled investee’s investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the ‘footnote’ column.

(2)The ‘Net profit (loss) of the investee for the year ended December 31, 2016’ column should fill in amount of net profit (loss) of the investee for this period.

(3)The‘Investment income (loss) recognized by the parent company for the year ended December 31, 2016’ column should fill in the company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized investment income (loss) of its direct subsidiary, the company (public company) should confirm that direct subsidiary’s net profit (loss) for this period has included its investment income (loss) which shall be recognized by regulations.

13.3. Information on investments in Mainland China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the company (direct or indirect)	Investment income (loss) recognized by the parent company for the year ended December 31, 2016 (Note 2)	Book value of investment in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016
					Remitted to Mainland China	Remitted back to Taiwan						
HITRON TECHNOLOGIES (SIP) INC.	Produce and sell the wireless communication and telecom products	$641,763	2	641,763	-	-	641,763	10,194	100.00%	10,194(2)	648,416	-
JIETECH TRADING (SUZHOU) INC.	Selling the wireless communication and telecom products and related services	$57,473	2	57,473	-	-	57,473	(2,133)	100.00%	(2,133) (2)	39,757	-
Di's Suzhou Electronic Technology Co., LTD	Auto parts product development and sales	RMB6,000	1	18,623	-	-	18,623	(860)	80.00%	(86)	18,487	-
HWA CHI TECHNOLOGIES (SHANGHAI) INC.	Technical consulting, researching, maintenance and after service of the electronic communication and telecom products	USD200	3	12,048	-	-	12,048	1,440	49.14%	770(2)	6,111	4,360

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
HT	729,907	729,907	2,032,394

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:
(1)Directly invest in a company in Mainland China.
(2)Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3)Others: Reorganization of Group's investment structure was approved and authorized by the Board of Directors in 2012. Indirect investment to Hwa Chi Technologies should be made by Interactive Digital Technologies Inc.

Note 2: In the 'Investment income (loss) recognized by the parent company for the year ended December 31, 2016' column:
(1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
B. The financial statements that are audited and attested by R.O.C. parent company's auditors.
C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

13.4. Significant inter-company transactions during the year ended December 31, 2016:

Number (Note 1)	Company name	Counterparty	Relationship with the counterparty (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	HT	INTERACTIVE DIGITAL TECHNOLOGIES INC.	1	Accounts payable	3,727	Normal payment terms	0.05%
0	HT	INTERACTIVE DIGITAL TECHNOLOGIES INC.	1	Other payables	3,446	Normal payment terms	0.04%
0	HT	INTERACTIVE DIGITAL TECHNOLOGIES INC.	1	Rent revenue	454	Normal payment terms	0.01%
0	HT	INTERACTIVE DIGITAL TECHNOLOGIES INC.	1	Cost of services	385	Normal payment terms	0.00%
0	HT	INTERACTIVE DIGITAL TECHNOLOGIES INC.	1	Operating expense	40,465	Normal payment terms	0.46%
0	HT	INTERACTIVE DIGITAL TECHNOLOGIES INC.	1	Refundable deposits	54	Normal payment terms	0.00%
0	HT	INTERACTIVE DIGITAL TECHNOLOGIES INC.	1	Deposits received	38	Normal payment terms	0.00%
0	HT	HITRON TECHNOLOGIES (SIP) INC.	1	Other Receivables	313,730	Normal payment terms	3.87%
0	HT	HITRON TECHNOLOGIES (SIP) INC.	1	Purchase	3,503,559	Normal payment terms	39.98%
0	HT	HITRON TECHNOLOGIES (SIP) INC.	1	Operating expense	8,377	Normal payment terms	0.10%
0	HT	HITRON TECHNOLOGIES (SIP) INC.	1	Accounts payable	1,124,061	Normal payment terms	13.87%
0	HT	HITRON TECHNOLOGIES (SIP) INC.	1	Other payables	5,828	Normal payment terms	0.07%
0	HT	HITRON TECHNOLOGIES (SIP) INC.	1	Other costs	1,173	Normal payment terms	0.01%
0	HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	1	Sales revenue	326,192	Normal payment terms	3.72%
0	HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	1	Accounts Receivables	81,300	Normal payment terms	1.00%
0	HT	HITRON TECHNOLOGIES EUROPE HOLDING B.V.	1	Other Receivables	5,104	Normal payment terms	0.06%
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	1	Sales revenue	3,589,686	Normal payment terms	40.97%
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	1	Other payables	3,618	Normal payment terms	0.04%
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	1	Accounts Receivables	1,222,666	Normal payment terms	15.08%
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	1	Other Receivables	139,033	Normal payment terms	1.72%
0	HT	HITRON TECHNOLOGIES AMERICAS INC.	1	Purchase	374	Normal payment terms	0.00%
0	HT	WEI TECH (SAMOA) INC.	1	Purchase	2,040,461	Normal payment terms	23.29%
0	HT	JIETECH TRADING (SUZHOU) INC.	1	Sales revenue	50,315	Normal payment terms	0.57%
0	HT	JIETECH TRADING (SUZHOU) INC.	1	Accounts receivable	9,394	Normal payment terms	0.12%

Number (Note 1)	Company name	Counterparty	Relationship with the counterparty (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	INTERACTIVE DIGITAL TECHNOLOGIES INC.	HT	2	Sales revenue	3,816	Normal payment terms	0.04%
1	INTERACTIVE DIGITAL TECHNOLOGIES INC.	INNOAUTO TECHNOLOGIES INC.	3	Deposits received	3	Normal payment terms	0.00%
1	INTERACTIVE DIGITAL TECHNOLOGIES INC.	INNOAUTO TECHNOLOGIES INC.	3	Rent revenue	31	Normal payment terms	0.00%
1	INTERACTIVE DIGITAL TECHNOLOGIES INC.	INNOAUTO TECHNOLOGIES INC.	3	Sales revenue	271	Normal payment terms	0.00%
1	INTERACTIVE DIGITAL TECHNOLOGIES INC.	HWA CHI TECHNOLOGIES (SHANGHAI) INC.	3	Sales revenue	1,360	Normal payment terms	0.02%
2	HWA CHI TECHNOLOGIES (SHANGHAI) INC.	HITRON TECHNOLOGIES (SIP) INC.	3	Sales revenue	2,177	Normal payment terms	0.02%
3	WEI TECH (SAMOA) INC.	HITRON TECHNOLOGIES (SIP) INC.	3	Purchase	2,001,929	Normal payment terms	22.85%
4	HITRON TECHNOLOGIES (SIP) INC.	Di's Suzhou Electronic Technology Co., LTD	3	Other Receivables	10,830	Normal payment terms	0.13%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary

(2)Subsidiary to parent company

(3)Subsidiary to subsidiary

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

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

14 SEGMENT INFORMATION

14.1. General information

The Company is mainly engaged in integrating communications systems, producing and selling electronic and telecom communication products. By assessing the performances of every operating segment, the Board of Directors and the chief of the operating team can decide operating strategies and allocate resources.

14.2. Measurement of segment information

The accounting policies of the operating segments are the same as the Company's accounting policies stated in Note 4 of this consolidated financial statement. The chief operating decision-maker evaluates the performance of each operating segment based on net operating profit or loss.

14.3. Information about segment profit or loss, assets and liabilities

(1) The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	2016			
	System Integration	Manufacturing	Adjustments	Total
Revenue from external customers	$1,862,400	$6,900,319	$-	$8,762,719
Inter-segment revenue	46,495	9,497,681	(9,544,176)	-
Total segment revenue	$1,908,895	$16,398,000	$(9,544,176)	$8,762,719
Inter-segment profit (loss)	$163,876	$359,018	$-	$522,894
Segment assets	$-	$-	$-	$-

	2015			
	System Integration	Manufacturing	Adjustments	Total
Revenue from external customers	$2,124,298	$5,938,651	$-	$8,062,949
Inter-segment revenue	37,030	8,739,217	(8,776,247)	-
Total segment revenue	$2,161,328	$14,677,868	$(8,776,247)	$8,062,949
Inter-segment profit (loss)	$150,948	$138,306	$-	$289,254
Segment assets	$-	$-	$-	$-

14.4. Reconciliation for segment profit (loss), assets and liabilities

The assessment method of segment profit or loss reported to the chief operating decision-maker is the same as the assessment method used to measure incomes and expenses in Comprehensive Income Statement. The asset amount evaluated is not the key indicator for decision-maker, thus the measured amount for assets should be zero. Besides, report submitted for decision-making regarding to segment operation is same as Comprehensive Income Statement; hence, reconciliation can be waived.

14.5. Geographical information

The Company has no foreign operating segment, disclosure of geographical information can be waived.

14.6. Information of export sales

	2016	2015
America	$5,044,445	$4,393,927
Europe	986,272	684,110
Asia	448,432	575,058
Australia	3,163	-
Total	$6,482,312	$5,653,095

14.7. Major customer information

Details of revenue contribution by client which the revenue is accounted for more than 10% of total revenue on Comprehensive Income Statement for the year 2016 and 2015:

	2016		2015	
Client	Amount	% accounted for operation revenue	Amount	% accounted for operation revenue
Client R	$1,543,291	17.61	$2,346,779	29.11
Client S	1,132,297	12.92	-	-