

BizLink Holding Inc. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2016 and 2015 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
BizLink Holding Inc.

Opinion

We have audited the accompanying consolidated financial statements of BizLink Holding Inc. and its subsidiaries (collectively referred to as the "Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

Key Audit Matter - Sales Recognition

The Company's operating revenue has concentrated on a small number of customers. During 2016, the top 20 ranking customers contributed a total of 72.86% operating revenue, and considering that the management may have pressure to achieve the target sales, the inherent risk of fraud in revenue recognition has increased. Therefore, we identified the risk in revenue recognition relating to whether the sales transactions with new major customers had actually existed and occurred as representing a key audit matter.

In response, we performed the following audit procedures:

1. We examined the Company's background checks performed on the new top customers, and evaluated if the transaction amounts and customer credit limit granted were reasonably compatible with the customer's size.
2. We performed substantive testing on the new top customers by inspecting the third party shipping documents, the customer receipts of shipments, and cash payments to verify the validity of transactions.

Key Audit Matter - Inventory Valuation

The Company's main business activities are the manufacturing and selling of connectors and connecting wires. As the 3C industry is in the mature life cycle stage with a high product standardization, the price drops in 3C products are becoming faster, leading to a risk in the corresponding finished goods and raw materials becoming slow moving or obsolete. In addition, the connectors used in other industries have a high entry barrier, the quality of the finished goods may easily not meet the demand of the customers, leading to poor selling and obsolete inventory. Considering that the net realizable value of inventory is an area of significant judgement, we identified a risk in inventory in relation to whether the Company's provisioning policy was reasonable and the calculations for slow-moving and obsolete inventory were accurate as representing a key audit matter.

In response, we performed the following audit procedures:

1. We evaluated the reasonableness of the Company's inventory provisioning policy.
2. We obtained the inventory aging reports and sample-tested the accuracy of the aging of inventory.
3. We performed testing to verify the book value of inventory by selecting a sample of items in inventory at year-end and verifying whether they were valued at the lower of cost and net realizable value by reference to recent sales invoice, and we also recalculated if the provision was recorded accurately.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chung Chen Chen and Cheng Chuan Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2017

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

BIZLINK HOLDING INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

| ASSETS | 2016 | | 2015 | |
|------------------------------------------------------------------------------------------|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 2,417,539 | 24 | \$ 1,194,071 | 17 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 2,227 | - | 2,079 | - |
| Debt investments with no active market - current (Notes 4 and 9) | 1,194,508 | 12 | 312,943 | 5 |
| Notes receivable from unrelated parties (Notes 4 and 10) | 3,410 | - | 13,035 | - |
| Trade receivables from unrelated parties (Notes 4 and 10) | 2,101,403 | 21 | 1,921,161 | 27 |
| Trade receivables from related parties (Notes 4 and 34) | 1,230 | - | 2,753 | - |
| Other receivables (Note 10) | 69,643 | 1 | 25,240 | - |
| Current tax assets (Notes 4 and 26) | 19,242 | - | 21,480 | - |
| Inventories (Notes 4, 5 and 11) | 1,674,051 | 17 | 1,585,429 | 23 |
| Prepayments (Notes 17 and 18) | 144,985 | 2 | 137,425 | 2 |
| Other financial assets - current (Notes 4 and 35) | 1,438 | - | 1,532 | - |
| Other current assets (Note 18) | - | - | 46 | - |
| Total current assets | 7,629,676 | 77 | 5,217,194 | 74 |
| NON-CURRENT ASSETS | | | | |
| Financial assets measured at cost - non-current (Notes 4 and 8) | 152,054 | 2 | 168,072 | 2 |
| Investments accounted for using equity method (Notes 4 and 13) | 3,209 | - | 3,799 | - |
| Property, plant and equipment (Notes 4, 14 and 35) | 1,554,399 | 16 | 1,318,067 | 19 |
| Investment properties (Notes 4 and 15) | 130,956 | 1 | - | - |
| Other intangible assets (Notes 4 and 16) | 117,869 | 1 | 94,875 | 1 |
| Deferred tax assets (Notes 4 and 26) | 131,648 | 1 | 84,432 | 1 |
| Other financial assets - non-current (Notes 4 and 35) | 76,200 | 1 | 17,036 | - |
| Long-term prepayments for lease (Notes 4 and 17) | 40,673 | - | 12,516 | - |
| Other non-current assets (Notes 18 and 34) | 109,748 | 1 | 168,821 | 3 |
| Total non-current assets | 2,316,756 | 23 | 1,867,616 | 26 |
| TOTAL | \$ 9,946,432 | 100 | \$ 7,084,812 | 100 |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 19 and 35) | \$ 64,500 | 1 | \$ 195,872 | 3 |
| Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 20) | 5,521 | - | 41,600 | 1 |
| Notes payable to unrelated parties (Note 21) | 10,836 | - | 21,386 | - |
| Trade payables to unrelated parties (Note 21) | 1,281,330 | 13 | 1,219,143 | 17 |
| Other payables (Note 22) | 805,175 | 8 | 637,666 | 9 |
| Current tax liabilities (Notes 4 and 26) | 86,095 | 1 | 101,297 | 2 |
| Current portion of long-term borrowings (Notes 19 and 35) | 31,721 | - | 14,163 | - |
| Other current liabilities (Note 22) | 17,843 | - | 12,315 | - |
| Total current liabilities | 2,303,024 | 23 | 2,243,447 | 32 |
| NON-CURRENT LIABILITIES | | | | |
| Bonds payable (Notes 4 and 20) | 1,859,265 | 18 | 150,904 | 2 |
| Long-term borrowings (Notes 19 and 35) | 373,982 | 4 | 291,058 | 4 |
| Deferred tax liabilities (Notes 4 and 26) | 69,639 | 1 | 7,353 | - |
| Net defined benefit liabilities - non-current (Notes 4 and 23) | 3,873 | - | 2,809 | - |
| Other non-current liabilities (Note 22) | 5,096 | - | 3,217 | - |
| Total non-current liabilities | 2,311,855 | 23 | 455,341 | 6 |
| Total liabilities | 4,614,879 | 46 | 2,698,788 | 38 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (Notes 4 and 24) | | | | |
| Capital stock | | | | |
| Common shares | 1,029,593 | 10 | 918,191 | 13 |
| Capital surplus | 2,277,793 | 23 | 1,165,845 | 17 |
| Retained earnings | | | | |
| Legal reserve | 280,598 | 3 | 204,603 | 3 |
| Special reserve | 298,638 | 3 | 298,638 | 4 |
| Unappropriated earnings | 1,978,609 | 20 | 1,696,406 | 24 |
| Total retained earnings | 2,557,845 | 26 | 2,199,647 | 31 |
| Other equity | (533,678) | (5) | 102,346 | 1 |
| Total equity | 5,331,553 | 54 | 4,386,029 | 62 |
| TOTAL | \$ 9,946,432 | 100 | \$ 7,084,812 | 100 |

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

BIZLINK HOLDING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2016 | | 2015 | |
|---------------------------------------------------------------------------|------------------|------------|------------------|------------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4 and 34) | | | | |
| Sales | \$ 9,208,059 | 100 | \$ 8,416,972 | 100 |
| OPERATING COSTS (Notes 11, 14, 25 and 34) | | | | |
| Cost of goods sold | <u>6,464,482</u> | <u>70</u> | <u>6,175,484</u> | <u>74</u> |
| GROSS PROFIT | <u>2,743,577</u> | <u>30</u> | <u>2,241,488</u> | <u>26</u> |
| OPERATING EXPENSES (Notes 25 and 34) | | | | |
| Selling and marketing expenses | 425,898 | 5 | 427,450 | 5 |
| General and administrative expenses | 1,068,672 | 12 | 797,418 | 9 |
| Research and development expenses | <u>230,928</u> | <u>2</u> | <u>230,247</u> | <u>3</u> |
| Total operating expenses | <u>1,725,498</u> | <u>19</u> | <u>1,455,115</u> | <u>17</u> |
| PROFIT FROM OPERATIONS | <u>1,018,079</u> | <u>11</u> | <u>786,373</u> | <u>9</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Gain from bargain purchase - acquisition of subsidiaries (Notes 4 and 29) | 14,131 | - | - | - |
| Other income (Notes 4 and 25) | 56,996 | 1 | 52,615 | - |
| Other gains and losses (Notes 4, 8, 18 and 25) | 118,008 | 1 | 141,871 | 2 |
| Finance costs (Notes 20 and 25) | (44,425) | - | (16,006) | - |
| Share of profit or loss of associates (Notes 4 and 13) | <u>(520)</u> | <u>-</u> | <u>347</u> | <u>-</u> |
| Total non-operating income and expenses | <u>144,190</u> | <u>2</u> | <u>178,827</u> | <u>2</u> |
| PROFIT BEFORE INCOME TAX FROM OPERATIONS | 1,162,269 | 13 | 965,200 | 11 |
| INCOME TAX EXPENSE (Notes 4 and 26) | <u>(252,324)</u> | <u>(3)</u> | <u>(205,250)</u> | <u>(2)</u> |
| NET PROFIT FOR THE YEAR | <u>909,945</u> | <u>10</u> | <u>759,950</u> | <u>9</u> |

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BIZLINK HOLDING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2016 | | 2015 | |
|------------------------------------------------------------------------------------------------------------|-------------------|------------|-------------------|------------|
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Actuarial gain and loss arising from defined benefit plans (Notes 4 and 23) | \$ (1,002) | - | \$ (880) | - |
| Exchange differences arising on translation to the presentation currency (Notes 4 and 24) | (122,159) | (2) | 152,777 | 2 |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26) | <u>170</u> | <u>-</u> | <u>149</u> | <u>-</u> |
| | <u>(122,991)</u> | <u>(2)</u> | <u>152,046</u> | <u>2</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations (Notes 4 and 24) | <u>(284,818)</u> | <u>(3)</u> | <u>(278,490)</u> | <u>(3)</u> |
| Other comprehensive income (loss) for the year, net of income tax | <u>(407,809)</u> | <u>(5)</u> | <u>(126,444)</u> | <u>(1)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | \$ <u>502,136</u> | <u>5</u> | \$ <u>633,506</u> | <u>8</u> |
| EARNINGS PER SHARE (Note 27) | | | | |
| Basic | \$9.23 | | \$7.90 | |
| Diluted | \$8.29 | | \$7.87 | |

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

(Concluded)

BIZLINK HOLDING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

| | Retained Earnings | | | | | Other Equity | | |
|-------------------------------------------------------------------------------------------|-------------------|-----------------|---------------|-----------------|-------------------------|--------------------------------------------------------|--------------|--------------|
| | Capital Stock | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations | Others | Total Equity |
| BALANCE AT JANUARY 1, 2015 | \$ 868,600 | \$ 1,113,903 | \$ 142,910 | \$ 208,638 | \$ 1,476,660 | \$ 228,950 | \$ - | \$ 4,128,860 |
| Appropriation of the 2014 earnings (Note 24) | - | - | 61,693 | - | 161,693 | - | - | - |
| Legal reserve | - | - | - | - | (434,345) | - | - | (434,345) |
| Cash dividends distributed by BizLink | 43,435 | - | - | - | (43,435) | - | - | - |
| Share dividends distributed by BizLink | - | - | - | - | - | - | - | - |
| Convertible bonds converted to common shares (Notes 4, 20 and 24) | 2,946 | 41,620 | - | - | - | - | - | 44,566 |
| Issue of common shares under employee stock options (Notes 4, 24 and 28) | 3,120 | 10,322 | - | - | - | - | - | 13,442 |
| Net profit for the year ended December 31, 2015 | - | - | - | - | 759,950 | - | - | 759,950 |
| Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax | - | - | - | - | (731) | (125,213) | - | (126,444) |
| Total comprehensive income for the year ended December 31, 2015 | - | - | - | - | 759,219 | (125,213) | - | 633,506 |
| BALANCE AT DECEMBER 31, 2015 | 918,191 | 1,165,845 | 204,603 | 208,638 | 1,606,406 | 102,346 | - | 4,386,029 |
| Appropriation of the 2015 earnings (Note 24) | - | - | 75,905 | - | (75,905) | - | - | - |
| Legal reserve | - | - | - | - | (505,098) | - | - | (505,098) |
| Cash dividends distributed by BizLink | 45,910 | - | - | - | (45,910) | - | - | - |
| Share dividends distributed by BizLink | - | - | - | - | - | - | - | - |
| Equity component of convertible bonds (Notes 4, 20 and 24) | - | 158,954 | - | - | - | - | - | 158,954 |
| Convertible bonds converted to common shares (Notes 4, 20 and 24) | 48,627 | 721,988 | - | - | - | - | - | 770,615 |
| Issue of common shares under employee stock options (Notes 4, 24 and 28) | 16,865 | 231,006 | - | - | - | - | (229,047) | 18,824 |
| Net profit for the year ended December 31, 2016 | - | - | - | - | 909,045 | - | - | 909,045 |
| Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax | - | - | - | - | (832) | (406,977) | - | (407,809) |
| Total comprehensive income for the year ended December 31, 2016 | - | - | - | - | 909,113 | (406,977) | - | 502,136 |
| BALANCE AT DECEMBER 31, 2016 | \$ 1,029,593 | \$ 2,277,793 | \$ 280,508 | \$ 208,638 | \$ 1,978,609 | \$ (304,631) | \$ (229,047) | \$ 5,331,553 |

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

BIZLINK HOLDING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

| | 2016 | 2015 |
|-------------------------------------------------------------------------------------------------------------------------|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 1,162,269 | \$ 965,200 |
| Adjustments for: | | |
| Impairment loss recognized on trade receivables | 1,515 | 984 |
| Depreciation expenses | 197,819 | 171,949 |
| Amortization expenses | 23,931 | 18,459 |
| Amortization of prepayments for lease | 451 | 321 |
| Share of loss (profit) of associates | 520 | (347) |
| Gain from bargain purchase | (14,131) | - |
| Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss | 22,736 | 18,866 |
| Interest expense | 44,425 | 16,006 |
| Interest income | (31,364) | (11,699) |
| Compensation cost of employee share options | 11,703 | - |
| Loss on disposal of property, plant and equipment | 9,679 | 9,396 |
| Impairment loss recognized on financial assets | 22,696 | 19,043 |
| Impairment loss of non-financial assets | 16,794 | 38,937 |
| Gain on reacquisition of bonds | (42) | - |
| Net loss on foreign currency exchange | 7,909 | 32,410 |
| Changes in operating assets and liabilities | | |
| Decrease in financial assets held for trading | - | 12,345 |
| Decrease (increase) in notes receivable | 9,387 | (7,051) |
| Increase in trade receivables | (181,867) | (226,393) |
| Decrease in trade receivable - related parties | 1,472 | 4,021 |
| Increase in other receivables | (43,246) | (6,025) |
| Increase in inventories | (103,784) | (19,954) |
| (Increase) decrease in prepayments | (7,530) | 31,762 |
| Decrease in other current assets | 45 | 2 |
| Decrease in financial liabilities held for trading | (6,654) | (14,923) |
| (Decrease) increase in notes payable | (10,158) | 20,553 |
| Increase in trade payables | 65,793 | 37,676 |
| Increase in other payables | 182,223 | 97,841 |
| Increase in net defined benefit liabilities | 62 | 30 |
| Increase (decrease) in other current liabilities | 4,165 | (23,633) |
| Cash generated from operations | 1,386,818 | 1,185,776 |
| Interest received | 31,364 | 11,699 |
| Interest paid | (9,425) | (9,495) |
| Income tax paid | (250,165) | (230,826) |
| Net cash generated from operating activities | 1,158,592 | 957,154 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of debt investments with no active market | (1,000,193) | - |
| Proceeds on sale of debt investments with no active market | 95,638 | 9,942 |
| Purchase of financial assets measured at cost | - | (31,738) |

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BIZLINK HOLDING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

| | 2016 | 2015 |
|---------------------------------------------------------------------------------------|---------------------|---------------------|
| Acquisition of subsidiaries (after deducting cash acquired) | \$ (83,842) | \$ - |
| Payments for property, plant and equipment | (535,975) | (251,531) |
| Proceeds from disposal of property, plant and equipment | 6,265 | 3,805 |
| Payments for intangible assets | (30,178) | (10,910) |
| Increase in refundable deposits | (15,518) | (2,910) |
| Decrease in refundable deposits | 775 | 1,587 |
| Increase in other financial assets | (63,296) | - |
| Increase in other non-current assets | - | (9,521) |
| Increase in prepayments for equipment | <u>(41,081)</u> | <u>(117,634)</u> |
| Net cash used in investing activities | <u>(1,667,405)</u> | <u>(408,910)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of convertible bonds | 2,670,600 | - |
| Payments for transaction costs attributable to issue of debt instruments | (61,709) | - |
| Proceeds from short-term borrowings | - | 112,539 |
| Repayments of short-term borrowings | (129,060) | - |
| Repayments of bonds payable | (100) | - |
| Proceeds from long-term borrowings | 238,030 | - |
| Repayments of long-term borrowings | (133,623) | (13,679) |
| Proceeds from guarantee deposits received | 1,940 | 672 |
| Dividends paid to owners of BizLink | (505,005) | (434,345) |
| Proceeds from exercise of employee stock options | <u>7,121</u> | <u>13,442</u> |
| Net cash generated from (used in) financing activities | <u>2,088,194</u> | <u>(321,371)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>(355,913)</u> | <u>(233,255)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,223,468 | (6,382) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>1,194,071</u> | <u>1,200,453</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 2,417,539</u> | <u>\$ 1,194,071</u> |

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

(Concluded)

BIZLINK HOLDING INC. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

BizLink Holding Inc. ("BizLink") was incorporated in Cayman Islands in June 2000. Major operating activities of BizLink include designing, manufacturing, and selling of cable assembly, connectors, power cord, fiber optical passive components and computer peripheral products.

BizLink's shares have been listed on the Taiwan Stock Exchange since April 2011.

The functional currency of BizLink is U.S. dollars. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since BizLink's stocks are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by BizLink's board of directors on March 8, 2017.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, BizLink Holding Inc. and its subsidiaries (collectively referred to as the "Company") should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the IASB and endorsed by the FSC for application starting from 2017.

| New, Amended or Revised Standards and Interpretations (the "New IFRSs") | Effective Date Announced by IASB (Note 1) |
|--------------------------------------------------------------------------------------------------------|----------------------------------------------|
| Annual Improvements to IFRSs 2010-2012 Cycle | July 1, 2014 (Note 2) |
| Annual Improvements to IFRSs 2011-2013 Cycle | July 1, 2014 |
| Annual Improvements to IFRSs 2012-2014 Cycle | January 1, 2016 (Note 3) |
| Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception" | January 1, 2016 |
| Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" | January 1, 2016 |
| Amendment to IAS 1 "Disclosure Initiative" | January 1, 2016 |
| Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization" | January 1, 2016 |
| Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants" | January 1, 2016 |

(Continued)

| New, Amended or Revised Standards and Interpretations (the "New IFRSs") | Effective Date Announced by IASB (Note 1) |
|-----------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions" | July 1, 2014 |
| Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets" | January 1, 2014 |
| Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" | January 1, 2014 |
| IFRIC 21 "Levies" | January 1, 2014 |
| | (Concluded) |

Note 1: Unless stated otherwise, the above New or amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company's accounting policies, except for the following:

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

IFRS 3 "Business Combinations" was amended in this annual improvement.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combination with acquisition date on or after January 1, 2017.

3) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Company has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Company's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Company continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Company has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that amendments to IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Annual Improvements to IFRSs 2014-2016 Cycle | Note 2 |
| Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" | January 1, 2018 |
| Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" | January 1, 2018 |
| IFRS 9 "Financial Instruments" | January 1, 2018 |
| Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures" | January 1, 2018 |
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB |
| IFRS 15 "Revenue from Contracts with Customers" | January 1, 2018 |
| Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers" | January 1, 2018 |
| IFRS 16 "Leases" | January 1, 2019 |
| Amendment to IAS 7 "Disclosure Initiative" | January 1, 2017 |
| Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses" | January 1, 2017 |
| Amendments to IAS 40 "Transfers of investment property" | January 1, 2018 |
| IFRIC 22 "Foreign Currency Transactions and Advance Consideration" | January 1, 2018 |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Company’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2018.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

4) Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Company expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Company should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Company’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

5) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 consolidated financial statements shall prevail. However, the consolidated financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the Financial Supervisory Commission (FSC) for their oversight purposes.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs, are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of BizLink and the entities controlled by BizLink (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by BizLink.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of BizLink and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes 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 and attributed to the owners of BizLink.

See Note 12 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

The acquisition of businesses is accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

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 from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from 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 that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company and its foreign operations (including of the subsidiaries, associates or branches operating in other countries or currencies used are different from BizLink's currency) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of BizLink and non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in BizLink losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

Inventories of raw materials, finished goods, work-in-process and merchandise are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

h. Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of the equity of associates. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which an investee ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated financial statements only to the extent of interests in the associate of entities that are not related to the Company.

i. Property, plant and equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

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

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

l. Impairment of tangible and intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

Fair value is determined in the manner described in Note 33.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, debt investments with no active market and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, debt investments with no active market or other financial assets, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as default or delinquency in interest or principal payments, it becomes probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Trade receivables that are considered uncollectible are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of BizLink's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of BizLink's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liability is classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 33.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

- a) The component parts of overseas convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

- b) The conversion options component of the domestic convertible bonds issued by the Company that will be settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the Company's own equity instruments is classified as derivative financial liabilities.

On initial recognition, the derivative financial liabilities component of the convertible bonds is recognized at fair value, and the initial carrying amount of the component of non-derivative financial liabilities is determined by deducting the amount of derivative financial liabilities from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liabilities component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liabilities component is measured at fair value and the changes in fair value are recognized in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the derivative financial liabilities component and the non-derivative financial liabilities component in proportion to their relative fair values. Transaction costs relating to the derivative financial liabilities component are recognized immediately in profit or loss. Transaction costs relating to the non-derivative financial liabilities component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and foreign exchange option contracts.

Derivatives 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. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

n. Revenue recognition

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

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve transfer of risks and rewards of materials ownership.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

o. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Lease incentives included in the operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis.

2) The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

3) Leasehold land for own use

When a lease includes both land and building elements, the Company assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to the grants and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability (asset)) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Share-based payment arrangements

Employee share options granted to employee

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

Restricted shares for employees

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in other equity - unearned employee benefit. It is recognized as an expense in full at the grant date if vesting immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - restricted shares for employees.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

For the subsidiaries incorporated within the territory of the Republic of China, according to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the 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 and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Write-down of Inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|-----------------------------------------------------------|---------------------|---------------------|
| | <u>2016</u> | <u>2015</u> |
| Cash on hand | \$ 1,675 | \$ 2,291 |
| Checking accounts and demand deposits | 1,313,888 | 929,338 |
| Cash equivalent | | |
| Time deposits with original maturities less than 3 months | <u>1,101,976</u> | <u>262,442</u> |
| | <u>\$ 2,417,539</u> | <u>\$ 1,194,071</u> |

Interest rates for deposits in bank on the balance sheet date were as follows:

| | <u>December 31</u> | |
|---------|--------------------|-------------|
| | <u>2016</u> | <u>2015</u> |
| Deposit | 0.001%-3.25% | 0.001%-6.6% |

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>December 31</u> | |
|---------------------------------------------------------------|--------------------|------------------|
| | <u>2016</u> | <u>2015</u> |
| <u>Financial assets at FVTPL - current</u> | | |
| Financial assets held for trading | | |
| Non-derivative financial assets | | |
| Domestic and foreign quoted shares | <u>\$ 2,227</u> | <u>\$ 2,079</u> |
| | <u>\$ 2,227</u> | <u>\$ 2,079</u> |
| <u>Financial liabilities at FVTPL - current</u> | | |
| Financial liabilities held for trading | | |
| Derivative financial liabilities (not under hedge accounting) | | |
| Foreign exchange forward contracts | \$ - | \$ 5,160 |
| Foreign exchange options | - | 5,785 |
| Option of convertible bond (Note 19) | <u>5,521</u> | <u>30,655</u> |
| | <u>\$ 5,521</u> | <u>\$ 41,600</u> |

- a. At the end of the reporting period, outstanding foreign exchange forward contract not under hedge accounting was as follows:

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|--------------------------|----------|-----------------|-----------------------------------|
| <u>December 31, 2015</u> | | | |
| Sell | USD/RMB | 2016.01-2016.08 | USD5,400/RMB35,004 |

The Company entered into foreign exchange forward contracts during 2016 and 2015 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

- b. At the end of the reporting period, outstanding option not under hedge accounting was as follows:

| | Maturity Date | Notional Amount (In Thousands) |
|--------------------------------------|-----------------|-----------------------------------|
| <u>December 31, 2015</u> | | |
| Fubon bank - foreign exchange option | 2016.01-2016.02 | US\$ 2,400 |

For the year ended December 31, 2015, there was one foreign exchange option outstanding, and the general term was as follows:

Fubon Bank - foreign exchange option

The duration of contract is two years from March 6, 2014 to February 3, 2016. Net settlement occurs monthly for the first 18 months, and gross settlement occurs biweekly for the last 6 months, with a total of 30 periods. According to the contract, if the fixing rate for USD-RMB (expressed as the number of RMB per one USD as displayed on Reuters Page "CNHFIX" at or around 11:15 a.m. at Hong Kong) is less than or equal to the strike rate on fixing date, the Company will receive notional amount US\$400 thousand \times (strike price - fixing rate) \div fixing rate from dealing bank recognized as profit of the period. If fixing Rate is greater than the barrier price, the Company will pay notional amount US\$400 thousand \times 2 \times (fixing rate - strike price) \div fixing rate to dealing bank recognized as loss of the period. If fixing rate is less than or equal to barrier price and greater than strike price, the Company will not recognize profit or loss and the amount of net settlement is NT\$0. According to the contract, the strike price and the barrier price above are NT\$6.13 and NT\$6.30, respectively. When accumulated profits are up to RMB160 thousand, the contract will totally expire. Conversely, there is no termination clause in the contract when there is a loss.

The Company entered into the options during 2015 to manage exposure to exchange rate fluctuations and price fluctuations of foreign currency denominated assets, liabilities and inventory. However, those options did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

8. FINANCIAL ASSETS MEASURED AT COST

| | December 31 | |
|----------------------------------------------------------------|-------------|------------|
| | 2016 | 2015 |
| <u>Non-current</u> | | |
| Unlisted common shares | \$ 152,054 | \$ 168,072 |
| Classified according to financial asset measurement categories | | |
| Available-for-sale financial assets | \$ 152,054 | \$ 168,072 |

Management believed that the fair value of the above unlisted equity investments held by the Company cannot be reliably measured due to the significant range of reasonable fair value estimates; therefore they were measured at cost at the end of reporting period.

The Company evaluated the financial assets measured at cost by future cash flows and recognized impairment loss NT\$12,969 thousand (US\$400,000) and NT\$19,043 thousand (US\$600,000) during 2016 and 2015, respectively. The impairment loss had been recognized in other gains and losses in the consolidated statements of comprehensive income.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

| | December 31 | |
|----------------------------------------------------|--------------|------------|
| | 2016 | 2015 |
| <u>Current</u> | | |
| Time deposits with maturities longer than 3 months | \$ 1,133,141 | \$ 261,295 |
| Structured deposit | 61,367 | 51,648 |
| | \$ 1,194,508 | \$ 312,943 |

Interest rates of time deposits on the balance sheet date December 31, 2016 and 2015 were 1.03%-3.85% and 1.35%-4.00%, respectively.

Interest rates of structured deposit on the balance sheet date December 31, 2016 and 2015 were 0.00%-2.86% and 0.00%-3.00%, respectively.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | December 31 | |
|-----------------------------------------------|--------------|--------------|
| | 2016 | 2015 |
| <u>Notes receivable and trade receivables</u> | | |
| Notes receivable | \$ 3,410 | \$ 13,035 |
| Trade receivables | \$ 2,116,562 | \$ 1,934,158 |
| Less: Allowance for impairment loss | (15,159) | (12,997) |
| | \$ 2,101,403 | \$ 1,921,161 |

(Continued)

| | December 31 | |
|--------------------------|------------------|------------------|
| | 2016 | 2015 |
| <u>Other receivables</u> | | |
| Tax refund receivable | \$ 60,133 | \$ 15,919 |
| Others | <u>9,510</u> | <u>9,321</u> |
| | <u>\$ 69,643</u> | <u>\$ 25,240</u> |

(Concluded)

a. Trade receivables

The average credit period on sales of goods was 0 to 120 days after the end of the month in which sales occur. The Company recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience had been that receivables that are past due beyond 365 days were not recoverable. Allowance for impairment loss is recognized against trade receivables between 120 days and 365 days after the end of the month based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period (refer to the below schedule), the Company did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of accounts receivable was as follows:

| | December 31 | |
|-----------------------|---------------------|---------------------|
| | 2016 | 2015 |
| Not overdue | \$ 1,813,151 | \$ 1,654,315 |
| Past due 1-60 days | 212,882 | 245,854 |
| Past due 61-90 days | 33,217 | 11,626 |
| Past due over 91 days | <u>57,312</u> | <u>22,363</u> |
| | <u>\$ 2,116,562</u> | <u>\$ 1,934,158</u> |

The above aging schedule was based on the past due days from end of credit term.

The aging of receivables that were past due but not impaired was as follows:

| | December 31 | |
|-------------------|-------------------|-------------------|
| | 2016 | 2015 |
| Less than 60 days | \$ 212,882 | \$ 245,854 |
| 61-90 days | 33,217 | 11,626 |
| More than 90 days | <u>42,153</u> | <u>9,366</u> |
| | <u>\$ 288,252</u> | <u>\$ 266,846</u> |

The above aging schedule was based on the past due days from end of credit term.

Movements in the allowance for impairment loss recognized on trade receivables were as follows:

| | Individually Assessed for Impairment | Collectively Assessed for Impairment | Total |
|-----------------------------------------------------------------|--------------------------------------------|--------------------------------------------|------------------|
| Balance at January 1, 2015 | \$ 12,246 | \$ - | \$ 12,246 |
| Add: Impairment losses recognized on receivables | 984 | - | 984 |
| Less: Amounts written off during the period as uncollectible | (482) | - | (482) |
| Foreign exchange translation gains and losses | <u>249</u> | <u>-</u> | <u>249</u> |
| Balance at December 31, 2015 | <u>\$ 12,997</u> | <u>\$ -</u> | <u>\$ 12,997</u> |
| Balance at January 1, 2016 | \$ 12,997 | \$ - | \$ 12,997 |
| Add: Impairment losses recognized on receivables | 1,515 | - | 1,515 |
| Less: Amounts written off during the period as uncollectible | (135) | - | (135) |
| Acquisitions through business combination | 280 | - | 280 |
| Foreign exchange translation gains and losses | <u>502</u> | <u>-</u> | <u>502</u> |
| Balance at December 31, 2016 | <u>\$ 15,159</u> | <u>\$ -</u> | <u>\$ 15,159</u> |

The Company recognized impairment loss on trade receivables amounting NT\$15,159 thousand and NT\$12,997 thousand as of December 31, 2016 and 2015, respectively. The Company did not hold any collateral over these balances.

b. Other receivables

For the other receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable.

11. INVENTORIES

| | December 31 | |
|------------------|---------------------|---------------------|
| | 2016 | 2015 |
| Raw materials | \$ 556,247 | \$ 516,446 |
| Work in progress | 109,971 | 145,750 |
| Finished goods | 462,008 | 413,613 |
| Merchandise | <u>545,825</u> | <u>509,620</u> |
| | <u>\$ 1,674,051</u> | <u>\$ 1,585,429</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was NT\$6,464,482 thousand and NT\$6,175,484 thousand, respectively.

For the years ended December 31, 2016 and 2015, the cost of goods sold included write-down of inventories of NT\$16,794 thousand and NT\$38,937 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

| Investor | Investee | Main Business | % of Ownership | | Remark |
|-----------------------------|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------|--------|
| | | | 2016 | 2015 | |
| BizLink Holding Inc | BizLink Technology Inc | (1) Wholesaler and retailer of cable assembly, power cord and connectors, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade | 100.00 | 100.00 | |
| | OptuWorks Inc | (1) Wholesaler and retailer of fiber optical passive components and fiber optical cables, (2) international trade, and (3) various investment activities | 100.00 | 100.00 | |
| | BizLink (BVI) Corp | (1) Wholesaler and retailer of cable assembly, connectors, power cord, (2) wholesaler and retailer of computer peripheral products and electronic materials, (3) international trade, and (4) various investment activities | 100.00 | 100.00 | |
| | BizLink International Corp | (1) Wholesaler of cable assembly, connectors and power cord, (2) international trade, and (3) financial center for BizLink's Asian operation | 100.00 | 100.00 | |
| | Zellwood International Corp | Engaging in various investment activities | 100.00 | 100.00 | |
| | BizLink Technology (S.T.A.) Sdn Bhd | (1) Designing, manufacturing, and selling of cable assembly, power cord, and telecommunications equipment, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade | 100.00 | 100.00 | |
| | Adel Enterprises Corp | (1) Wholesaler and retailer of cable assembly, connectors, and power cord, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade | 100.00 | 100.00 | |
| | BizLink Tech Inc | (1) Designing, manufacturing, selling of cable assembly, (2) wholesaler and retailer of computer peripheral products and electronic materials, (3) fiberfil molding, and (4) international business trade | 100.00 | 100.00 | |
| | Accell Corp | (1) Wholesaler and retailer of brand name connectors, cables and telecommunications equipment, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) promoting its own brand name | 100.00 | 100.00 | |
| | BizLink Technology (Ireland) Ltd | (1) Wholesaler and retailer of cable assembly, power cord and connectors, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade | 100.00 | 100.00 | |
| | BizLink Japan | (1) Wholesaler and retailer of cable assembly, power cord and connectors, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade | 100.00 | 100.00 | |
| | Bizwide Limited | Engaging in various investment activities | 100.00 | 100.00 | |
| | Bizconn Technology Inc | (1) Wholesaler and retailer of cable assembly, power cord and connectors, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade | 100.00 | 100.00 | a |
| BizLink Technology Inc | Bae Bayside LLC | Engaging in various leasing activities | - | 100.00 | b |
| | Bobu LLC | Engaging in various leasing activities | 100.00 | 100.00 | |
| OptuWorks, Inc | OptuWorks (Shanghai) Limited | (1) Manufacturing, wholesaling and retailing of fiber optical passive components and fiber optical cables, and (2) international trade | 100.00 | 100.00 | |
| | OptuWorks (Kun Shan) Limited | (1) Manufacturing, wholesaling and retailing of fiber optical passive components and fiber optical cables and (2) selling of its own products | 100.00 | 100.00 | |
| BizLink (BVI) Corp | Hwa Zhan Electronics Corp (Shen Zhen) | Designing, manufacturing, selling and assembling of connectors, cables assembly | 100.00 | 100.00 | |
| | Jo Yeh Company Limited | (1) Wholesaler and retailer of connectors, and (2) international trade | 100.00 | - | c |
| Jo Yeh Company Limited | Foshan Nanhai Jo Yeh Electronic Co., Ltd | Manufacturing and assembling of connectors, cables assembly | 100.00 | - | d |
| Zellwood International Corp | Bizconn International Corp | Engaging in various investment activities | 100.00 | 100.00 | |
| | BizLink International Electronics (Shen Zhen) Co., Ltd | Designing, manufacturing, selling and assembling of connectors, cables assembly | 100.00 | 100.00 | |
| | BizLink (Kun Shan) Co., Ltd | Designing, manufacturing and selling of cable assembly, connectors and power cord | 100.00 | 100.00 | |
| Bizconn International Corp | Bizconn International Corp (China) | Designing, manufacturing, selling and assembling of connectors, tooling and cable assembly | 100.00 | 100.00 | |

(Continued)

| Investor | Investee | Main Business | % of Ownership December 31 | | Remark |
|-------------------------------------|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------|--------|
| | | | 2016 | 2015 | |
| Adel Enterprise Corp | BizLink Electronics (Xiamen) Co., Ltd | Manufacturing and assembling of power cord and cable. | 100.00 | 100.00 | |
| Asia Wick Ltd | Asia Wick Ltd | Engaging in various investment activities | 100.00 | 100.00 | |
| | TongYing Electronics (Shen Zhen) Ltd | Manufacturing of wire extrusion and cable assembly | 100.00 | 100.00 | |
| Bizwide Limited | Xiang Yao Electronics (Shen Zhen) Co., Ltd | Designing, manufacturing, selling of cable assembly, power cord, and connectors | 100.00 | 100.00 | |
| BizLink Technology (S I A) Sdn Bhd | BizLink Interconnect Technology (India) Private Limited | (1) Designing, manufacturing, and selling of cable assembly, power cord, and telecommunications equipment. (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade | 100.00 | 100.00 | |

(Concluded)

- a. BizConn Technology Inc. was not yet in operation.
- b. Bae Bayside, LLC was merged in April 2016.
- c. Jo Yeh Company Limited was acquired in November 2016.
- d. Foshan Nanhai Jo Yeh Electronic Co., Ltd. was acquired in November 2016.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associate

| | December 31 | |
|-------------------------------------------|-------------|----------|
| | 2016 | 2015 |
| Non-public company Arise Solution Inc. | \$ 3,209 | \$ 3,799 |

Aggregate information of associates that are not individually material:

| | For the Year Ended December 31 | |
|------------------------------------------|--------------------------------|--------|
| | 2016 | 2015 |
| The Company's share of: | | |
| (Loss) profit from continuing operations | \$ (520) | \$ 347 |
| Total comprehensive income for the year | \$ (520) | \$ 347 |

In April of 2013, the Company subscribed 923 shares of Arise Solution Inc. through a private placement for cash of US\$96 thousand; after the subscription, the Company's percentage of ownership in Arise Solution Inc. was 48% and the Company was able to exercise significant influence over Arise Solution Inc. Included in the cost of investment in associates was goodwill of NTS1,210 thousand which arose from the acquisition of Arise Solution Inc.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of the investment were calculated based on the financial statements that have not been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of Arise Solution Inc. that have not been audited.

14. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | Buildings | Machinery and Equipment | Transportation | Other Equipment | Total |
|-------------------------------------------------|---------------|------------|-------------------------|----------------|-----------------|--------------|
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2015 | \$ 230,189 | \$ 596,616 | \$ 930,004 | \$ 18,665 | \$ 183,136 | \$ 1,958,610 |
| Additions | - | 23,309 | 185,364 | 2,239 | 40,619 | 251,531 |
| Disposals | - | - | (33,535) | (1,443) | (12,191) | (47,169) |
| Reclassification (a) | - | 11,078 | 42,728 | 533 | 1,609 | 55,948 |
| Effect of foreign currency exchange differences | 6,429 | 6,788 | (22,700) | (730) | (3,532) | (13,745) |
| Balance at December 31, 2015 | \$ 236,618 | \$ 637,791 | \$ 1,101,861 | \$ 19,264 | \$ 209,641 | \$ 2,205,175 |
| <u>Accumulated depreciation and impairment</u> | | | | | | |
| Balance at January 1, 2015 | \$ - | \$ 175,372 | \$ 461,501 | \$ 8,485 | \$ 120,676 | \$ 766,034 |
| Disposals | - | - | (21,757) | (1,413) | (10,798) | (33,968) |
| Depreciation expense | - | 25,948 | 120,700 | 3,035 | 22,266 | 171,949 |
| Effect of foreign currency exchange differences | - | (1,821) | (12,395) | (468) | (2,223) | (16,907) |
| Balance at December 31, 2015 | \$ - | \$ 199,499 | \$ 548,049 | \$ 9,639 | \$ 129,921 | \$ 887,108 |
| Carrying amounts at December 31, 2015 | \$ 236,618 | \$ 438,292 | \$ 553,812 | \$ 9,625 | \$ 79,720 | \$ 1,318,067 |
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2016 | \$ 236,618 | \$ 637,791 | \$ 1,101,861 | \$ 19,264 | \$ 209,641 | \$ 2,205,175 |
| Additions | 219,888 | 154,933 | 101,274 | 3,186 | 56,694 | 535,975 |
| Disposals | - | (2,317) | (43,258) | (2,466) | (24,522) | (72,563) |
| Reclassification (b) | - | 53,416 | 7,955 | - | 364 | 61,735 |
| Acquisitions through business combination | - | 48,334 | 19,543 | 1,063 | 3,354 | 72,294 |
| Effect of foreign currency exchange differences | (3,331) | (26,275) | (90,826) | (1,449) | (14,806) | (136,687) |
| Transfer to investment property | (43,735) | (108,062) | - | - | - | (151,797) |
| Balance at December 31, 2016 | \$ 409,440 | \$ 757,820 | \$ 1,096,549 | \$ 19,598 | \$ 230,725 | \$ 2,514,132 |
| <u>Accumulated depreciation and impairment</u> | | | | | | |
| Balance at January 1, 2016 | \$ - | \$ 199,499 | \$ 548,049 | \$ 9,639 | \$ 129,921 | \$ 887,108 |
| Disposals | - | (528) | (32,955) | (1,244) | (21,892) | (56,619) |
| Depreciation expense | - | 33,642 | 131,604 | 2,364 | 28,824 | 196,434 |
| Acquisitions through business combination | - | 6,110 | 15,036 | 980 | 2,789 | 24,915 |
| Effect of foreign currency exchange differences | - | (13,623) | (49,100) | (772) | (9,214) | (72,709) |
| Transfer to investment property | - | (19,396) | - | - | - | (19,396) |
| Balance at December 31, 2016 | \$ - | \$ 205,704 | \$ 612,634 | \$ 10,967 | \$ 130,428 | \$ 959,733 |
| Carrying amounts at December 31, 2016 | \$ 409,440 | \$ 552,116 | \$ 483,915 | \$ 8,631 | \$ 100,297 | \$ 1,554,399 |

- Reclassified from other non-current asset - prepayment for equipment and inventory to property, plant and equipment NT\$33,188 thousand and NT\$22,760 thousand, respectively.
- Reclassified from other non-current asset - prepayment for equipment to property, plant and equipment NT\$61,735 thousand.

No impairment assessment was performed for the years ended 2016 and 2015 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

| | |
|---------------------------|-------------|
| Building | |
| Main buildings | 20-55 years |
| Construction appurtenance | 2-20 years |
| Machinery and equipment | 3-10 years |
| Transportation | 4-10 years |
| Other equipment | 3-10 years |

Refer to Note 35 for the carrying amount of property, plant and equipment pledged by the Company to secure borrowings granted to the Company.

15. INVESTMENT PROPERTIES

| | Freehold Land | Buildings | Total |
|-------------------------------------------------|---------------|-------------|-------------|
| <u>Cost</u> | | | |
| Balance at January 1, 2016 | \$ - | \$ - | \$ - |
| Transferred from property, plant and equipment | 43,735 | 108,062 | 151,797 |
| Effect of foreign currency exchange differences | <u>(20)</u> | <u>(49)</u> | <u>(69)</u> |
| Balance at December 31, 2016 | \$ 43,715 | \$ 108,013 | \$ 151,728 |
| <u>Accumulated depreciation and impairment</u> | | | |
| Balance at January 1, 2016 | \$ - | \$ - | \$ - |
| Depreciation expense | - | 1,385 | 1,385 |
| Transferred from property, plant and equipment | - | 19,396 | 19,396 |
| Effect of foreign currency exchange differences | <u>-</u> | <u>(9)</u> | <u>(9)</u> |
| Balance at December 31, 2016 | \$ - | \$ 20,772 | \$ 20,772 |
| Carrying amounts at December 31, 2016 | \$ 43,715 | \$ 87,241 | \$ 130,956 |

The above items of investment properties are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

| | |
|----------------|----------|
| Building | |
| Main buildings | 39 years |

The determination of fair value was performed by the management of the Company by using the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

| | December 31 | |
|------------|-------------|------|
| | 2016 | 2015 |
| Fair value | \$ 168,592 | \$ - |

16. OTHER INTANGIBLE ASSETS

| | Patent | Computer Software | Trademark | Total |
|-------------------------------------------------|------------------|-------------------|--------------|-------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2015 | \$ 15,941 | \$ 151,619 | \$ 63 | \$ 167,623 |
| Additions | - | 10,910 | - | 10,910 |
| Disposals | - | (27) | - | (27) |
| Effect of foreign currency exchange differences | <u>489</u> | <u>(2,607)</u> | <u>-</u> | <u>(2,118)</u> |
| Balance at December 31, 2015 | \$ <u>16,430</u> | \$ <u>159,895</u> | \$ <u>63</u> | \$ <u>176,388</u> |
| <u>Accumulated depreciation and impairment</u> | | | | |
| Balance at January 1, 2015 | \$ 13,853 | \$ 49,285 | \$ 41 | \$ 63,179 |
| Amortization expense | 1,587 | 16,866 | 6 | 18,459 |
| Disposals | - | (27) | - | (27) |
| Effect of foreign currency exchange differences | <u>470</u> | <u>(567)</u> | <u>(1)</u> | <u>(98)</u> |
| Balance at December 31, 2015 | \$ <u>15,910</u> | \$ <u>65,557</u> | \$ <u>46</u> | \$ <u>81,513</u> |
| Carrying amounts at December 31, 2015 | \$ <u>520</u> | \$ <u>94,338</u> | \$ <u>17</u> | \$ <u>94,875</u> |
| <u>Cost</u> | | | | |
| Balance at January 1, 2016 | \$ 16,430 | \$ 159,895 | \$ 63 | \$ 176,388 |
| Additions | 9,679 | 20,499 | - | 30,178 |
| Reclassification* | - | 24,755 | - | 24,755 |
| Effect of foreign currency exchange differences | <u>(309)</u> | <u>(13,305)</u> | <u>-</u> | <u>(13,614)</u> |
| Balance at December 31, 2016 | \$ <u>25,800</u> | \$ <u>191,844</u> | \$ <u>63</u> | \$ <u>217,707</u> |
| <u>Accumulated depreciation and impairment</u> | | | | |
| Balance at January 1, 2016 | \$ 15,910 | \$ 65,557 | \$ 46 | \$ 81,513 |
| Amortization expense | 1,519 | 22,406 | 6 | 23,931 |
| Effect of foreign currency exchange differences | <u>(296)</u> | <u>(5,310)</u> | <u>-</u> | <u>(5,606)</u> |
| Balance at December 31, 2016 | \$ <u>17,133</u> | \$ <u>82,653</u> | \$ <u>52</u> | \$ <u>99,838</u> |
| Carrying amounts at December 31, 2016 | \$ <u>8,667</u> | \$ <u>109,191</u> | \$ <u>11</u> | \$ <u>117,869</u> |

* Reclassified other non-current asset - prepayment of equipment to intangible asset NT\$24,755 thousand.

The above items of intangible assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

| | |
|-------------------|------------|
| Patent | 5 years |
| Computer software | 3-10 years |
| Trademark | 10 years |

17. PREPAYMENTS FOR LEASE

| | December 31 | |
|-----------------------------------------|------------------|------------------|
| | 2016 | 2015 |
| Current asset (included in prepayments) | \$ 1,346 | \$ 527 |
| Non-current asset | <u>40,673</u> | <u>12,516</u> |
| | <u>\$ 42,019</u> | <u>\$ 13,043</u> |

As of December 31, 2016 and 2015, prepaid lease payments included land use right with carrying amount of NT\$42,019 thousand and NT\$13,043 thousand, respectively, which are located in mainland China.

18. OTHER ASSETS

| | December 31 | |
|--------------------------------------------|-------------------|-------------------|
| | 2016 | 2015 |
| <u>Current</u> | | |
| Prepayment (include prepayments for lease) | \$ 144,985 | \$ 137,425 |
| Others | <u>-</u> | <u>46</u> |
| | <u>\$ 144,985</u> | <u>\$ 137,471</u> |
| <u>Non-current</u> | | |
| Prepayment for equipment | \$ 72,868 | \$ 134,617 |
| Long-term notes receivable | - | 9,856 |
| Refundable deposits | <u>36,880</u> | <u>24,348</u> |
| | <u>\$ 109,748</u> | <u>\$ 168,821</u> |

The Company evaluated the long-term notes receivable by future cash flows and recognized impairment loss NT\$9,727 thousand (US\$300,000) during 2016. The impairment loss had been recognized in other gains and losses in the consolidated statements of comprehensive income.

19. BORROWINGS

a. Short-term borrowings

| | December 31 | |
|-------------------------------------|-------------|------------|
| | 2016 | 2015 |
| <u>Secured borrowings (Note 35)</u> | | |
| Bank loans | \$ 64,500 | \$ 64,500 |
| <u>Unsecured borrowings</u> | | |
| Bank loans | - | 131,372 |
| | \$ 64,500 | \$ 195,872 |

The range of interest rate on bank loans was 1.15%-1.40% and 1.05%-1.65% per annum as of December 31, 2016 and 2015, respectively.

b. Long-term borrowings and current portion of long-term borrowings

| | December 31 | |
|-----------------------------------------|-------------|------------|
| | 2016 | 2015 |
| <u>Secured borrowings (Note 35)</u> | | |
| Bank loans | \$ 405,703 | \$ 305,221 |
| Less: Current portion (due in one year) | (31,721) | (14,163) |
| Long-term borrowings | \$ 373,982 | \$ 291,058 |

In February 2016 and May 2014, the long-term secured borrowings were provided with collaterals in the form of freehold land and buildings valued at NT\$237,980 thousand and US\$5,800 thousand, respectively. Such loans are due in January 2026 and May 2021, respectively. As of December 31, 2016 and 2015, the annual effective interest rate was 1.40%-2.56% and 2.10%-2.75%, respectively, per annum.

20. BONDS PAYABLE

| | December 31 | |
|---------------------------------|--------------|------------|
| | 2016 | 2015 |
| Overseas unsecured bonds | \$ 2,007,563 | \$ 160,500 |
| Less: Unamortized bond discount | (148,298) | (9,596) |
| | \$ 1,859,265 | \$ 150,904 |

- a. On February 3, 2016, BizLink issued the first five-year unsecured, zero-coupon overseas convertible bonds with US\$250 thousand par value, in an aggregate principal amount of US\$60,000 thousand, and additionally on or before March 4, 2016 with aggregate principal amount of US\$20,000 thousand.

The following items are the primary clauses in the prospectus:

1) Term

From February 3, 2016 to February 3, 2021.

2) Conversion

Conversion period

Unless previously converted, redeemed or repurchased and cancelled, the bonds may be converted into fully paid ordinary shares at the option of the bondholders at any time during the period from and including March 13, 2016 to and including the close of business on the tenth calendar day prior to the maturity date except during any closed period.

Conversion price and adjustments

The price used by BizLink in determining the number of ordinary shares to be issued upon conversion is initially NT\$179.40 per share with a fixed exchange rate applicable on conversion of bonds of NT\$33.62=US\$1.00. The conversion price will be subject to adjustment, according to a formula stated in the prospectus, due to any change in issuance of ordinary shares. The conversion price as of December 31, 2016 was NT\$166.10 per share.

3) Bondholders' put right

- a) On February 3, 2018 (2 years after issue date), each bondholder will have the right, at such holder's option, to require BizLink to redeem in whole or in part the principal amount thereof of such holder's bonds at 102.02%.
- b) In the event that the shares cease to be listed or admitted for trading or are suspended from trading for a period equal to or exceeding 30 consecutive trading days on the TWSE, each bondholder shall have the right to require BizLink to redeem the bonds in whole or in part at their early redemption amount. Early redemption amount of a bond is determined so that it represents for the bondholders of the bonds a gross yield of 1.00% per annum, calculated on a semi-annual basis.
- c) If a change of control occurs, each bondholder shall have the right at such bondholder's option to require BizLink to redeem such bondholder's bonds in whole or in part.

4) Redemption

- a) BizLink may redeem the bonds in whole, but not in part, at their early redemption amount if more than 90% in principal amount of the bonds has already been converted or redeemed or repurchased and cancelled.
 - b) BizLink may redeem the bonds in whole, but not in part, at their early redemption amount if the Company has become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or ROC.
- 5) According to IAS 32, options and liabilities are included in financial liabilities at fair value through profit or loss - current, bonds payable and capital surplus - options, respectively

- 6) The convertible bond has two components: The main debt contract instrument and the derivative convertible option. The main debt contract has the effective rate of 1.75%. The derivative convertible option instrument is accounted for at fair value through profit and loss (FVTPL) (Note 7).
 - 7) For the year ended December 31, 2016, the amount of converted convertible bond of NT\$596,755 thousand (US\$17,750 thousand) was reclassified to common shares NT\$35,702 thousand and capital surplus - options NT\$561,053 thousand. Bonds payable discount, financial liabilities at FVTPL - current and capital surplus - options on conversion date in the amounts of NT\$(45,211) thousand, NT\$125 thousand and NT\$35,268 thousand, respectively, were also reclassified to capital surplus - conversion of bonds. For the year ended December 31, 2016, amortization of discount on bonds payable of NT\$32,764 thousand was included in financial cost.
- b. On July 30, 2014, BizLink issued the second three-year unsecured, zero-coupon overseas convertible bonds with NT\$100 thousand par value, in an aggregate principal amount of NT\$200,000 thousand.

The following items are the primary clauses in the prospectus:

1) Term

From July 30, 2014 to July 30, 2017.

2) Redemption

Between one month after issue date and 40 days prior to maturity date, if the closing price of BizLink's shares reaches 30% of the conversion price for 30 consecutive trading days, BizLink may redeem the remaining bonds at fair value with cash in advance.

Between one month after issue date and 40 days prior to maturity date, if the bonds outstanding amounted to less than NT\$20,000 thousand (10% of original principal amount), BizLink may redeem the remaining bonds at fair value with cash in advance.

3) Conversion

Conversion period

Bondholders may request BizLink to convert the bonds into BizLink's common shares between August 31, 2014 (one month after issue date) and July 30, 2017 (maturity date), barring the year in which registration of share transfer is suspended.

Conversion price and adjustments

The price used by BizLink in determining the number of ordinary shares to be issued upon conversion is initially NT\$134.5 per share. The conversion price will be subject to adjustment, according to a formula stated in the prospectus, due to any change in issuance of ordinary shares.

- 4) The convertible bond has two components: The main debt contract instrument and the derivative convertible option. The main debt contract has the effective rate 3.91%. The derivative convertible option instrument is accounted for at fair value through profit and loss (FVTPL) (Note 7).

- 5) For the year ended December 31, 2016, the amount of converted convertible bond of NT\$160,400 thousand was reclassified to common share NT\$12,925 thousand and capital surplus - conversion of bonds NT\$147,475 thousand. Bonds payable discount and financial liabilities at FVTPL - current on conversion date in the amounts of NT\$(7,356) thousand and NT\$65,902 thousand, respectively, were also reclassified to capital surplus - conversion of bonds. For the year ended December 31, 2015, the amount of converted convertible bond of NT\$39,500 thousand was reclassified to common shares NT\$2,946 thousand and capital surplus - conversion of bonds NT\$36,554 thousand. Bonds payable discount and financial liabilities at FVTPL - current on conversion date in the amounts of NT\$(3,057) thousand and NT\$8,123 thousand, respectively, were also reclassified to capital surplus - conversion of bonds. For the years ended December 31, 2016 and 2015, amortization of discount on bonds payable of NT\$2,236 thousand and NT\$6,511 thousand was included in financial cost.
- 6) According to the prospectus of bonds payable above, the Company executed redemption in May 13, 2016, and the base date of redemption was in July 15, 2016. For the year ended December 31, 2016, the Company redeemed the bonds in whole besides NT\$100 thousand, and recognized NT\$42 thousand as gain on reacquisition of bonds.

21. NOTES PAYABLE AND TRADE PAYABLES

| | December 31 | |
|-----------------------|------------------|------------------|
| | 2016 | 2015 |
| <u>Notes payable</u> | | |
| Operating | \$ 10,821 | \$ 21,386 |
| Non-operating | 15 | - |
| | <u>\$ 10,836</u> | <u>\$ 21,386</u> |
| <u>Trade payables</u> | | |
| Operating | \$ 1,281,330 | \$ 1,219,143 |

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

22. OTHER LIABILITIES

| | December 31 | |
|-------------------------------------------------------|-------------------|-------------------|
| | 2016 | 2015 |
| <u>Current</u> | | |
| Other payables | | |
| Salaries or bonus | \$ 446,810 | \$ 323,629 |
| Welfare funds | 23,817 | 21,028 |
| Payable for taxes | 30,949 | 32,529 |
| Payable for employee bonus | 60,925 | 38,086 |
| Payable for remuneration to directors and supervisors | 10,163 | 8,887 |
| Payable for professional fee | 92,264 | 21,810 |
| Payable for shipping | 16,127 | 14,467 |
| Others | <u>124,123</u> | <u>177,230</u> |
| | <u>\$ 805,178</u> | <u>\$ 637,666</u> |

(Continued)

| | December 31 | |
|------------------------|------------------|------------------|
| | 2016 | 2015 |
| Other liabilities | | |
| Advance receipts | \$ 12,650 | \$ 5,825 |
| Receipts under custody | 3,926 | 6,490 |
| Others | <u>1,267</u> | <u>-</u> |
| | <u>\$ 17,843</u> | <u>\$ 12,315</u> |
| <u>Non-current</u> | | |
| Other liabilities | | |
| Guarantee deposits | \$ <u>5,096</u> | \$ <u>3,217</u> |
| | | (Concluded) |

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The subsidiary of the Company - BizLink International Corp. adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The employees of the Company in China are members of state-managed retirement benefit plans operated by the government of China. The subsidiaries are required to contribute amounts calculated at a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by BizLink International Corp. In accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. BizLink International Corp. contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

| | December 31 | |
|---------------------------------------------|-----------------|-----------------|
| | 2016 | 2015 |
| Present value of defined benefit obligation | \$ 10,127 | \$ 8,809 |
| Fair value of plan assets | <u>(6,254)</u> | <u>(6,000)</u> |
| Net defined benefit liability | <u>\$ 3,873</u> | <u>\$ 2,809</u> |

Movements in net defined benefit liability were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liability |
|-----------------------------------------------------------------------|----------------------------------------------------------|----------------------------------|-------------------------------------|
| Balance at January 1, 2015 | \$ 7,534 | \$ (5,635) | \$ 1,899 |
| Service cost | | | |
| Current service cost | 216 | - | 216 |
| Net interest expense (income) | <u>122</u> | <u>(93)</u> | <u>29</u> |
| Recognized in profit or loss | <u>338</u> | <u>(93)</u> | <u>245</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (57) | (57) |
| Actuarial loss - changes in demographic assumptions | 468 | - | 468 |
| Actuarial loss - changes in financial assumptions | 187 | - | 187 |
| Actuarial loss - experience adjustments | <u>282</u> | <u>-</u> | <u>282</u> |
| Recognized in other comprehensive income | <u>937</u> | <u>(57)</u> | <u>880</u> |
| Contributions from the employer | <u>-</u> | <u>(215)</u> | <u>(215)</u> |
| Balance at December 31, 2015 | \$ 8,809 | \$ (6,000) | \$ 2,809 |
| Balance at January 1, 2016 | \$ 8,809 | \$ (6,000) | \$ 2,809 |
| Service cost | | | |
| Current service cost | 236 | - | 236 |
| Net interest expense (income) | <u>121</u> | <u>(80)</u> | <u>41</u> |
| Recognized in profit or loss | <u>357</u> | <u>(80)</u> | <u>277</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | 41 | 41 |
| Actuarial loss - changes in demographic assumptions | 287 | - | 287 |
| Actuarial loss - changes in financial assumptions | 413 | - | 413 |
| Actuarial loss - experience adjustments | <u>261</u> | <u>-</u> | <u>261</u> |
| Recognized in other comprehensive income | <u>961</u> | <u>41</u> | <u>1,002</u> |
| Contributions from the employer | <u>-</u> | <u>(215)</u> | <u>(215)</u> |
| Balance at December 31, 2016 | \$ 10,127 | \$ (6,254) | \$ 3,873 |

Through the defined benefit plans under the Labor Standards Law, BizLink International Corp. is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

- 3) **Salary risk:** The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

| | December 31 | |
|-------------------------------------|-------------|--------|
| | 2016 | 2015 |
| Discount rate(s) | 0.875% | 1.375% |
| Expected rate(s) of salary increase | 2.250% | 2.250% |

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

| | December 31 | |
|-------------------------------------|-------------|----------|
| | 2016 | 2015 |
| Discount rate(s) | | |
| 0.25% increase | \$ (214) | \$ (198) |
| 0.25% decrease | \$ 222 | \$ 204 |
| Expected rate(s) of salary increase | | |
| 0.25% increase | \$ 215 | \$ 199 |
| 0.25% decrease | \$ (209) | \$ (194) |

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

| | December 31 | |
|----------------------------------------------------------|-------------|-----------|
| | 2016 | 2015 |
| The expected contributions to the plan for the next year | \$ 222 | \$ 219 |
| The average duration of the defined benefit obligation | 8.7 years | 9.3 years |

24. EQUITY

a. Capital stock

1) Common shares

| | December 31 | |
|-------------------------------------------------------|--------------|--------------|
| | 2016 | 2015 |
| Number of shares authorized (in thousands) | 500,000 | 500,000 |
| Shares authorized | \$ 5,000,000 | \$ 5,000,000 |
| Number of shares issued and fully paid (in thousands) | 102,959 | 91,819 |
| Shares issued | \$ 1,029,593 | \$ 918,191 |

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

A reconciliation of the number of shares outstanding was as follows:

| | Number of Shares (In Thousands of Shares) | Share Capital |
|-------------------------------------|----------------------------------------------------|---------------------|
| Balance at January 1, 2015 | 86,869 | \$ 868,690 |
| Arising from employee share options | 312 | 3,120 |
| Stock dividends | 4,344 | 43,435 |
| Arising from conversion of bonds | <u>294</u> | <u>2,946</u> |
| Balance at December 31, 2015 | 91,819 | 918,191 |
| Arising from employee share options | 187 | 1,865 |
| Issue of employee restricted shares | 1,500 | 15,000 |
| Stock dividends | 4,591 | 45,910 |
| Arising from conversion of bonds | <u>4,862</u> | <u>48,627</u> |
| Balance at December 31, 2016 | <u>102,959</u> | <u>\$ 1,029,593</u> |

b. Capital surplus

| | December 31 | |
|-------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| | 2016 | 2015 |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1 below) | | |
| Share premium | \$ 827,037 | \$ 867,272 |
| Conversion of bonds | <u>1,046,669</u> | <u>289,413</u> |
| | <u>\$ 1,873,706</u> | <u>\$ 1,111,194</u> |
| May be used to offset a deficit only (Note 2 below) | | |
| Conversion of employee share options | \$ 50,032 | \$ 45,491 |
| Others - expired stock option | <u>4,619</u> | <u>4,619</u> |
| | <u>\$ 54,651</u> | <u>\$ 50,110</u> |
| May not be used for any purpose | | |
| Employee share options | - | 4,541 |
| Employee restricted shares | 225,750 | - |
| Share warrants | <u>123,686</u> | <u>-</u> |
| | <u>\$ 349,436</u> | <u>\$ 4,541</u> |

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

Note 2: When employee share options are exercised, capital surplus - options is transferred to capital surplus - share premium and when the options expired, capital surplus - options is transferred to capital surplus - others.

A reconciliation of the carrying amount for each class of capital surplus was as follows:

| | Share Premium | Conversion of Employee Share Options | Conversion of Bonds | Share Warrants | Employee Restricted Shares | Employee Share Options | Others- Expired Stock Option | Total |
|------------------------------------------------|------------------|--------------------------------------------|------------------------|-------------------|----------------------------------|---------------------------|------------------------------------|--------------|
| Balance at January 1, 2015 | \$ 811,459 | \$ 30,079 | \$ 247,793 | \$ - | \$ - | \$ 10,253 | \$ 4,619 | \$ 1,113,903 |
| Convertible bonds converted to common stock | - | - | 41,620 | - | - | - | - | 41,620 |
| Exercise of employee share options | 10,322 | 5,212 | - | - | - | (5,712) | - | 10,322 |
| Balance at December 31, 2015 | \$ 821,781 | \$ 35,291 | \$ 289,413 | \$ - | \$ - | \$ 4,541 | \$ 4,619 | \$ 1,165,845 |
| Exercise of employee share options | 5,256 | 4,541 | - | - | - | (4,541) | - | 5,256 |
| Equity component of convertible bonds | - | - | - | 158,954 | - | - | - | 158,954 |
| Issue of employee restricted shares | - | - | - | - | 225,750 | - | - | 225,750 |
| Convertible bonds converted to common stock | - | - | 757,256 | (35,268) | - | - | - | 721,988 |
| Balance at December 31, 2016 | \$ 827,037 | \$ 39,832 | \$ 1,046,669 | \$ 123,686 | \$ 225,750 | \$ - | \$ 4,619 | \$ 2,277,703 |

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 15, 2016 and, in that meeting, had resolved amendments to BizLink's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, BizLink may distribute profits in accordance with a proposal for distribution of profits prepared by the directors and approved by the members by an ordinary resolution at any general meeting. The directors shall prepare such proposal as follows: (1) The proposal shall begin with BizLink's annual net income and offset its losses in previous years that have not been previously offset, then set aside a legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled to total capital of BizLink, (2) then set aside a special capital reserve, if one is required, in accordance with the applicable public company rules or as requested by the authorities in charge. Any balance left over may be distributed as dividends (including cash dividends or stock dividends) or bonuses in accordance with the statute and the applicable public company rules and after taking into consideration financial, business and operational factors with the amount of profits distributed to members not lower than 10% of profits after tax of the then current year and the amount of cash dividends distributed thereupon shall not be less than 10% of the profits proposed to be distributed of the then current year. Please refer to employee benefits expense in Note 25 (f).

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of BizLink's paid-in capital, the excess may be transferred to capital or distributed in cash.

BizLink appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Distribution can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2015 and 2014 had been approved in the annual stockholders' meetings on June 15, 2016 and June 24, 2015, respectively.

| | <u>Appropriation of Earnings</u> | | <u>Dividends Per Share (NT\$)</u> | |
|----------------|----------------------------------|-----------|-----------------------------------|------|
| | 2015 | 2014 | 2015 | 2014 |
| Legal reserve | \$ 75,995 | \$ 61,693 | \$ - | \$ - |
| Cash dividend | 505,005 | 434,345 | 5.5 | 5.0 |
| Stock dividend | 45,910 | 43,435 | 0.5 | 0.5 |

The appropriations of earnings for 2016 had been proposed by BizLink's board of directors on March 8, 2017. The appropriation and dividends per share were as follows:

| | <u>Appropriations of Earnings</u> | <u>Dividends Per Share (NT\$)</u> |
|-----------------|---------------------------------------|-------------------------------------------|
| Legal reserve | \$ 90,995 | \$ - |
| Special reserve | 5,993 | - |
| Cash dividends | 720,715 | 7.0 |
| Share dividends | - | - |

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held on June 15, 2017.

d. Other equity items

1) Exchange differences on translating foreign operations:

| | <u>For the Year Ended December 31</u> | |
|--------------------------------------------------------------|---------------------------------------|-------------------|
| | 2016 | 2015 |
| Balance at January 1 | \$ 102,346 | \$ 228,059 |
| Exchange differences on translating foreign operations | (284,818) | (278,490) |
| Exchange differences on translation to presentation currency | <u>(122,159)</u> | <u>152,777</u> |
| Balance at December 31 | \$ <u>(304,631)</u> | \$ <u>102,346</u> |

2) Employee unearned benefit

In the meeting of shareholders on June 15, 2016, the shareholders approved a restricted stock plan for employees (see Note 28).

| | <u>For the Year Ended December 31</u> | |
|-----------------------------------------|---------------------------------------|-------------|
| | 2016 | 2015 |
| Balance at January 1 | \$ - | \$ - |
| Issuance of shares | (240,750) | - |
| Share-based payment expenses recognized | <u>11,703</u> | <u>-</u> |
| Balance at December 31 | \$ <u>(229,047)</u> | \$ <u>-</u> |

25. NET PROFIT (LOSS) FROM OPERATIONS

a. Other income

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|------------------|
| | 2016 | 2015 |
| Rent income | \$ 2,307 | \$ - |
| Interest income | | |
| Bank deposits | 31,364 | 11,699 |
| Government grants revenue | 10,426 | 8,355 |
| Others | <u>12,889</u> | <u>32,561</u> |
| | <u>\$ 56,996</u> | <u>\$ 52,615</u> |

b. Other gains and losses

| | For the Year Ended December 31 | |
|-----------------------------------------------------------------------------|---------------------------------------|-------------------|
| | 2016 | 2015 |
| Loss on disposal of property, plant and equipment | \$ (9,679) | \$ (9,396) |
| Net foreign exchange gains | 175,004 | 193,790 |
| Net gain on financial assets classified as held for trading | 186 | 11,304 |
| Net loss on financial liabilities classified as held for trading | (22,922) | (30,170) |
| Impairment loss recognized on financial assets measured at cost (Note 8) | (12,969) | (19,043) |
| Others | <u>(11,612)</u> | <u>(4,614)</u> |
| | <u>\$ 118,008</u> | <u>\$ 141,871</u> |

c. Finance costs

| | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|--------------------|
| | 2016 | 2015 |
| Interest on bank loans | \$ (9,425) | \$ (9,495) |
| Interest on convertible bonds | <u>(35,000)</u> | <u>(6,511)</u> |
| | <u>\$ (44,425)</u> | <u>\$ (16,006)</u> |

d. Depreciation and amortization

| | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|-------------------|
| | 2016 | 2015 |
| Property, plant and equipment | \$ 196,434 | \$ 171,949 |
| Investment property | 1,385 | - |
| Intangible assets | <u>23,931</u> | <u>18,459</u> |
| | <u>\$ 221,750</u> | <u>\$ 190,408</u> |

(Continued)

| | For the Year Ended December 31 | |
|-----------------------------------------|---------------------------------------|-------------------|
| | 2016 | 2015 |
| An analysis of depreciation by function | | |
| Operating costs | \$ 136,812 | \$ 125,695 |
| Operating expenses | <u>61,007</u> | <u>46,254</u> |
| | <u>\$ 197,819</u> | <u>\$ 171,949</u> |
| An analysis of amortization by function | | |
| Operating costs | \$ 586 | \$ 885 |
| Selling and marketing expenses | 111 | 79 |
| General and administrative expenses | 20,411 | 15,090 |
| Research and development expenses | <u>2,823</u> | <u>2,405</u> |
| | <u>\$ 23,931</u> | <u>\$ 18,459</u> |
| | | (Concluded) |

e. Operating expenses directly related to investment properties

| | For the Year Ended December 31 | |
|---------------------------------------------------------------------------------|---------------------------------------|-------------|
| | 2016 | 2015 |
| Direct operating expenses of investment properties that generated rental income | | |
| Depreciation expense | \$ 1,385 | \$ - |

f. Employee benefits expense

| | For the Year Ended December 31 | |
|------------------------------------------------------|---------------------------------------|---------------------|
| | 2016 | 2015 |
| Short-term benefits | \$ 1,900,950 | \$ 1,738,814 |
| Other employee benefits | <u>151,466</u> | <u>144,957</u> |
| Post-employment benefits (see Note 23) | | |
| Defined contribution plans | 97,707 | 89,943 |
| Defined benefit plans | <u>277</u> | <u>245</u> |
| | <u>97,984</u> | <u>90,188</u> |
| Share-based payments | <u>11,703</u> | <u>-</u> |
| Total employee benefits expense | <u>\$ 2,162,103</u> | <u>\$ 1,973,959</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 1,096,258 | \$ 1,074,102 |
| Operating expenses | <u>1,065,845</u> | <u>899,857</u> |
| | <u>\$ 2,162,103</u> | <u>\$ 1,973,959</u> |

1) Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of BizLink approved by the shareholders in their meeting on June 15, 2016, BizLink accrued employees' compensation at the rates no less than 1% and no higher than 10%, and remuneration to directors and supervisors at no higher than 3% of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. However, BizLink should offset its losses in previous years that have not been previously offset.

The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by BizLink's board of directors on March 8, 2017 and March 15, 2016, respectively, were as follows:

Accrual rate

| | <u>For the Year Ended December 31</u> | |
|-------------------------------------------|---------------------------------------|-------|
| | 2016 | 2015 |
| Employees' compensation | 3.58% | 3.76% |
| Remuneration of directors and supervisors | 0.84% | 0.88% |

Amount

| | <u>For the Year Ended December 31</u> | | | |
|-------------------------------------------|---------------------------------------|-------|-----------|-------|
| | 2016 | | 2015 | |
| | Cash | Share | Cash | Share |
| Employees' compensation | \$ 43,566 | \$ - | \$ 38,086 | \$ - |
| Remuneration of directors and supervisors | 10,163 | - | 8,887 | - |

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

The actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2015 were different from the amounts recognized in the consolidated financial statements for the year ended December 31, 2015. The differences were adjusted to profit and loss for the year ended December 31, 2016.

| | <u>For the Year Ended December 31, 2015</u> | |
|-------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| | Employees' Compensation | Remuneration of Directors and Supervisors |
| Amounts approved in the board of directors' meeting | \$ 38,086 | \$ 8,887 |
| Amounts recognized in the annual financial statements | \$ 45,068 | \$ 8,887 |

Information on the employees' compensation and remuneration of directors and supervisors resolved by BizLink's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus to employees and remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders' meeting on June 24, 2015 were as follows:

| | For the Year Ended December 31, 2014 | |
|-------------------------------------------|-------------------------------------------------|--------------|
| | Cash | Share |
| Bonus to employees | \$ - | \$ - |
| Remuneration of directors and supervisors | 8,879 | - |

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meeting on June 24, 2015 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the bonus to employees and remuneration of directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAXES RELATING TO OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Year Ended December 31 | |
|-------------------------------------------------|---------------------------------------|-------------------|
| | 2016 | 2015 |
| Current tax | | |
| In respect of the current year | \$ 237,739 | \$ 220,064 |
| Income tax on unappropriated earnings | 891 | 713 |
| Adjustments for prior periods | 49 | (3,723) |
| | <u>238,679</u> | <u>217,054</u> |
| Deferred tax | | |
| In respect of the current year | <u>13,645</u> | <u>(11,804)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 252,324</u> | <u>\$ 205,250</u> |

A reconciliation of accounting profit and income tax expense was as follows:

| | For the Year Ended December 31 | |
|------------------------------------------------------------------|---------------------------------------|-------------------|
| | 2016 | 2015 |
| Profit before tax from operations | \$ 1,162,269 | \$ 965,200 |
| Income tax expense calculated at the statutory rate | \$ 271,385 | \$ 247,109 |
| Nondeductible expenses in determining taxable income | 15,121 | 2,113 |
| Tax-exempt income | (388) | (189) |
| Additional income tax under the Alternative Minimum Tax Act | 2,771 | 1,592 |
| Income tax on unappropriated earnings | 891 | 713 |
| Unrecognized loss carryforwards/deductible temporary differences | (37,555) | (42,365) |
| Adjustments to prior years' tax | <u>49</u> | <u>(3,723)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 252,324</u> | <u>\$ 205,250</u> |

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in the ROC. The applicable tax rate used by subsidiaries in China is 25% except for BizLink (Kun Shan) Co., Ltd., BizConn International Corp. (China), and Xiang Yao Electronics (Shen Zhen) Co., Ltd. in 2016 and 2015 which used tax rate of 15% due to their status as holders of high-tech enterprise certificate. The applicable tax rates used by the subsidiaries in the U.S. are 34% for Federal tax and 8.84% for California State tax. The applicable tax rate used by the subsidiaries in Ireland is 12.5% according to local law. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|----------------------------------------------------|---------------------------------------|-------------|
| | 2016 | 2015 |
| <u>Deferred tax</u> | | |
| In respect of the current year: | | |
| Actuarial gains and losses on defined benefit plan | \$ (170) | \$ (149) |

c. Current tax assets and liabilities

| | December 31 | |
|--------------------------------|--------------------|-------------|
| | 2016 | 2015 |
| Current tax assets | | |
| Tax refund receivable | \$ 19,242 | \$ 21,480 |
| Current tax liabilities | | |
| Income tax payable | \$ 86,095 | \$ 101,297 |

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

| | For the Year Ended December 31, 2016 | | | | |
|-----------------------------------------|---------------------------------------------|-------------------------------------|-------------------------------------------------|-----------------------------|------------------------|
| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Closing Balance |
| <u>Deferred tax assets</u> | | | | | |
| Temporary differences | | | | | |
| Property, plant and equipment | \$ 2,437 | \$ (2,132) | \$ - | \$ (44) | \$ 261 |
| Payable for annual leave | 12,921 | 2,449 | - | (412) | 14,958 |
| Write-down of inventories | 12,234 | 14,325 | - | (297) | 26,262 |
| Defined benefit obligation | 395 | 8 | 170 | - | 573 |
| Unrealized profit | 52,015 | 20,496 | - | (977) | 71,534 |
| Others | 4,430 | 13,719 | - | (89) | 18,060 |
| | <u>\$ 84,432</u> | <u>\$ 48,865</u> | <u>\$ 170</u> | <u>\$ (1,819)</u> | <u>\$ 131,648</u> |
| <u>Deferred tax liabilities</u> | | | | | |
| Temporary differences | | | | | |
| Property, plant and equipment | \$ 5,332 | \$ 2,574 | \$ - | \$ (100) | \$ 7,806 |
| Unappropriated earnings of subsidiaries | - | 59,454 | - | 15 | 59,469 |
| Others | 2,021 | 482 | - | (139) | 2,364 |
| | <u>\$ 7,353</u> | <u>\$ 62,510</u> | <u>\$ -</u> | <u>\$ (224)</u> | <u>\$ 69,639</u> |

| For the Year Ended December 31, 2015 | | | | | |
|--------------------------------------|------------------|------------------------------|------------------------------------------|----------------------|------------------|
| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Closing Balance |
| <u>Deferred tax assets</u> | | | | | |
| Temporary differences | | | | | |
| Property, plant and equipment | \$ 718 | \$ 1,636 | \$ - | \$ 83 | \$ 2,437 |
| Payable for annual leave | 10,909 | 1,732 | - | 280 | 12,921 |
| Write-down of inventories | 14,012 | (1,890) | - | 112 | 12,234 |
| Defined benefit obligation | 317 | (71) | 149 | - | 395 |
| Unrealized profit | 35,143 | 15,064 | - | 1,808 | 52,015 |
| Others | <u>3,598</u> | <u>678</u> | <u>-</u> | <u>154</u> | <u>4,430</u> |
| | <u>\$ 64,697</u> | <u>\$ 17,149</u> | <u>\$ 149</u> | <u>\$ 2,437</u> | <u>\$ 84,432</u> |
| <u>Deferred tax liabilities</u> | | | | | |
| Temporary differences | | | | | |
| Property, plant and equipment | \$ - | \$ 5,150 | \$ - | \$ 182 | \$ 5,332 |
| Others | <u>2,021</u> | <u>195</u> | <u>-</u> | <u>(275)</u> | <u>2,021</u> |
| | <u>\$ 2,101</u> | <u>\$ 5,345</u> | <u>\$ -</u> | <u>\$ (93)</u> | <u>\$ 7,353</u> |

- e. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets.

| December 31 | | |
|----------------------------------|-------------------|-------------------|
| | 2016 | 2015 |
| Loss carryforwards | | |
| Expiry in 2016 | \$ - | \$ 11,264 |
| Expiry in 2017 | 5,104 | 22,643 |
| Expiry in 2018 | 12,901 | 20,356 |
| Expiry in 2019 | 15,535 | 20,860 |
| Expiry in 2020 | 3,041 | 3,719 |
| Expiry in 2021 | 38,961 | 52,439 |
| Expiry in 2022 | 36,433 | 37,123 |
| Expiry in 2023 | 29,694 | 30,255 |
| Expiry in 2024 | 9,748 | 9,933 |
| Expiry in 2025 | 794 | 809 |
| Expiry in 2035 | 630 | 1,207 |
| Expiry in 2036 | <u>1,275</u> | <u>-</u> |
| | <u>\$ 154,116</u> | <u>\$ 210,608</u> |
| Investment credits | <u>\$ 11,305</u> | <u>\$ 11,518</u> |
| Deductible temporary differences | <u>\$ 104,481</u> | <u>\$ 92,173</u> |

f. Information about unused investment credits, unused loss carryforward and tax-exemption

As of December 31, 2016, investment tax credits comprised of:

| Tax Credit Source | Remaining Creditable Amount | Expiry Year |
|---------------------------------------|--------------------------------------------|--------------------|
| Research and development expenditures | \$ 778 | 2020 |
| | 5,132 | 2021 |
| | 3,679 | 2022 |
| | <u>1,716</u> | 2023 |
| | <u>\$ 11,305</u> | |

Loss carryforwards as of December 31, 2016 comprised of:

| Unused Amount | Expiry Year |
|--------------------------|--------------------|
| \$ - | 2016 |
| 5,104 | 2017 |
| 12,901 | 2018 |
| 15,535 | 2019 |
| 3,041 | 2020 |
| 38,961 | 2021 |
| 36,433 | 2022 |
| 29,694 | 2023 |
| 9,748 | 2024 |
| 794 | 2025 |
| 630 | 2035 |
| <u>1,275</u> | 2036 |
| <u>\$ 154,116</u> | |

g. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2016 and 2015, the taxable temporary differences associated with investment in subsidiaries and branch for which no deferred tax liabilities have been recognized were \$2,110,650 thousand and \$2,080,770 thousand, respectively.

h. Income tax assessment

As of December 31, 2016, the Company has no unsettled lawsuit.

27. EARNINGS PER SHARE

| | For the Year Ended December 31 | |
|------------------------------------------------------------------------------------------|--------------------------------|------------|
| | 2016 | 2015 |
| Basic earnings per share | | |
| Net income | \$ 909,945 | \$ 759,950 |
| Weighted average number of ordinary shares in computation of basic earnings per share | 98,626 | 96,152 |
| Basic earnings per share | \$ 9.23 | \$ 7.90 |
| Diluted earnings per share | | |
| Net income | \$ 909,945 | \$ 759,950 |
| Effect of potentially dilutive ordinary shares: | | |
| Interest on convertible bonds (after tax) | 32,764 | - |
| Gain on valuation of converted bonds | (8,400) | - |
| Earnings used in the computation of diluted earnings per share from continuing operation | \$ 934,309 | \$ 759,950 |
| Weighted average number of ordinary shares in computation of basic earnings per share | 98,626 | 96,152 |
| Effect of potentially dilutive ordinary shares: | | |
| Convertible bonds | 13,670 | - |
| Employees' compensation or bonus issue to employees | 280 | 261 |
| Employee restricted shares | 10 | - |
| Employee share option | 76 | 201 |
| Weighted average number of ordinary shares in computation of diluted earnings per share | 112,662 | 96,614 |
| Diluted earnings per share | \$ 8.29 | \$ 7.87 |

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 12, 2016. This adjustment caused the basic and diluted after-tax earnings per share for the year ended December 31, 2015 to decrease from NT\$8.30 to NT\$7.90 and from NT\$8.26 to NT\$7.87, respectively.

BizLink offered to settle compensation or bonuses paid to employees in cash or shares. Therefore, BizLink assumed the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The outstanding convertible bonds converted to ordinary shares in 2015 were anti-dilutive and excluded from the computation of diluted earnings per share.

28. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

Qualified employees of the Company were granted 3,922,000 options on October 15, 2010. Each option entitles the holder to subscribe for one common share of BizLink. The options granted are valid for 6 years and exercisable at certain percentages after the first anniversary from the grant date. According to the regulations of stock option, the option should be granted at an exercise price no less than the net asset value per share on the grant date stated in the latest audited or reviewed consolidated financial statement. For any subsequent changes in BizLink's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

| | For the Year Ended December 31 | | | |
|------------------------------------|--------------------------------|----------------------------------------|-------------------|----------------------------------------|
| | 2016 | | 2015 | |
| | Number of Options | Weighted-average Exercise Price (NT\$) | Number of Options | Weighted-average Exercise Price (NT\$) |
| Balance at January 1 | 186,500 | \$ 40.50 | 508,500 | \$ 43.70 |
| Options forfeited | - | - | (10,000) | - |
| Options exercised | <u>186,500</u> | 38.18 | <u>(312,000)</u> | 43.08 |
| Balance at December 31 | <u>-</u> | | <u>186,500</u> | 40.50 |
| Options exercisable, end of period | <u>-</u> | | <u>186,500</u> | 40.50* |

* BizLink adjusted the weighted-average share price of employee share options by prescribed formula due to the issuance of share dividends.

The weighted-average share prices at the date of exercise of share options for the years ended December 31, 2016 and 2015 were NT\$166.59 and NT\$126.67, respectively.

Information about outstanding options as of December 31, 2016 and 2015 was as follows:

| | December 31 | |
|-----------------------------------------------------|-------------|----------|
| | 2016 | 2015 |
| Range of exercise price (NT\$) | \$ - | \$ 40.50 |
| Weighted-average remaining contractual life (years) | - | - |

Options granted in October 2010 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

| | October 2010 |
|------------------------------|---------------|
| Grant-date share price (\$)* | 60 |
| Exercise price (\$) | 60 |
| Expected volatility | 37.19%-38.12% |
| Expected life (years) | 4.25 |
| Expected dividend yield | - |
| Risk-free interest rate | 0.75%-1.07% |

- * Grant-date share price was based on the fair value per share of enterprise appraisal report issued by the actuary in September 2010.

b. Restricted shares

In the shareholders' meeting on June 15, 2016, the shareholders approved a restricted stock plan for employees with a total amount of \$15,000 thousand, consisting of 1,500 thousand shares. The subscription base date of December 9, 2016 was determined by the chairman of the board who was authorized by the board of directors on November 10, 2016. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

- 1) Employees who acquire the restricted shares but have not met the vesting conditions cannot sell, pledge, transfer, donate or in any other way dispose of these shares besides inheritance.
- 2) The handling or execution of the related proposal, statements, voting rights and other equity-related matters are delegated to trust custody agencies.
- 3) Employees who acquire the restricted shares but have not met the vesting conditions have other rights the same as the holders of the issued common shares of the Company.
- 4) The shares should be held in stock trust. The restricted shares should be held in trust after being issued and non-refundable before meeting the vesting conditions.

If an employee fails to meet the vesting conditions, the Company will recall or buy back and cancel his/her restricted shares.

Compensation costs of \$11,703 thousand were recognized within the vesting period for the year ended December 31, 2016.

29. BUSINESS COMBINATION

a. Subsidiaries acquired

| | Principal Activity | Date of Acquisition | Proportion of Voting Equity Interests Acquired (%) | Consideration Transferred |
|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|---------------------|----------------------------------------------------|---------------------------|
| Jo Yeh Company Limited and its subsidiary - Foshan Nanhai Jo Yeh Electronic Co., Ltd. | 1) Manufacturer, wholesaler and retailer of connectors and cables assembly 2) International trade | November 1, 2016 | 100% | \$123,760 |

Jo Yeh Company Limited and its subsidiary-Foshan Nanhai Jo Yeh Electronic Co., Ltd. were acquired in order to continue the expansion of the Company's activities in cable line.

b. Considerations transferred

**Jo Yeh
Company
Limited and Its
Subsidiary -
Foshan Nanhai
Jo Yeh
Electronic Co.,
Ltd.**

| | |
|------|------------|
| Cash | \$ 123,760 |
|------|------------|

c. Assets acquired and liabilities assumed at the date of acquisition

**Jo Yeh
Company
Limited and Its
Subsidiary -
Foshan Nanhai
Jo Yeh
Electronic Co.,
Ltd.**

| | |
|-------------------------------|----------------|
| Current assets | |
| Cash and cash equivalents | \$ 31,648 |
| Trade and other receivables | 25,456 |
| Inventories | 25,130 |
| Prepayments | 1,002 |
| Non-current assets | |
| Property, plant and equipment | 47,439 |
| Prepayments for lease | 29,805 |
| Refundable deposits | 196 |
| Current liabilities | |
| Trade and other payables | (21,164) |
| Advances received | <u>(1,561)</u> |
| | \$ 137,891 |

d. Bargain purchase recognized on acquisition

**Jo Yeh
Company
Limited and Its
Subsidiary -
Foshan Nanhai
Jo Yeh
Electronic Co.,
Ltd.**

| | |
|------------------------------------------------------|------------------|
| Consideration transferred | \$ 123,760 |
| Less: Fair value of identifiable net assets acquired | <u>(137,891)</u> |
| Bargain purchase recognized on acquisition | \$ (14,131) |

e. Net cash outflow on acquisition of subsidiaries

| | Jo Yeh Company Limited and Its Subsidiary - Foshan Nanhai Jo Yeh Electronic Co., Ltd. |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Consideration paid in cash | \$ 123,760 |
| Less: Other payables | (8,270) |
| Less: Cash and cash equivalent balances acquired | <u>(31,648)</u> |
| | <u>\$ 83,842</u> |

f. Impact of acquisitions on the results of the Company

The results of the acquired companies since the acquisition date included in the consolidated statements of comprehensive income were as follows:

| | Jo Yeh Company Limited and Its Subsidiary - Foshan Nanhai Jo Yeh Electronic Co., Ltd. |
|---------|--------------------------------------------------------------------------------------------------------------------------|
| Revenue | \$ 31,295 |
| Profit | <u>\$ 6,701</u> |

Had these business combinations been in effect at the beginning of the annual reporting period, the Company's revenue from continuing operations would have been \$139,253 thousand, and the profit from continuing operations would have been \$31,718 thousand for the year ended December 31, 2016. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Company that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

30. NON-CASH TRANSACTIONS

- a. In February 2016, the Company issued the first overseas unsecured convertible bonds and the proceeds amounted to NT\$2,608,891 thousand, recognized as bonds payable NT\$2,435,681 thousand, financial liabilities at fair value through profit or loss NT\$14,256 thousand and capital surplus - share warrants NT\$158,954 thousand.
- b. At December 31, 2016, there was outstanding payable of NT\$8,270 thousand classified as other payable related to acquisition of Jo Yeh Company Limited and its subsidiary -Foshan Nanhai Jo Yeh Electronic Co., Ltd.

31. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Operating leases relate to leases of land with lease terms between 5 months and 15 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

The future minimum lease payments payable for non-cancellable operating lease commitments were as follows:

| | December 31 | |
|----------------------------------------------|-------------|---------------|
| | 2016 | 2015 |
| Not later than 1 year | \$ 141,425 | \$ 28,679 |
| Later than 1 year and not later than 5 years | 324,279 | 60,420 |
| Later than 5 years | <u>-</u> | <u>37,065</u> |
| | \$ 465,704 | \$ 126,164 |

The lease payments recognized in profit or loss for the current period were as follows:

| | For the Year Ended December 31 | |
|-----------------------|--------------------------------|------------|
| | 2016 | 2015 |
| Minimum lease payment | \$ 132,594 | \$ 130,246 |

b. The Company as lessor

Operating lease relates to the leasing of investment property with lease term of 5 years, and with an option to extend for an additional 3 years. The operating lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

The future minimum lease payments of non-cancellable operating lease were as follows:

| | December 31 | |
|----------------------------------------------|---------------|----------|
| | 2016 | 2015 |
| Not later than 1 year | \$ 13,859 | \$ - |
| Later than 1 year and not later than 5 years | <u>57,054</u> | <u>-</u> |
| | \$ 70,913 | \$ - |

32. CAPITAL MANAGEMENT

BizLink manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, or the amount of new debt issued or existing debt redeemed.

33. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The management believes that the carrying amounts financial assets and financial liabilities not measured at fair value approximate fair value.

b. Fair value of financial instruments that are measured at fair value on recurring basis

1) Fair value hierarchy

December 31, 2016

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------------------|----------|---------|----------|----------|
| Financial assets at FVTPL | | | | |
| Non-derivative financial assets held for trading | \$ 2,227 | \$ - | \$ - | \$ 2,227 |
| | \$ 2,227 | \$ - | \$ - | \$ 2,227 |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | \$ - | \$ - | \$ 5,521 | \$ 5,521 |

December 31, 2015

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------------------|----------|-----------|-----------|-----------|
| Financial assets at FVTPL | | | | |
| Non-derivative financial assets held for trading | \$ 2,079 | \$ - | \$ - | \$ 2,079 |
| | \$ 2,079 | \$ - | \$ - | \$ 2,079 |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | \$ - | \$ 10,945 | \$ - | \$ 10,945 |
| Convertible bonds | - | - | 30,655 | 30,655 |
| | \$ - | \$ 10,945 | \$ 30,655 | \$ 41,600 |

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2016

| | Convertible Bonds |
|-------------------------------------------------------------------|------------------------------|
| <u>Financial liabilities</u> | |
| Balance at January 1, 2016 | \$ 30,655 |
| Issuance of bonds | 14,256 |
| Recognized in profit or loss (included in other gains and losses) | |
| Unrealized | 26,891 |
| Reclassified to capital surplus | (66,027) |
| Settlements | (46) |
| Effect of foreign currency exchange differences | <u>(208)</u> |
| Balance at December 31, 2016 | <u>\$ 5,521</u> |

For the year ended December 31, 2015

| | Convertible Bonds |
|-------------------------------------------------------------------|------------------------------|
| <u>Financial liabilities</u> | |
| Balance at January 1, 2015 | \$ 10,780 |
| Recognized in profit or loss (included in other gains and losses) | |
| Unrealized | 27,998 |
| Reclassified to capital surplus | <u>(8,123)</u> |
| Balance at December 31, 2015 | <u>\$ 30,655</u> |

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

| <u>Financial Instruments</u> | <u>Valuation Techniques and Inputs</u> |
|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Derivatives - foreign currency forward contracts and foreign exchange options | Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. |

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

| <u>Financial Instruments</u> | <u>Valuation Techniques and Inputs</u> |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Convertible bonds option | The binomial tree evaluation model of convertible bonds: Consideration of the duration, the stock price and volatility of the convertible bond object, conversion price, risk-free rate of interest, risk discount rate, and liquidity risk of the convertible bonds and other factors. The significant unobservable input is the stock volatility. |

c. Categories of financial instruments

| | December 31 | |
|-------------------------------------------|-------------|-----------|
| | 2016 | 2015 |
| <u>Financial assets</u> | | |
| Fair value through profit or loss (FVTPL) | | |
| Held for trading | \$ 2,227 | \$ 2,079 |
| Loans and receivables (1) | 5,842,118 | 3,496,200 |
| Available-for-sale financial assets (2) | 152,054 | 168,072 |
| <u>Financial liabilities</u> | | |
| Fair value through profit or loss (FVTPL) | | |
| Held for trading | 5,521 | 41,600 |
| Amortized cost (3) | 3,859,244 | 2,109,250 |

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes and trade receivables (including related parties), other receivables, other financial assets and refundable deposits (included in other non-current asset).
- 2) The balances included the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables, other payables, current portion of long-term borrowings, bonds payable, long-term borrowings, and guarantee deposit received (included in other non-current liabilities).

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, trade receivables, trade payables, bonds payable and borrowings. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Corporate Treasury function reports quarterly to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the export.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 38.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the sensitivity of subsidiaries using non-U.S. dollar functional currency to a 1% increase and decrease in U.S. dollars. A sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit when U.S. dollars weakens by 1% against the relevant currency. For a 1% strengthening of U.S. dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

| | USD Impact | |
|----------------|---------------------------------------|-------------|
| | For the Year Ended December 31 | |
| | 2016 | 2015 |
| Profit or loss | \$ 28,191 | \$ 22,963 |

This sensitivity was mainly attributable to the exposure to outstanding U.S. dollar receivables and payables which were not hedged at the end of the reporting period.

The Company's sensitivity to foreign currency increased during the current period mainly due to increase in foreign currency trade receivables.

b) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

| | <u>For the Year Ended December 31</u> | |
|----------------------------------|---------------------------------------|------------|
| | 2016 | 2015 |
| Interest rate risk on fair value | | |
| Financial assets | \$ 2,297,922 | \$ 576,917 |
| Financial liabilities | 1,923,765 | 346,776 |
| Interest rate risk on cash flow | | |
| Financial assets | 1,361,561 | 915,108 |
| Financial liabilities | 405,703 | 305,221 |

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates of non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2016 and 2015 would have increased/decreased by NTS9,559 thousand and NT\$6,099 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposit and bank borrowings.

The Company's sensitivity to interest rates increased during the current period mainly due to the increase in variable rate cash in bank.

c) Other price risk

The Company did not have significant risk exposed to equity price risk through its investments in listed equity securities because the amounts of investment were considered immaterial.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation would arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimize credit risk, management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company's concentration of credit risk of 31% and 22% of total trade receivables as of December 31, 2016 and 2015, respectively, was related to the Company's three largest customers.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2016 and 2015, the Company had available unutilized short-term bank loan facilities set out below.

a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following tables show details of the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates of other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2016

| | Less Than 3 Month | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|-------------------------------------------------|----------------------|-----------------------|---------------------|-------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing | \$ 1,460,127 | \$ 64,553 | \$ 5,096 | \$ - |
| Borrowing at floating interest | 8,183 | 30,957 | 288,069 | 111,148 |
| Borrowing at fixed interest | <u>64,656</u> | <u>-</u> | <u>2,048,115</u> | <u>-</u> |
| | <u>\$ 1,532,966</u> | <u>\$ 95,510</u> | <u>\$ 2,341,280</u> | <u>\$ 111,148</u> |

December 31, 2015

| | Less Than 3 Month | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|-------------------------------------------------|----------------------|-----------------------|-------------------|-------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing | \$ 1,407,295 | \$ 46,741 | \$ 3,217 | \$ - |
| Borrowing at floating interest | 5,529 | 16,446 | 173,747 | 141,937 |
| Borrowing at fixed interest | <u>196,045</u> | <u>-</u> | <u>160,500</u> | <u>-</u> |
| | <u>\$ 1,608,869</u> | <u>\$ 63,187</u> | <u>\$ 337,464</u> | <u>\$ 141,937</u> |

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31 2015

| | On Demand or Less than 3 Months | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---------------------------------------|------------------------------------------|-------------------|-----------------------|-------------|-------------|
| <u>Net settled</u> | | | | | |
| Foreign exchange forward contracts | \$ (952) | \$ (1,167) | \$ (3,041) | \$ - | \$ - |
| Foreign exchange options | <u>(3,857)</u> | <u>(1,928)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ (4,809)</u> | <u>\$ (3,095)</u> | <u>\$ (3,041)</u> | <u>\$ -</u> | <u>\$ -</u> |

c) Financing facilities

| | <u>December 31</u> | |
|---------------------------------|---------------------|---------------------|
| | 2016 | 2015 |
| Secured bank loan facilities: | | |
| Amount used | \$ 470,203 | \$ 369,721 |
| Amount unused | <u>19,828</u> | <u>27,166</u> |
| | <u>\$ 490,031</u> | <u>\$ 396,887</u> |
| Unsecured bank loan facilities: | | |
| Amount used | \$ - | \$ 131,372 |
| Amount unused | <u>1,432,924</u> | <u>1,314,376</u> |
| | <u>\$ 1,432,924</u> | <u>\$ 1,445,748</u> |

34. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between BizLink and its subsidiaries, which were related parties of BizLink, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

a. Sales of goods

| Line Items | Related Party Categories | <u>For the Year Ended December 31</u> | |
|------------|--------------------------|---------------------------------------|-----------|
| | | 2016 | 2015 |
| Sales | Associates | \$ 25,212 | \$ 36,937 |

The selling price for related party is set by agreement of both parties. The credit period for related party was 30 days after the end of the month. The credit period for third parties was 0 to 120 days after the end of the month.

b. Trade receivables from related parties

| Line Items | Related Party Categories | For the Year Ended December 31 | |
|----------------------------------------|--------------------------|--------------------------------|----------|
| | | 2016 | 2015 |
| Trade receivables from related parties | Associates | \$ 1,230 | \$ 2,753 |

The outstanding trade receivables from related parties are unsecured and will be settled in cash. For the years ended December 31, 2016 and 2015, no impairment loss was recognized for trade receivables from related parties.

c. Other transactions with related parties

| Line Items | Related Party Categories | December 31 | |
|--------------------------------------------------------|--------------------------|-------------|-----------|
| | | 2016 | 2015 |
| Refundable deposits (included in other current assets) | Other related parties | \$ 14,400 | \$ 15,681 |

| Line Items | Related Party Categories | For the Year Ended December 31 | |
|----------------------------------------------------------------------------|--------------------------|--------------------------------|-----------|
| | | 2016 | 2015 |
| Rental expenses (recorded as cost of goods sold - manufacturing expenses)* | Other related parties | \$ 38,742 | \$ 36,827 |
| Rental expenses (recorded as operating expenses)* | Other related parties | \$ 24,040 | \$ 23,830 |

* The rental expenses were based on active market price and paid quarterly.

d. Compensation of key management personnel

For the years ended December 31, 2016 and 2015, the types and amounts of the remuneration of directors and other members of key management personnel were as follows:

| | For the Year Ended December 31 | |
|------------------------------|--------------------------------|-----------|
| | 2016 | 2015 |
| Short-term employee benefits | \$ 51,942 | \$ 45,359 |
| Share-based payments | 3,433 | - |
| | \$ 55,375 | \$ 45,359 |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

| | December 31 | |
|----------------------------------------------------------------------|-------------------|-------------------|
| | 2016 | 2015 |
| Pledged deposit (classified as other financial assets - current) | \$ 1,438 | \$ 1,532 |
| Pledged deposit (classified as other financial assets - non-current) | 74,385 | 15,188 |
| Bank deposits (classified as other financial assets - non-current) | 1,815 | 1,848 |
| Freehold land | 352,717 | 213,654 |
| Buildings | <u>288,031</u> | <u>316,733</u> |
| | <u>\$ 718,386</u> | <u>\$ 548,955</u> |

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2016 and 2015 were as follows:

Significant Commitments

Unrecognized commitments are as follows:

| | December 31 | |
|----------------------------------------------|------------------|------------------|
| | 2016 | 2015 |
| Acquisition of property, plant and equipment | \$ 15,918 | \$ 15,912 |
| Acquisition of intangible assets | <u>268</u> | <u>-</u> |
| | <u>\$ 16,186</u> | <u>\$ 15,912</u> |

37. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

- The subsidiary of the Company - Optiworks, Inc. was approved by the board of directors in their meeting on March 8, 2017 to acquire 100% ownership of Broadray.
- From January 1, 2017 to March 8, 2017, the amount of convertible bonds converted by the holder of the bonds was US\$4,500 thousand for a total of 911 thousand common shares.

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

In Thousands of U.S. Dollars and Foreign Currencies

| December 31, 2016 | | | |
|------------------------------|--------------------|------------------|------------------------|
| | Foreign Currencies | Exchange Rate | Carrying Amount (NT\$) |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 108,100 | 6.9348 (USD:RMB) | \$ 3,486,225 |
| USD | 6,556 | 7.7551 (USD:HKD) | 211,431 |
| USD | 11,015 | 0.9513 (USD:EUR) | 355,234 |
| USD | 6,550 | 4.4860 (USD:MYR) | 211,238 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 33,312 | 6.9348 (USD:RMB) | 1,074,312 |
| USD | 1,476 | 7.7551 (USD:HKD) | 47,601 |
| USD | 8,521 | 0.9513 (USD:EUR) | 274,802 |

In Thousands of U.S. Dollars and Foreign Currencies

| December 31, 2015 | | | |
|------------------------------|--------------------|------------------|------------------------|
| | Foreign Currencies | Exchange Rate | Carrying Amount (NT\$) |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 93,463 | 6.4893 (USD:RMB) | \$ 3,071,194 |
| USD | 7,197 | 7.7502 (USD:HKD) | 236,493 |
| USD | 8,157 | 0.9143 (USD:EUR) | 268,039 |
| USD | 3,785 | 4.2900 (USD:MYR) | 124,375 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 34,085 | 6.4893 (USD:RMB) | 1,120,033 |
| USD | 1,575 | 7.7502 (USD:HKD) | 51,755 |
| USD | 6,059 | 0.9143 (USD:EUR) | 199,099 |

39. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Company's reportable segments are computer related segment, fiber optic segment and others segment. The related information was as follows:

a. Information of reportable segment's gain or loss

| | For the Year Ended December 31, 2016 | | | |
|----------------------------------------------------------------------|--------------------------------------|------------------|----------------|---------------------|
| | Computer Related | Fiber Optic | Others | Total |
| Revenues from external customers | \$ 8,746,100 | \$ 433,137 | \$ 28,822 | \$ 9,208,059 |
| Intersegment revenues | <u>13,465,055</u> | <u>694,137</u> | <u>175,168</u> | <u>14,334,360</u> |
| Segment revenues | <u>22,211,155</u> | <u>1,127,274</u> | <u>203,990</u> | <u>23,542,419</u> |
| Eliminations | | | | <u>(14,334,360)</u> |
| Consolidated revenues | | | | <u>9,208,059</u> |
| Segment income | \$ 1,017,483 | \$ 42,726 | \$ 13,245 | \$ 1,073,454 |
| Reportable segment other income | | | | 56,996 |
| Gain from bargain purchase - acquisition of subsidiaries | | | | 14,131 |
| Reportable segment other gains and losses | | | | 118,008 |
| Reportable segment compensation of management personnel | | | | (55,375) |
| Reportable segment financial cost | | | | (44,425) |
| Share of profits of associates accounted for using the equity method | | | | <u>(520)</u> |
| Reportable segment income before income tax | | | | \$ 1,162,269 |

| | For the Year Ended December 31, 2015 | | | |
|----------------------------------|--------------------------------------|----------------|----------------|---------------------|
| | Computer Related | Fiber Optic | Others | Total |
| Revenues from external customers | \$ 8,105,506 | \$ 288,573 | \$ 22,893 | \$ 8,416,972 |
| Intersegment revenues | <u>12,225,743</u> | <u>383,868</u> | <u>219,952</u> | <u>12,829,563</u> |
| Segment revenues | <u>20,331,249</u> | <u>672,441</u> | <u>242,845</u> | <u>21,246,535</u> |
| Eliminations | | | | <u>(12,829,563)</u> |
| Consolidated revenues | | | | <u>8,416,972</u> |

(Continued)

| | For the Year Ended December 31, 2015 | | | |
|----------------------------------------------------------------------|---------------------------------------------|--------------------|---------------|----------------------------------|
| | Computer Related | Fiber Optic | Others | Total |
| Segment income | \$ 775,880 | \$ 50,681 | \$ 5,171 | \$ 831,732 |
| Reportable segment other income | | | | 52,615 |
| Reportable segment other gains and losses | | | | 141,871 |
| Reportable segment compensation of management personnel | | | | (45,359) |
| Reportable segment financial cost | | | | (16,006) |
| Share of profits of associates accounted for using the equity method | | | | <u>347</u> |
| Reportable segment income before income tax | | | | \$ <u>965,200</u> (Concluded) |

As shown on the table above, segment income is the income before tax of each segment without allocation of central administration costs and directors' salaries, share of profits of associates, other income, other gains and losses, finance costs, gain from bargain purchase - acquisition of subsidiaries and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

Segment total assets and liabilities were not disclosed because information was not provided to the chief operating decision maker.

c. Revenue from major products and services

The following is an analysis of the Company's revenue from operations by major products and services.

| | For the Year Ended December 31 | |
|------------------|---------------------------------------|---------------------|
| | 2016 | 2015 |
| Computer related | \$ 8,746,100 | \$ 8,105,506 |
| Fiber optic | 433,137 | 288,573 |
| Others | <u>28,822</u> | <u>22,893</u> |
| | \$ <u>9,208,059</u> | \$ <u>8,416,972</u> |

d. Geographical information

The Company operates in two principal geographical areas - the United States (USA) and China.

The Company's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

| | Revenue from External Customers | | Non-current Assets | |
|---------------|------------------------------------|---------------------|---------------------|---------------------|
| | For the Year Ended December 31 | | December 31 | |
| | 2016 | 2015 | 2016 | 2015 |
| United States | \$ 3,772,932 | \$ 3,363,841 | \$ 668,545 | \$ 629,291 |
| China | 2,344,360 | 2,323,344 | 817,474 | 847,920 |
| Germany | 1,417,568 | 1,168,122 | - | - |
| Taiwan | 328,683 | 362,724 | 447,487 | 103,122 |
| Others | <u>1,344,516</u> | <u>1,198,941</u> | <u>96,339</u> | <u>30,982</u> |
| | <u>\$ 9,208,059</u> | <u>\$ 8,416,972</u> | <u>\$ 2,029,845</u> | <u>\$ 1,611,315</u> |

Non-current assets exclude non-current assets classified as deferred tax assets, financial assets measured at cost - non-current and investment accounted for using equity method.

e. Information about major customers

No single customer contributed 10% or more to the Company's revenue for both 2016 and 2015.

