CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2016 AND 2015

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of CHIEFTEK PRECISION CO., LTD.

We have reviewed the accompanying consolidated balance sheets of CHIEFTEK PRECISION CO., LTD. and its subsidiaries as of June 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2016 and 2015, and the consolidated statements of changes in equity and of cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, “Review of Financial Statements” in the Republic of China. A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical procedures to financial data, and making inquiries of Company personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 4(3), the financial statements of certain non-significant subsidiaries were consolidated based on their unreviewed financial statements as of and for the three-month and six-month periods ended June 30, 2016 and 2015 and the information disclosed in Note 13. Total assets of these subsidiaries amounted to $87,180 thousand and $79,387 thousand, representing 4% and 3% of the related consolidated totals, and total liabilities amounted to $697 thousand and $1,746 thousand, both representing －% of the related consolidated totals, as of June 30, 2016 and 2015, respectively. Total comprehensive income of these subsidiaries amounted to $2,418 thousand, $3,492 thousand, $8,313 thousand and $3,534 thousand, constituting 9%, 17%, 19% and (253%) of the related consolidated totals for the three-month and six-month periods ended June 30, 2016 and 2015, respectively.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain non-significant subsidiaries been reviewed by independent accountants as described in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission of the Republic of China.

Phoebe Lin

Independent Accountants

James Liu

PricewaterhouseCoopers, Taiwan

Republic of China

Auguest 10, 2016

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2016, DECEMBER 31, 2015 AND JUNE 30, 2015
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2016 and 2015 are reviewed, not audited)

	Assets	Notes	June 30, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%	June 30, 2015 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 497,839	22	$ 449,849	20	$ 487,069	20
1150	Notes receivable, net		25,480	1	24,696	1	32,833	1
1170	Accounts receivable, net	6(2)	358,912	16	324,429	14	292,303	12
1200	Other receivables		1,730	-	1,504	-	2,175	-
1220	Current income tax assets	6(19)	771	-	13,837	1	13,042	1
130X	Inventory	5(1) and 6(3)	333,521	15	365,499	16	410,733	17
1410	Prepayments		18,514	1	15,464	1	22,173	1
1476	Other financial assets - current	6(4)	-	-	-	-	22,379	1
11XX	**Total current assets**		1,236,767	55	1,195,278	53	1,282,707	53
	Non-current assets							
1600	Property, plant and equipment	6(5) and 8	619,315	27	661,307	29	710,779	30
1760	Investment property, net	6(6) and 8	316,864	14	316,864	14	316,864	13
1780	Intangible assets	6(7)	57,503	3	53,104	2	51,836	2
1840	Deferred income tax assets	6(19)	19,078	1	23,545	1	24,671	1
1915	Prepayments for equipment	6(5)	9,565	-	20,101	1	21,049	1
1920	Guarantee deposits paid		3,930	-	2,258	-	1,831	-
1980	Other financial assets - non-current	8	1,430	-	1,432	-	-	-
1990	Other non-current assets		1,628	-	2,367	-	2,418	-
15XX	**Total non-current assets**		1,029,313	45	1,080,978	47	1,129,448	47
1XXX	**Total assets**		$ 2,266,080	100	$ 2,276,256	100	$ 2,412,155	100

(Continued)

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2016, DECEMBER 31, 2015 AND JUNE 30, 2015
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2016 and 2015 are reviewed, not audited)

			June 30, 2016		December 31, 2015		June 30, 2015	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(8)	$ 241,013	11	$ 204,803	9	$ 330,495	14
2150	Notes payable		55,292	2	48,048	2	64,169	3
2170	Accounts payable		42,867	2	23,482	1	21,061	1
2200	Other payables		98,319	4	62,800	3	85,325	3
2230	Current income tax liabilities	6(19)	4,036	-	7,350	-	3,904	-
2310	Advance receipts		512	-	797	-	1,135	-
2320	Long-term liabilities, current portion	6(9), 8 and 9	61,356	3	99,160	5	98,592	4
21XX	**Total current liabilities**		503,395	22	446,440	20	604,681	25
	Non-current liabilities							
2540	Long-term borrowings	6(9), 8 and 9	421,167	19	503,418	22	551,721	23
2570	Deferred income tax liabilities	6(19)	1,769	-	2,917	-	1,813	-
2640	Net defined benefit liabilities	6(10)	3,801	-	3,950	-	292	-
25XX	**Total non-current liabilities**		426,737	19	510,285	22	553,826	23
2XXX	**Total liabilities**		930,132	41	956,725	42	1,158,507	48
	Share capital	6(11)(13)						
3110	Share capital - common stock		592,338	26	592,338	26	592,338	25
3150	Stock dividends to be distributed		28,117	1	-	-	-	-
	Capital reserves							
3200	Capital surplus	6(12)	463,051	21	463,051	20	463,051	19
	Retained earnings	6(11)(13)(19)						
3310	Legal reserve		64,905	3	57,827	3	57,827	2
3350	Unappropriated retained earnings		302,273	13	312,835	14	251,261	11
3400	**Other equity interest**		3,864	-	12,024	-	7,715	-
3500	**Treasury stocks**	6(11)	(118,544)	(5)	(118,544)	(5)	(118,544)	(5)
31XX	**Equity attributable to owners of the parent**		1,336,004	59	1,319,531	58	1,253,648	52
36XX	**Non-controlling interest**		(56)	-	-	-	-	-
3XXX	**Total equity**		1,335,948	59	1,319,531	58	1,253,648	52
	Significant Contingent Liabilities and Unrecognized Contract Commitments	6(21) and 9						
3X2X	**Total liabilities and equity**		$ 2,266,080	100	$ 2,276,256	100	$ 2,412,155	100

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 10, 2016.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(REVIEWED, NOT AUDITED)

			Three months ended June 30				Six months ended June 30			
			2016		2015		2016		2015	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**		$ 267,370	100	$ 275,994	100	$ 484,777	100	$ 517,851	100
5000	**Operating costs**	6(3)(7)(10)(17)(18)(21)	(169,153)	(63)	(190,435)	(69)	(312,650)	(65)	(369,856)	(71)
5900	**Net operating margin**		98,217	37	85,559	31	172,127	35	147,995	29
	Operating expenses	6(6)(7)(10)(17)(18) and 7								
6100	Selling expenses		(17,427)	(6)	(20,313)	(8)	(34,636)	(7)	(41,078)	(8)
6200	General and administrative expenses		(28,219)	(11)	(22,405)	(8)	(55,670)	(11)	(43,758)	(8)
6300	Research and development expenses		(9,940)	(4)	(9,186)	(3)	(18,450)	(4)	(18,913)	(4)
6000	**Total operating expenses**		(55,586)	(21)	(51,904)	(19)	(108,756)	(22)	(103,749)	(20)
6900	**Operating profit**		42,631	16	33,655	12	63,371	13	44,246	9
	Non-operating income and expenses									
7010	Other income	6(14)	(2,432)	(1)	713	-	7,408	2	1,500	-
7020	Other gains and losses	6(15) and 12	(185)	-	(3,904)	(1)	(3,572)	(1)	(32,275)	(6)
7050	Finance costs	6(16)	(3,485)	(1)	(4,407)	(2)	(6,977)	(1)	(9,038)	(2)
7000	**Total non-operating income and expenses**		(6,102)	(2)	(7,598)	(3)	(3,141)	-	(39,813)	(8)
7900	**Profit before income tax**		36,529	14	26,057	9	60,230	13	4,433	1
7950	Income tax (expense) benefit	6(19)	(3,867)	(2)	(1,255)	-	(7,720)	(2)	1,623	-
8200	**Profit for the period**		$ 32,662	12	$ 24,802	9	$ 52,510	11	$ 6,056	1
	Other comprehensive loss (Net)									
	Components of other comprehensive loss that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations		($ 5,767)	(2)	($ 4,174)	(2)	($ 8,158)	(2)	($ 7,453)	(1)
8500	**Total comprehensive income (loss) for the period**		$ 26,895	10	$ 20,628	7	$ 44,352	9	($ 1,397)	-
	Profit attributable to:									
8610	Owners of the parent		$ 32,902	12	$ 24,802	9	$ 52,750	11	$ 6,056	1
8620	Non-controlling interest		(240)	-	-	-	(240)	-	-	-
	Net Income		$ 32,662	12	$ 24,802	9	$ 52,510	11	$ 6,056	1
	Comprehensive income (loss) attributable to:									
8710	Owners of the parent		$ 27,134	10	$ 20,628	7	$ 44,590	9	($ 1,397)	-
8720	Non-controlling interest		(239)	-	-	-	(238)	-	-	-
	Net income (loss)		$ 26,895	10	$ 20,628	7	$ 44,352	9	($ 1,397)	-
	Basic earnings per share (in dollars)									
9750	**Net income**	6(20)	$ 0.59		$ 0.44		$ 0.94		$ 0.11	
	Diluted earnings per share (in dollars)									
9850	**Net income**	6(20)	$ 0.58		$ 0.44		$ 0.93		$ 0.11	

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 10, 2016.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

		Equity attributable to owners of the parent										
		Capital			Retained Earnings			Other Equity Interest				
	Notes	Share capital - common stock	Stock dividends to be distributed	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Treasury shares	Total	Non-controlling interest	Total equity
For the six-month period ended June 30, 2015												
Balance at January 1, 2015		$ 592,338	$ -	$463,051	$ 55,753	$ 133	$ 275,263	$ 15,168	($113,367)	$ 1,288,339	$ -	$ 1,288,339
Distribution of earnings for 2014 net income：												
Legal reserve		-	-	-	2,074	-	(2,074)	-	-	-	-	-
Reversal of special reserve		-	-	-	-	(133)	133	-	-	-	-	-
Cash dividends	6(13)(22)	-	-	-	-	-	(28,117)	-	-	(28,117)	-	(28,117)
Profit for the period		-	-	-	-	-	6,056	-	-	6,056	-	6,056
Other comprehensive loss for the period		-	-	-	-	-	-	(7,453)	-	(7,453)	-	(7,453)
Buy-back of treasury shares		-	-	-	-	-	-	-	(5,177)	(5,177)	-	(5,177)
Balance at June 30, 2015		$ 592,338	$ -	$463,051	$ 57,827	$ -	$ 251,261	$ 7,715	($118,544)	$ 1,253,648	$ -	$ 1,253,648
For the six-month period ended June 30, 2016												
Balance at January 1, 2016		$ 592,338	$ -	$463,051	$ 57,827	$ -	$ 312,835	$ 12,024	($118,544)	$ 1,319,531	$ -	$ 1,319,531
Distribution of earnings for 2015 net income：												
Legal reserve		-	-	-	7,078	-	(7,078)	-	-	-	-	-
Cash dividends	6(13)(22)	-	-	-	-	-	(28,117)	-	-	(28,117)	-	(28,117)
Stock dividends	6(11)(13)	-	28,117	-	-	-	(28,117)	-	-	-	-	-
Profit for the period		-	-	-	-	-	52,750	-	-	52,750	(240)	52,510
Other comprehensive loss for the period		-	-	-	-	-	-	(8,160)	-	(8,160)	2	(8,158)
Non-controlling interest		-	-	-	-	-	-	-	-	-	182	182
Balance at June 30, 2016		$ 592,338	$ 28,117	$463,051	$ 64,905	$ -	$ 302,273	$ 3,864	($118,544)	$ 1,336,004	($ 56)	$ 1,335,948

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 10, 2016.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	For the six-month periods ended June 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		$ 60,230	$ 4,433
Adjustments			
Adjustments to reconcile profit (loss)			
Provision for doubtful accounts	6(2)	-	2,149
Reversal of allowance for doubtful accounts	6(2)(14)	(6,141)	-
Loss on inventory market price decline	6(3)	-	14,150
Reversal of inventory market price decline	6(3)	(3,558)	-
Depreciation	6(5)(17)	60,564	66,860
Depreciation reclassified to intangible assets	6(7)	(42)	-
Loss on disposal of property, plant and equipment	6(15)	92	1,341
Amortization	6(7)(17)	622	452
Amortization reclassified to intangible assets	6(7)	(39)	-
Loss on disposal of intangible assets	6(15)	18	-
Interest income	6(14)	(672)	(614)
Interest expense	6(16)	6,977	9,038
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(784)	3,120
Accounts receivable		(28,129)	5,025
Other receivables		(226)	(525)
Inventories		36,113	51,488
Prepayments		(3,050)	(2,519)
Changes in operating liabilities			
Notes payable		7,344	15,896
Accounts payable		19,385	5,733
Other payables		7,996	(4,498)
Advance receipts		(285)	(219)
Net defined benefit liabilities		(149)	(149)
Cash inflow generated from operations		156,266	171,161
Interest received		672	614
Interest paid		(7,095)	(8,956)
Income tax received (paid)		5,351	(8,163)
Net cash flows from operating activities		155,194	154,656

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CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	For the six-month periods ended June 30, 2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other financial assets - current		$ -	($ 22,379)
Cash paid for acquisition of property, plant and equipment	6(22)	(7,618)	(5,350)
Interest paid for acquisition of property, plant and equipment	6(5)(16)(22)	-	(309)
Cash paid for acquisition of intangible assets	6(7)	(5,009)	(1,015)
Increase in prepayment for equipment		(1,260)	(2,603)
(Increase) decrease in guarantee deposits paid		(1,672)	195
Decrease in other financial assets - non-current		2	-
Decrease in other non-current assets		739	640
Net cash flows used in investing activities		(14,818)	(30,821)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings		36,210	(98,740)
Increase in long-term borrowings		-	45,188
Decrease in long-term borrowings		(120,326)	(31,403)
Buy-back of treasury shares		-	(5,177)
Change in non-controlling interest		182	-
Net cash flows used in financing activities		(83,934)	(90,132)
Effect of foreign exchange rate changes on cash and cash equivalents		(8,452)	(11,200)
Net increase in cash and cash equivalents		47,990	22,503
Cash and cash equivalents at beginning of period	6(1)	449,849	464,566
Cash and cash equivalents at end of period	6(1)	$ 497,839	$ 487,069

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 10, 2016.

CHIEFTEK PRECISION CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

(1) CHIEFTEK PRECISION CO., LTD. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on October 19, 1998. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in research, development, manufacture and sale of miniature linear guide, miniature ball screw, miniature linear modules, electro-optics equipment and semiconductor process equipment.

(2) The common shares of the Company have been listed on the Taipei Exchange since December 28, 2012.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on August 10, 2016.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board (“IASB”)
Recoverable amount disclosures for non-financial assets (amendments to International Accounting Standards ("IAS") 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
International Financial Reporting Interpretations Committee ("IFRIC") 21, 'Levies'	January 1, 2014
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board (“IASB”)
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Improvements to IFRSs 2012-2014	January 1, 2016

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

A. Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. When a material impairment loss has been recognized or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques used and key assumptions.

B. Annual improvements to IFRSs 2010-2012 cycle

IFRS 8, 'Operating segments'

The standard is amended to require disclosure of judgments made by management in aggregating operating segments. This amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets is required only when segment asset is provided to chief operating decision maker regularly.

C. Amendments to IAS 1, 'Disclosure initiative'

This amendment clarifies the presentation of materiality, aggregation and subtotals, the framework of financial report, and the guide for accounting disclosure.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by IASB
Disclosure initiative (amendments to IAS 7)	January 1, 2017

New Standards, Interpretations and Amendments	Effective date by IASB
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board

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

A. Amendments to IAS 7, 'Disclosure initiative'

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

B. Amendments to IAS 12, 'Recognition of deferred tax assets for unrealized losses'

These amendments clarify the recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value, and they clarify several of the general principles underlying the accounting for deferred tax assets. The amendments clarify that a deductible temporary difference exists whenever an asset is measured at fair value and that fair value is below the asset’s tax base. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers a deductible temporary difference in combination with all of its other deductible temporary differences unless there are tax law restrictions, and the tax deduction resulting from temporary differences is excluded from estimated future taxable profits. The amendments are effective from January 1, 2017.

C. IFRS 9, 'Financial instruments'

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

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

D. IFRS 15, 'Revenue from contracts with customers'

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

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

Step 1: Identify contracts with customer

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

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when the performance obligation is satisfied

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

E. IFRS 16, 'Leases'

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

4. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>

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

(1) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following item, these consolidated financial statements have been prepared under the historical cost convention:

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, 'Critical accounting judgements, estimates and key sources of assumption uncertainty'.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Percentage owned by the Company		
Name of Investor	Name of Subsidiary	Business activities	June 30, 2016	December 31, 2015	Note
CHIEFTEK PRECISION CO., LTD. ("CHIEFTEK PRECISION")	CHIEFTEK PRECISION HOLDING CO., LTD.	Professional investment	100	100	–
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH ("cpc Europa")	Sale of high precision linear motion components and rendering after-sales service	100	100	–
CHIEFTEK PRECISION CO., LTD.	CSM Maschinen GmbH	Research, manufacture and sale of machineries	80	-	Note 1 Note 2
CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Precision (Hong Kong) Co., Limited	Professional investment	100	100	–
CHIEFTEK PRECISION HOLDING CO., LTD.	CHIEFTEK PRECISION USA CO., LTD. ("cpc USA")	Sale of high precision linear motion components and rendering after-sales service	100	100	Note 1

Name of Investor	Name of Subsidiary	Business activities	Percentage owned by the Company: June 30, 2016	Percentage owned by the Company: December 31, 2015	Note
Chieftek Precision (Hong Kong) Co., Limited	Chieftek Machinery (Kunshan) Co., Ltd. ("Chieftek (Kunshan)")	Production, processing and sale of high precision linear motion components and after-sales service	100	100	–

Name of Investor	Name of Subsidiary	Business activities	Percentage owned by the Company: June 30, 2015	Note
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION HOLDING CO., LTD.	Professional investment	100	–
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	Sale of high precision linear motion components and rendering after-sales service	100	–
CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Precision (Hong Kong) Co., Limited	Professional investment	100	–
CHIEFTEK PRECISION HOLDING CO., LTD.	CHIEFTEK PRECISION USA CO., LTD.	Sale of high precision linear motion components and rendering after-sales service	100	Note 1
Chieftek Precision (Hong Kong) Co., Limited	Chieftek Machinery (Kunshan) Co., Ltd.	Production, processing and sale of high precision linear motion components and after-sales service	100	–

Note 1: The financial statements of the entity as of and for the six months ended June 30, 2016 and 2015 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

Note 2: Newly established company in March, 2016.

The financial statements of certain non-significant subsidiaries were consolidated based on their unreviewed financial statements as of and for the three-month and six-month periods ended June 30, 2016 and 2015. Total assets of these subsidiaries amounted to $87,180 and $79,387, representing 4% and 3% of the related consolidated totals, and total liabilities amounted to $697 and $1,746, both representing －% of the related consolidated totals, as of June 30, 2016 and 2015, respectively. Total comprehensive income of these subsidiaries amounted to $2,418, $3,492, $8,313 and $3,534, constituting 9%, 17%, 19% and (253%) of the related consolidated totals for the three-month and six-month periods ended June 30, 2016 and 2015, respectively.

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interest that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognized in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) <u>Classification of current and non-current items</u>

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

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

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

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

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) <u>Cash equivalents</u>

A. Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

B. Time deposits that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(c) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(d) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made according of financial assets. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. 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 loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(9) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has not retained control of the financial asset.

(10) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventory is lower than net realizable value, a write-down is provided and recognized in operating costs. If the circumstances that caused the write-down cease to exist, such that all or part of the write-down is no longer needed, it should be reversed to that extent and recognized as deduction of operating costs.

(11) Property, plant and equipment

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

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

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

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Useful lives
Buildings	3 ～ 50 years
Machinery and equipment	2 ～ 15 years
Transportation equipment	3 ～ 10 years
Office equipment	1 ～ 10 years
Leasehold improvements	2 ～ 15 years
Other equipment	2 ～ 10 years

(12) Leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(13) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model.

(14) Intangible assets

A. Trademarks and patents

Separately acquired trademarks of corporate identity system and patents are stated initially at cost. Trademarks and patents have a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 10 to 20 years.

B. Computer software

Computer software is stated initially at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

C. Internally generated intangible assets—research and development expenditures

(a) Research expenditures are recognized as an expense as incurred.

(b) Development expenditures that do not meet the following criteria are recognized as expenses as incurred, but are recognized as intangible assets when the following criteria are met:

i. It is technically feasible to complete the intangible asset so that it will be available for use or sale;

ii. An entity intends to complete the intangible asset and use or sell it;

iii. An entity has the ability to use or sell the intangible asset;

iv. It can be demonstrated how the intangible asset will generate probable future economic benefits;

v. Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

vi. The expenditure attributable to the intangible asset during its development can be reliably measured.

(c) Upon being available for use, internally generated intangible assets are amortized on a straight-line basis over their estimated useful life.

D. Other intangible assets

Technology contribution is stated initially at cost, and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Technology contribution is not amortized, but is tested annually for impairment.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(16) Borrowings

A. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(17) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is insignificant.

(18) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii.Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(22) Share capital

A. Ordinary shares are classified as equity.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account sales tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(25) Operating segments

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

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Evaluation of inventories

A. As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

B. As of June 30, 2016, the carrying amount of inventories was $333,521.

(2) Impairment assessment of tangible and intangible assets (excluding goodwill)

A. The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

B. As of June 30, 2016, there is no impairment loss on tangible and intangible assets in the Group.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2016	December 31, 2015	June 30, 2015
Cash:			
Cash on hand	$ 831	$ 1,104	$ 515
Checking accounts and demand deposits	495,465	432,217	462,694
	496,296	433,321	463,209
Cash Equivalents:			
Time deposits	1,543	16,528	23,860
	$ 497,839	$ 449,849	$ 487,069

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

B. Details of the Group's cash and cash equivalents pledged to others as collateral as of June 30, 2016, December 31, 2015 and June 30, 2015 are provided in Note 8, 'Pledged assets'.

(2) Accounts receivable, net

	June 30, 2016	December 31, 2015	June 30, 2015
Accounts receivable	$ 370,072	$ 341,943	$ 316,988
Less: Allowance for doubtful accounts	(11,160)	(17,514)	(24,685)
	$ 358,912	$ 324,429	$ 292,303

A. The ageing analysis of the Group's accounts receivable that were past due but not impaired is as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Up to 30 days	$ 33,994	$ 32,826	$ 30,751
31 to 90 days	37,391	31,293	45,749
91 to 180 days	30,161	21,063	29,206
181 to 365 days	17,695	3,697	11,424
Over 365 days	-	1,421	1,373
	$ 119,241	$ 90,300	$ 118,503

The above ageing analysis was based on invoice past due date.

B. Movement analysis of the Group's financial assets that were impaired is as follows:

	For the six-month periods ended June 30,	
	2016	2015
	Group provision	Group provision
At January 1	$ 17,514	$ 23,140
Provision for impairment	-	2,149
Reversal of impairment	(6,141)	-
Effect of foreign exchange rate changes	(213)	(604)
At June 30	$ 11,160	$ 24,685

C. The Group's accounts receivable that were neither past due nor impaired were from the customers who have good credit quality.

D. As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group does not hold any collateral as security for accounts receivable.

(3) Inventories

	June 30, 2016		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 23,110	($ 461)	$ 22,649
Supplies	32,319	(2,512)	29,807
Work in process	147,341	(12,212)	135,129
Finished goods	202,922	(56,986)	145,936
	$ 405,692	($ 72,171)	$ 333,521

	December 31, 2015		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 26,426	($ 441)	$ 25,985
Supplies	32,156	(2,541)	29,615
Work in process	147,064	(11,551)	135,513
Finished goods	236,159	(61,773)	174,386
	$ 441,805	($ 76,306)	$ 365,499

	June 30, 2015		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 26,717	($ 297)	$ 26,420
Supplies	33,487	(2,153)	31,334
Work in process	148,711	(9,853)	138,858
Finished goods	273,188	(59,067)	214,121
	$ 482,103	($ 71,370)	$ 410,733

The cost of inventories recognized as expense for the period:

	For the three-month periods ended June 30,	
	2016	2015
Cost of goods sold	$ 171,204	$ 185,381
Provision for inventory market price decline	-	4,747
Reversal of allowance for inventory market price decline (Note)	(2,214)	-
Loss on physical inventory	188	342
Revenue from sale of scraps	(25)	(35)
	$ 169,153	$ 190,435

	For the six-month periods ended June 30,	
	2016	2015
Cost of goods sold	$ 316,101	$ 355,542
Provision for inventory market price decline	-	14,150
Reversal of allowance for inventory market price decline (Note)	(3,558)	-
Loss on physical inventory	144	251
Revenue from sale of scraps	(37)	(87)
	$ 312,650	$ 369,856

(Note) The Group reversed a previous inventory write-down, because the inventories were subsequently sold in 2016 which were previously provided with allowance.

(4) Other financial assets - current

	June 30, 2016	December 31, 2015	June 30, 2015
Time deposits over three months	$ -	$ -	$ 22, 379

(5) Property, plant and equipment

January 1, 2016	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements and other equipment	Construction in progress and equipment before acceptance inspection	Total
Cost	$ 447,810	$ 795,195	$ 5,385	$ 17,282	$ 116,728	$ 18,541	$ 1,400,941
Accumulated depreciation	(78,604)	(544,552)	(4,068)	(15,605)	(96,805)	-	(739,634)
	$ 369,206	$ 250,643	$ 1,317	$ 1,677	$ 19,923	$ 18,541	$ 661,307
For the six-month period ended June 30, 2016							
At January 1	$ 369,206	$ 250,643	$ 1,317	$ 1,677	$ 19,923	$ 18,541	$ 661,307
Additions	690	4,514	149	491	852	346	7,042
Transferred from prepayments for equipment	-	-	-	-	-	11,796	11,796
Transferred after acceptance inspection	5,725	10,243	-	-	1,330	(17,298)	-
Depreciation charge	(6,435)	(48,363)	(221)	(536)	(5,009)	-	(60,564)
Disposals－Cost	-	(571)	-	(128)	(328)	-	(1,027)
－Accumulated depreciation	-	479	-	128	328	-	935
Net currency exchange differences	-	(125)	(26)	(14)	(9)	-	(174)
At June 30	$ 369,186	$ 216,820	$ 1,219	$ 1,618	$ 17,087	$ 13,385	$ 619,315
June 30, 2016							
Cost	$ 454,225	$ 809,131	$ 5,482	$ 17,590	$ 118,550	$ 13,385	$ 1,418,363
Accumulated depreciation	(85,039)	(592,311)	(4,263)	(15,972)	(101,463)	-	(799,048)
	$ 369,186	$ 216,820	$ 1,219	$ 1,618	$ 17,087	$ 13,385	$ 619,315

January 1, 2015	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements and other equipment	Construction in progress and equipment before acceptance inspection	Total
Cost	$ 446,668	$ 793,127	$ 4,091	$ 17,139	$ 109,457	$ 14,830	$ 1,385,312
Accumulated depreciation	(65,587)	(444,517)	(3,877)	(14,557)	(86,677)	-	(615,215)
	$ 381,081	$ 348,610	$ 214	$ 2,582	$ 22,780	$ 14,830	$ 770,097
For the six-month period ended June 30, 2015							
At January 1	$ 381,081	$ 348,610	$ 214	$ 2,582	$ 22,780	$ 14,830	$ 770,097
Additions	742	2,482	103	100	3,014	309	6,750
Transferred from prepayments for equipment	-	-	-	-	-	3,588	3,588
Transferred after acceptance inspection	-	633	-	-	621	(1,254)	-
Depreciation charge	(6,581)	(53,742)	(68)	(754)	(5,715)	-	(66,860)
Disposals－Cost	-	(5,253)	-	(182)	(172)	-	(5,607)
－Accumulated depreciation	-	3,912	-	182	172	-	4,266
Net currency exchange differences	-	(1,118)	(15)	(35)	(287)	-	(1,455)
At June 30	$ 375,242	$ 295,524	$ 234	$ 1,893	$ 20,413	$ 17,473	$ 710,779
June 30, 2015							
Cost	$ 447,410	$ 789,546	$ 4,163	$ 16,818	$ 112,432	$ 17,473	$ 1,387,842
Accumulated depreciation	(72,168)	(494,022)	(3,929)	(14,925)	(92,019)	-	(677,063)
	$ 375,242	$ 295,524	$ 234	$ 1,893	$ 20,413	$ 17,473	$ 710,779

A. Amount of borrowing costs capitalized as part of property, plant and equipment, as well as prepayments for equipment, and the range of the interest rates for such capitalization are as follows:

	For the three-month periods ended June 30,	
	2016	2015
Amount capitalized	$ -	$ 309
Interest rate	-	1.76%

	For the six-month periods ended June 30,	
	2016	2015
Amount capitalized	$ -	$ 309
Interest rate	-	1.76%

B. Information about the property, plant and equipment that were pledged to others as collateral as of June 30, 2016, December 31, 2015 and June 30, 2015 is provided in Note 8, 'Pledged assets'.

(6) Investment property, net

For the six-month periods ended June 30, 2016 and 2015, details of movements in investment property are as follows:

For the six-month period ended June 30, 2016	Land
Cost at January 1 and June 30	$ 316,864
For the six-month period ended June 30, 2015	**Land**
Cost at January 1 and June 30	$ 316,864

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	For the three-month periods ended June 30,	
	2016	2015
Rental income from investment property	$ -	$ -
Direct operating expenses arising from the investment property that did not generate rental income during the period	$ 404	$ 219

	For the six-month periods ended June 30,	
	2016	2015
Rental income from investment property	$ -	$ -
Direct operating expenses arising from the investment property that did not generate rental income during the period	$ 809	$ 439

B. The fair value of the investment property held by the Group as at June 30, 2016, December 31, 2015 and June 30, 2015 was $320,270, which was valued using the actual price registration, and is categorized within Level 3 in the fair value hierarchy.

C. Information about the investment property that was pledged to others as collateral as of June 30, 2016, December 31, 2015 and June 30, 2015 is provided in Note 8, 'Pledged assets'.

(7) Intangible assets

For the six-month periods ended June 30, 2016 and 2015, reconciliation chart of the initial cost, accumulated amortization amount and carrying amount at beginning and end of period of intangible assets is as follows:

	For the six-month period ended June 30, 2016					
	Trademarks	Patents	Software	Internally generated intangible assets	Others	Total
At January 1						
Cost	$ 578	$ 6,497	$ 4,613	$ -	$ 60,000	$ 71,688
Accumulated amortization	(578)	(871)	(3,635)	-	(13,500)	(18,584)
Net value	$ -	$ 5,626	$ 978	$ -	$ 46,500	$ 53,104
Net value at January 1, 2016	$ -	$ 5,626	$ 978	$ -	$ 46,500	$ 53,104
Additions-acquired separately	-	1,165	1,391	2,453	-	5,009
Additions－depreciation reclassified	-	-	-	42	-	42
Additions－amortization reclassified	-	-	-	39	-	39
Disposals－cost	-	(24)	-	-	-	(24)
Disposals－accumulated amortization	-	6	-	-	-	6
Amortization	-	(225)	(397)	-	-	(622)
Net currency exchange differences	-	-	(5)	(46)	-	(51)
Net value at June 30, 2016	$ -	$ 6,548	$ 1,967	$ 2,488	$ 46,500	$ 57,503
At June 30, 2016						
Cost	$ 578	$ 7,638	$ 5,998	$ 2,488	$ 60,000	$ 76,702
Accumulated amortization	(578)	(1,090)	(4,031)	-	(13,500)	(19,199)
Net value	$ -	$ 6,548	$ 1,967	$ 2,488	$ 46,500	$ 57,503

	For the six-month period ended June 30, 2015				
	Trademarks	Patents	Software	Others	Total
At January 1					
Cost	$ 578	$ 3,799	$ 4,563	$ 60,000	$ 68,940
Accumulated amortization	(540)	(593)	(3,023)	(13,500)	(17,656)
Net value	$ 38	$ 3,206	$ 1,540	$ 46,500	$ 51,284
Net value at January 1, 2015	$ 38	$ 3,206	$ 1,540	$ 46,500	$ 51,284
Additions－acquired separately	-	951	64	-	1,015
Amortization	(19)	(120)	(313)	-	(452)
Net currency exchange differences	-	-	(11)	-	(11)
Net value at June 30, 2015	$ 19	$ 4,037	$ 1,280	$ 46,500	$ 51,836
At June 30, 2015					
Cost	$ 578	$ 4,750	$ 4,601	$ 60,000	$ 69,929
Accumulated amortization	(559)	(713)	(3,321)	(13,500)	(18,093)
Net value	$ 19	$ 4,037	$ 1,280	$ 46,500	$ 51,836

A. For the six-month periods ended June 30, 2016 and 2015, no borrowing costs were capitalized as part of intangible assets.

B. Details of amortization on intangible assets are as follows:

	For the three-month periods ended June 30,	
	2016	2015
Manufacturing overhead	$ 41	$ 41
General and administrative expenses	33	49
Research and development expenses	292	141
	$ 366	$ 231

	For the six-month periods ended June 30,	
	2016	2015
Manufacturing overhead	$ 83	$ 83
General and administrative expenses	65	97
Research and development expenses	474	272
	$ 622	$ 452

(8) Short-term borrowings

Nature	June 30, 2016	Interest rate range	Collateral
Unsecured borrowings	$ 180,000	1.20%～1.40%	None
Secured borrowings	61,013	1.25%～1.59%	Endorsements and guaruantees by parent company
	$ 241,013		

Nature	December 31, 2015	Interest rate range	Collateral
Unsecured borrowings	$ 204,803	0.79%～1.58%	None

Nature	June 30, 2015	Interest rate range	Collateral
Unsecured borrowings	$ 330,495	0.82%～1.66%	None

(9) Long-term borrowings

Nature	Borrowing period	June 30, 2016	Interest rate range	Collateral
Long term bank borrowings				
Secured borrowings	July 4, 2011～ December 9, 2019	$ 482,523	1.67%～ 2.01%	Time deposits, buildings, machinery and equipment, investment property-land and endorsements and guarantees by parent company
Less: current portion		(61,356)		
		$ 421,167		

Nature	Borrowing period	December 31, 2015	Interest rate range	Collateral
Long term bank borrowings				
Secured borrowings	July 4, 2011～ December 9, 2019	$ 602,578	1.65%～ 2.14%	Demand deposits, buildings, machinery and equipment, investment property-land and endorsements and guarantees by parent company
Less: current portion		(99,160)		
		$ 503,418		

Nature	Borrowing period	June 30, 2015	Interest rate range	Collateral
Long term bank borrowings				
Secured borrowings	July 4, 2011～ December 9, 2019	$ 650,313	1.79%～ 2.21%	Buildings, machinery and equipment, investment property-landand and endorsements and guarantees by parent company
Less: current portion		(98,592)		
		$ 551,721		

As of March 25, 2016, the Company has extended the credit contract with Chang Hwa Commercial Bank, Ltd. to February 17, 2018.

(10) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) No pension cost was recognized under the aforementioned defined contribution pension plan of the Company for the three-month and six-month periods ended June 30, 2016 and 2015.

(c) Expected contributions to the defined benefit pension plan of the Company for the next annual reporting period as at June 30, 2016 is $297.

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The other subsidiaries are subject to local government sponsored defined contribution plan. In accordance with the related laws of the respective local government, the independent pension fund of employees is administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2016 and 2015 were $2,530, $2,235, $5,023 and $4,418, respectively.

(11) Share capital-common stock and stock dividends to be distributed

A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	For the six-month periods ended June 30,	
	2016	2015
Balance at beginning of period	56,234	56,355
Buy-back of treasury shares	-	(121)
Balance at end of period	56,234	56,234

B. On June 25, 2015, the Company's stockholders adopted a resolution to increase the authorized capital by $400,000. The authorized capital is $1,200,000 under the amended Articles of Incorporation of the Company.

C. On June 16, 2016, the Company's stockholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of $28,117 and obtained approval from the SFC. The effective date of capitalization was set on August 31, 2016.

D. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows (in thousands of shares):

	For the six-month period ended June 30, 2016			
Reason for reacquisition	Shares at beginning of period	Increase	Decrease	Shares at end of period
To be reissued to employees	3, 000	-	-	3, 000

	For the six-month period ended June 30, 2015			
Reason for reacquisition	Shares at beginning of period	Increase	Decrease	Shares at end of period
To be reissued to employees	2, 879	121	-	3, 000

(b) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. As of June 30, 2016, December 31, 2015 and June 30, 2015, the treasury shares amounted to $118,544.

(c) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired.

E. As of June 30, 2016, the Company's authorized capital was $1,200,000 (including $30,000 reserved for employee stock options), and the paid-in capital was $592,338 (59,234 thousand shares) with par value of $10 (in dollars) per share.

(12) Capital reserve

For the six-month period ended June 30, 2016	Share premium	Others	Total
Balances at beginning and end of period	$ 462, 937	$ 114	$ 463, 051

For the six-month period ended June 30, 2015	Share premium	Others	Total
Balances at beginning and end of period	$ 462, 937	$ 114	$ 463, 051

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the

Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(13) Retained earnings

A. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.

B. According to the Company's Articles of Incorporation, the Company's dividend policy is to distribute the current year's earnings, if any, in the following order:

(1) pay all taxes and dues;

(2) offset any loss of prior years;

(3) set aside 10% as legal reserve;

(4) set aside or reverse special reserve as required by regulations or the Competent Authority;

(5) The appropriation of the remaining amount after deducting items (1) to (4), along with the unappropriated retained earnings of prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the shareholders' meeting. However, the distribution of dividends shall not be lower than 20% of the current year's profit after deducting items (1) to (4). In order to continually expand the scale of operation, increase competitiveness as well as cooperate with the Company's long-term development, future capital requirements and long-term financial plan, the dividend policy is to distribute stock dividends and partially as cash dividends. Cash dividends shall not be less than 10% of the total dividends distributed to shareholders.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. No amount was previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012.

D. The Company recognized cash dividends amounting to $28,117 ($0.5 (in dollars) per share) distributed to owners for the year ended December 31, 2015. On June 16, 2016, the Company's stockholders adopted a resolution to distribute cash dividends and stock dividends for 2015 of $28,117 ($0.5 (in dollars) per share) and $28,117 ($0.5 (in dollars) per share), respectively.

(14) Other income

	For the three-month periods ended June 30,	
	2016	2015
Interest income:		
Interest income from bank deposits	$ 407	$ 484
Other income:		
Provision for doubtful accounts	(3,121)	-
Others	282	229
	($ 2,432)	$ 713

	For the six-month periods ended June 30,	
	2016	2015
Interest income:		
Interest income from bank deposits	$ 672	$ 614
Other income:		
Reversal of allowance for doubtful accounts	6,141	-
Others	595	886
	$ 7,408	$ 1,500

(15) Other gains and losses

	For the three-month periods ended June 30,	
	2016	2015
Net currency exchange loss	($ 152)	($ 2,566)
Loss on disposal of property, plant, and equipment	(33)	(1,337)
Other losses	-	(1)
	($ 185)	($ 3,904)

	For the six-month periods ended June 30,	
	2016	2015
Net currency exchange loss	($ 3,462)	($ 30,646)
Loss on disposal of property, plant, and equipment	(92)	(1,341)
Loss on disposal of intangible asset	(18)	-
Other losses	-	(288)
	($ 3,572)	($ 32,275)

(16) Finance costs

	For the three-month periods ended June 30,	
	2016	2015
Interest expense on bank borrowings	$ 3,485	$ 4,716
Less：capitalization of qualifying assets	-	(309)
	$ 3,485	$ 4,407

	For the six-month periods ended June 30,	
	2016	2015
Interest expense on bank borrowings	$ 6,977	$ 9,347
Less：capitalization of qualifying assets	-	(309)
	$ 6,977	$ 9,038

(17) Expenses by nature

	For the three-month period ended June 30, 2016		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 37,681	$ 29,963	$ 67,644
Depreciation	26,766	3,075	29,841
Amortization	41	325	366
	$ 64,488	$ 33,363	$ 97,851

	For the three-month period ended June 30, 2015		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 38,386	$ 23,043	$ 61,429
Depreciation	29,921	2,931	32,852
Amortization	41	190	231
	$ 68,348	$ 26,164	$ 94,512

	For the six-month period ended June 30, 2016		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 71,364	$ 58,555	$ 129,919
Depreciation	54,569	5,995	60,564
Amortization	83	539	622
	$ 126,016	$ 65,089	$ 191,105

	For the six-month period ended June 30, 2015		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 73,912	$ 46,992	$ 120,904
Depreciation	60,554	6,306	66,860
Amortization	83	369	452
	$ 134,549	$ 53,667	$ 188,216

(18) Employee benefit expense

	For the three-month period ended June 30, 2016		
	Operating cost	Operating expense	Total
Wages and salaries	$ 32,162	$ 26,140	$ 58,302
Labor and health insurance expense	2,925	1,891	4,816
Pension costs	1,466	1,064	2,530
Other personnel expenses	1,128	868	1,996
	$ 37,681	$ 29,963	$ 67,644

	For the three-month period ended June 30, 2015		
	Operating cost	Operating expense	Total
Wages and salaries	$ 32,882	$ 19,560	$ 52,442
Labor and health insurance expense	2,877	1,776	4,653
Pension costs	1,398	837	2,235
Other personnel expenses	1,229	870	2,099
	$ 38,386	$ 23,043	$ 61,429

	For the six-month period ended June 30, 2016		
	Operating cost	Operating expense	Total
Wages and salaries	$ 60,374	$ 50,715	$ 111,089
Labor and health insurance expense	5,804	3,934	9,738
Pension costs	2,920	2,103	5,023
Other personnel expenses	2,266	1,803	4,069
	$ 71,364	$ 58,555	$ 129,919

	For the six-month period ended June 30, 2015		
	Operating cost	Operating expense	Total
Wages and salaries	$ 63,180	$ 40,033	$ 103,213
Labor and health insurance expense	5,590	3,707	9,297
Pension costs	2,702	1,716	4,418
Other personnel expenses	2,440	1,536	3,976
	$ 73,912	$ 46,992	$ 120,904

A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 3% to 8% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the three-month and six-month periods ended June 30, 2016 and 2015, the Company's employees' compensation was accrued at $3,215, $165, $5,314 and $165, respectively; while directors' and supervisors' remuneration was accrued at $1,206, $62, $1,993 and $62, respectively. The aforementioned amounts were recognized in salary expenses. The employees' compensation and directors' and supervisors' remuneration for 2015 as resolved by the board of directors was $9,419, which was the same amount recognized in the 2015 financial statements.

The employees' compensation will be distributed in the form of cash. For the year ended December 31, 2015, the employees' compensation and directors' and supervisors' remuneration have not yet been distributed.

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

(19) Income tax

A. Components of income tax expense (benefit):

	For the three-month periods ended June 30,	
	2016	2015
Current income tax:		
Income tax incurred in current periods	$ 2, 540	$ 3, 283
10% tax on unappropriated earnings	432	–
Prior year's income tax over estimate	(20)	(2, 707)
Total current income tax	2, 952	576
Deferred income tax:		
Origination and reversal of temporary differences	915	679
Income tax expense	$ 3, 867	$ 1, 255

	For the six-month periods ended June 30,	
	2016	2015
Current income tax:		
Income tax incurred in current periods	$ 3, 989	$ 4, 961
10% tax on unappropriated earnings	432	–
Prior year's income tax over estimate	(20)	(2, 707)
Total current income tax	4, 401	2, 254
Deferred income tax:		
Origination and reversal of temporary differences	3, 319	(3, 877)
Income tax expense (benefit)	$ 7, 720	($ 1, 623)

B. The Group's income tax returns through 2013 have been assessed and approved by the Tax Authority and there were no disputes existing between the Company and the Authority as of August 10, 2016.

C. Unappropriated retained earnings:

	June 30, 2016	December 31, 2015	June 30, 2015
Earnings generated in and after 1998	$ 302,273	$ 312,835	$ 251,261

D. As of June 30, 2016, December 31, 2015 and June 30, 2015, the balance of the imputation tax credit account was $67,366, $60,819 and $64,580, respectively. As dividends was approved at the stockholders' meeting on June 16, 2016 and June 25, 2015 with the dividend distribution date set by the Board of Directors on August 31, 2016 and July 20, 2015, the creditable tax rate for the unappropriated retained earnings for 2015 and 2014 is 21.53% (estimated) and 23.45%, respectively. As the imputation tax credit is to be calculated based on the balance of the imputation tax credit account as of the dividend distribution date, the applicable creditable tax rate for 2015 is expected to be adjusted based on all possible imputation tax credit generated before the dividend distribution date.

(20) Earnings per share ("EPS")

	For the three-month period ended June 30, 2016		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 32,902	56,234	$ 0.59
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 32,902	56,234	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	195	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 32,902	56,429	$ 0.58

	For the three-month period ended June 30, 2015		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 24,802	56,234	$ 0.44
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 24,802	56,234	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	52	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 24,802	56,286	$ 0.44

	For the six-month period ended June 30, 2016		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 52,750	56,234	$ 0.94
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 52,750	56,234	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	280	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 52,750	56,514	$ 0.93

	For the six-month period ended June 30, 2015		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 6, 056	56, 254	$ 0. 11
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 6, 056	56, 254	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	50	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 6, 056	56, 304	$ 0. 11

On June 16, 2016, the Company's stockholders adopted a proposal for the distribution of 2015 profit. The effective date of capitalization was set on August 31, 2016. The pro forma information for retroactively adjusted basic and diluted earnings per share is as follows (in dollars):

	For the three-month periods ended June 30,	
	2016	2015
Basic earnings per share		
Profit attributable to ordinary shareholders of the parent	$ 0.56	$ 0.42
Diluted earnings per share		
Profit attributable to ordinary shareholders of the parent	$ 0.55	$ 0.42

	For the six-month periods ended June 30,	
	2016	2015
Basic earnings per share		
Profit attributable to ordinary shareholders of the parent	$ 0.90	$ 0.10
Diluted earnings per share		
Profit attributable to ordinary shareholders of the parent	$ 0.89	$ 0.10

(21) Operating leases

The Group entered into a non-cancellable operating lease agreement for the periods from January 1, 2003 to December 31, 2022 and from August 28, 2014 to August 27, 2034 for the land in Tainan Science Park. The lease agreement is renewable at the end of the lease term. The Company pays monthly rent. If the announced land values, state-owned land rent rate, or other factors change, the monthly rent paid by the Group will be adjusted accordingly on the following month. The Group may have to pay additional rent or get a refund on its last rental payment because of such adjustment. The rent expense of $1,776, $1,633, $3,552 and $3,266 was recognized in profit or loss for the three-month and six-month periods ended June 30, 2016 and 2015, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Within one year	$ 7,459	$ 6,531	$ 6,531
Later than one year but not exceeding five years	29,837	26,124	26,124
Exceeding five years	11,837	13,629	16,895
	$ 49,133	$ 46,284	$ 49,550

(22) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the six-month periods ended June 30, 2016	2015
Purchase of property, plant and equipment	$ 7,042	$ 6,750
Add: Opening balance of notes payable	3,281	-
Opening balance of payable for equipment	1,343	516
Less: Ending balance of notes payable	(3,181)	(1,199)
Ending balance of payable for equipment	(867)	(408)
Capitalization for interest	-	(309)
Cash paid during the period	$ 7,618	$ 5,350

B. Investing and financing activities with no cash flow effects

	For the six-month periods ended June 30, 2016	2015
a. Cash dividends distribution	$ 28,117	$ 28,117
Less: Ending balance of payable on cash dividends (other payable)	(28,117)	(28,117)
Cash paid for cash dividends distribution	$ -	$ -

	For the six-month periods ended June 30,	
	2016	2015
b. Prepayments for equipment reclassified to property, plant and equipment	$ 11,796	$ 3,588

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

	For the three-month periods ended June 30,	
	2016	2015
Salaries and other short-term employee benefits	$ 5,394	$ 4,193

	For the six-month periods ended June 30,	
	2016	2015
Salaries and other short-term employee benefits	$ 10,536	$ 7,647

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value			
Asset pledged	June 30, 2016	December 31, 2015	June 30, 2015	Purpose of collateral
Buildings-net (Note 1)	$ 329,267	$ 332,434	$ 335,882	Guarantee for long－term borrowings
Machinery and equipment-net (Note 1)	130,482	165,858	201,169	Guarantee for long－term borrowings
Land (Note 2)	316,864	316,864	316,864	Guarantee for long－term borrowings
Demand and Time deposits (Note 3)	1,430	1,432	-	Guarantee for long－term borrowings
	$ 778,043	$ 816,588	$ 853,915	

(Note 1) Listed as 'Property, plant and equipment'.

(Note 2) Listed as 'Investment property, net'.

(Note 3) Listed as 'Other financial assets - non-current'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of June 30, 2016, December 31, 2015 and June 30, 2015, the endorsements and guarantees provided by the Company to the subsidiary, cpc Europa GmbH, amounted to $148,905, $46,644 and $106,518, respectively, and the actual amount drawn down was $86,136, $39,468 and $44,798, respectively.

(2) As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group's remaining balance due for construction in progress and prepayments for equipment were $34,730, $37,066 and $36,814, respectively.

(3) As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group's unused letters of credit amounted to $－, $－ and $881, respectively.

(4) On November 14, 2014, the Company entered into a mid-term secured loan syndicated contract for a credit line of $560,000 with 6 financial institutions including Mega International Commercial Bank. The credit term is 5 years. Under the terms of the syndicated loan, the Company agreed that:

A. Under the terms of the syndicated loan, the financial ratios stated in the Company's semi-annual reviewed financial statements and annual audited financial statements shall comply with the following financial ratios and will be assessed every half year:

(a) Current ratio (current assets/current liabilities): At least 100%.

(b) Liability ratio (total liabilities/net equity): Less than 150%.

(c) Tangible net value (shareholders' equity less intangible assets): At least $1,000,000.

B. If the Company violates the above financial covenants, its financing rate shall be increased by an additional 0.25% per annum from the following June 1, after the earlier of the date of notification by the management bank or the latest financial year end, to the date prior to the completion of improvement.

As of June 30, 2016, the Company has not violated any of the above covenants.

(5) For the details of operating lease agreements, please refer to Note 6(21), 'Operating lease'.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Fair value information of financial instruments

The Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets-current, guarantee deposits paid, other financial assets-non-current, short-term borrowings, notes payable, accounts payable, other payables and long-term borrowings (including current portion)) are based on their book value as book value approximates fair value.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks closely with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I.Foreign exchange risk

(i) The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD, EUR and JPY. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

(ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

(iii)The Group treasury's risk management policy is to hedge anticipated cash flows (mainly export sales and purchase of inventory) in the major foreign currency in the future so as to decrease the risk exposure in the major foreign currency.

(iv)The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, as the objective of the net investments in foreign operations is for strategic purposes, the Group does not hedged the investments.

(v)The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD, the subsidiaries' functional currency: USD, EUR and CYN). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	June 30, 2016		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 10,893	32.28	$351,565
JPY:NTD	11,172	0.3143	3,512
EUR:NTD	467	35.89	16,762
Financial liabilities			
Monetary items			
USD:NTD	61	32.28	1,984
JPY:NTD	17,499	0.3143	5,500
EUR:NTD	530	35.89	19,026

	December 31, 2015		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 9,949	32.83	$326,576
JPY:NTD	14,024	0.2727	3,824
EUR:NTD	869	35.88	31,194
Financial liabilities			
Monetary items			
USD:NTD	166	32.83	5,438
JPY:NTD	10,812	0.2727	2,948
EUR:NTD	434	35.88	15,565

	June 30, 2015		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 8,866	30.86	$273,596
JPY:NTD	18,754	0.2524	4,734
EUR:NTD	807	34.46	27,817
Financial liabilities			
Monetary items			
USD:NTD	302	30.86	9,322
JPY:NTD	10,966	0.2524	2,768
EUR:NTD	961	34.46	33,109

Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If the exchange rate of NTD to other currencies had appreciated/depreciated by 1% with all other factors remaining constant, the Group's net profit (loss) after tax for the six-month periods ended June 30, 2016 and 2015 would increase/decrease by $2,887 and $2,176, respectively.

(vi)The total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2016 and 2015 amounted to $152, $2,566, $3,462 and $30,646, respectively.

II.Price risk

The Group is not engaged in any financial instruments with price variations, thus, the Group does not expect market risk arising from variations in the market prices.

III.Interest rate risk

(i)The Group analyses its interest rate exposure on a dynamic basis. Thus, the interest rate of the Group's liabilities fluctuates accordingly with the market interest rate, creating divergence in the Group's future cash flow. However, partial interest rate risk is offset by cash and cash equivalents at variable rates.

(ii)If interest rates on borrowings had been 10% higher/lower with all other variables held constant, net profit (loss) after tax for the six-month periods ended June 30, 2016 and 2015 would decrease/increase by $579 and $776, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, the Group is responsible for managing and analysing the credit risk for each of their new clients. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables and committed transactions. For financial institutions, the Group also transacts with many different financial institutions to diversify credit risk.

II.For the credit ratings of the Group's financial assets, please refer to Note 6, 'Financial assets'.

III.For the ageing analysis of financial assets that were past due but not impaired, please refer to Note 6(2), 'Accounts receivable, net'.

(c) Liquidity risk

I. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

II. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. The Group is expected to readily generate cash inflows for managing liquidity risk.

III. The table below analyses the Group's non-derivative financial liabilities and relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

June 30, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 242, 139	$ －	$ －	$ －
Notes payable	55, 292	－	－	－
Accounts payable	42, 867	－	－	－
Other payables	98, 319	－	－	－
Long-term borrowings (including current portion)	69, 741	284, 604	145, 763	－

December 31, 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 205, 893	$ －	$ －	$ －
Notes payable	48, 048	－	－	－
Accounts payable	23, 482	－	－	－
Other payables	62, 800	－	－	－
Long-term borrowings (including current portion)	108, 813	331, 729	180, 771	－

June 30, 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 332,200	$ -	$ -	$ -
Notes payable	64,169	-	-	-
Accounts payable	21,061	-	-	-
Other payables	85,325	-	-	-
Long-term borrowings (including current portion)	110,349	102,335	465,228	-

IV.The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2), 'Financial instruments'. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(6), 'Investment property, net'.

B. As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group had no fair value financial instruments.

13. SUPPLEMENTARY DISCLOSURES

Information related to the six-month period ended June 30, 2016 will be disclosed.

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Group's paid-in capital: None.

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

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

14. SEGMENT INFORMATION

(1)General information

The management of the Group has identified the operating segments based on how the Company's chief operating decision-maker regularly reviews information in order to make decisions.

(2) Segment information

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

	For the six-month period ended June 30, 2016					
	CHIEFTEK PRECISION	Chieftek (Kunshan)	cpc Europa	cpc USA	Others	Total
Segment revenue	$ 369,229	$129,995	$ 78,343	$ 64,027	$ -	$ 641,594
Revenue from internal customers	156,741	-	76	-	-	156,817
Revenue from external customers	212,488	129,995	78,267	64,027	-	484,777
Interest income	187	483	-	2	-	672
Depreciation and amortization	59,314	499	1,233	59	81	61,186
Interest expense	6,492	-	485	-	-	6,977
Income from segment pre-tax income	59,115	6,887	2,607	9,514	(1,202)	76,921
Segment assets	1,771,247	306,795	100,845	68,773	18,420	2,266,080

	For the six-month period ended June 30, 2015					
	CHIEFTEK PRECISION	Chieftek (Kunshan)	cpc Europa	cpc USA	Others	Total
Segment revenue	$ 445,292	$133,515	$ 72,550	$ 68,016	$ -	$ 719,373
Revenue from internal customers	201,522	-	-	-	-	201,522
Revenue from external customers	243,770	133,515	72,550	68,016	-	517,851
Interest income	198	414	-	2	-	614
Depreciation and amortization	65,199	370	997	746	-	67,312
Interest expense	8,779	-	214	-	45	9,038
Income from segment pre-tax income	2,400	(461)	(10,250)	3,534	83	(4,694)
Segment assets	1,880,604	302,576	149,575	79,387	13	2,412,155

(3) Reconciliation for segment income (loss)

The sales between segments were under the arms' length principle. The external revenues reported to the chief operating decision-maker adopt the same measurement for revenues in statement of comprehensive income. The reconciliations of pre-tax income between reportable segments and continuing operations were as follows:

	For the six-month periods ended June 30,	
	2016	2015
Reportable segments profit (loss) before income tax	$ 78,123	($ 4,777)
Other segments profit (loss) before income tax	(1,202)	83
Inter segments profit (loss)	(16,691)	9,127
Profit before income tax	$ 60,230	$ 4,433

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Loans to others

For the six-month period ended June 30, 2016

Table 1 | Expressed in thousands of NTD

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the six-month period ended June 30, 2016	Balance at June 30, 2016	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)	Footnote
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	Other receivables	Y	$ 53,331	$ 52,041	$ -	1.5%	Short-term financing	$ -	Operational use	$ -	—	$ -	$ 534,402	$ 534,402	—

(Note 1) The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1)Parent company is ‘0’.
(2)The subsidiaries are numbered in order starting from ‘1’.

(Note 2) Calculation of limit on loans granted to a single party and ceiling on total loans granted are as follows:
Short-term financing: The maximum loan amount is 40% of the Company's net assets and the maximum amount for short-term financing is 40% of its net assets.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the six-month period ended June 30, 2016

Table 2

Expressed in thousands of NTD

No. (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2016	Outstanding endorsement/ guarantee amount at June 30, 2016	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor （Note 2）											
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	$ 668,002	$ 150,570	$ 148,905	$ 86,136	$ -	11%	$ 668,002	Y	N	N	—

(Note 1) The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

(Note 2) The following code respresents the relationship with the Company:
(1) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(Note 3) (1) The total endorsements/guarantees provided shall not exceed 50% of the Company's net assets, and the amount provided for each counterparty shall not exceed 20% of the Company's paid-in capital. However, the limitation is not applied to subsidiaries that the Company directly or indirectly holds more than 50% of the voting shares.
(2) For trading partner, except for the abovementioned limit, the maximum amount for individual trading partner shall not exceed the higher of total purchase and sale transations during the most recent year.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the six-month period ended June 30, 2016

Table 3

Expressed in thousands of NTD

			Transaction				Discription and reasons for difference in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
CHIEFTEK PRECISION CO., LTD.	Chieftek Machinery (Kunshan) Co., Ltd	Subsidiary	(Sales)	($ 104,892)	(28%)	(Note 1)	$ -	(Note 2)	$ 100,186	28%	—
Chieftek Machinery (Kunshan) Co., Ltd	CHIEFTEK PRECISION CO., LTD.	The Company	Purchases	104,892	100%	(Note 1)	$ -	(Note 3)	($ 100,186)	(100%)	—

(Note 1) 180 days after monthly-closing, T/T.
(Note 2) The collection period for third parties are from 15 days after monthly-closing to 150 days after next monthly-closing.
(Note 3) The company had no purchases from other suppliers.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Receivable from related parties reaching NT$100 million or 20% of paid-in capital or more

June 30, 2016

Table 4

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2016	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
CHIEFTEK PRECISION CO., LTD.	Chieftek Machinery (Kunshan) Co., Ltd	Subsidiary	$ 100,186	2.92	$ -	—	$ 45,279	$ -

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

For the six-month period ended June 30, 2016

Table 5

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	Sales revenue	($ 21,433)	180 days after monthly-closing, T/T	(4%)
				Interest income	(176)	—	—
				Research and development expenses	76	—	—
				Accounts receivable	37,080	—	2%
				Endorsements and guarantees	148,905	—	7%
		CSM Maschinen GmbH	1	Prepayment	18,405	—	1%
		CHIEFTEK PRECISION USA CO., LTD.	1	Sales revenue	(30,416)	180 days after monthly-closing, T/T	(6%)
				Accounts receivable	20,761	—	1%
		Chieftek Machinery (Kunshan) Co., Ltd.	1	Sales revenue	(104,892)	180 days after monthly-closing, T/T	(22%)
				Accounts receivable	100,186	—	4%

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

(1) Parent company is ‘0’.

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

(Note 2) Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Information on investees

For the six-month period ended June 30, 2016

Table 6

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at June 30, 2016	Initial investment amount: Balance as at December 31, 2015	Shares held as at June 30, 2016: Number of shares	Shares held as at June 30, 2016: Ownership (%)	Shares held as at June 30, 2016: Book value	Net profit (loss) of the investee for the six-month period ended June 30, 2016	Investment income (loss) recognized by the Company for the six-month period ended June 30, 2016	Footnote
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION HOLDING CO., LTD.	Samoa	Professional investment	$ 202,290	$ 202,290	6,760,000	100	$ 251,084	$ 15,045	$ 15,045	Subsidiary
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	Germany	Sale of high precision linear motion components and rendering after -sale services	98,695	98,695	-	100	(28,789)	2,607	2,607	Subsidiary
CHIEFTEK PRECISION CO., LTD.	CSM Maschinen GmbH	Germany	Research, manufacture and sale of machineries	726	-	-	80	(226)	(1,201)	(961)	Subsidiary
CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Precision (Hong Kong) Co., Limited	Hong Kong	Professional investment	164,628	164,628	5,100,000	100	227,287	5,450	-	Subsidiary (Note 1)
CHIEFTEK PRECISION HOLDING CO., LTD.	CHIEFTEK PRECISION USA CO., LTD.	America	Sale of high precision linear motion components and rendering after -sale services	53,585	53,585	1,660,000	100	64,546	9,375	-	Subsidiary (Note 1)

(Note 1) Not required to disclose income (loss) recognized by the Company.
(Note 2) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:32.28) as at June 30, 2016.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the six-month period ended June 30, 2016

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the Six-month period ended June 30, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2016	Net income of investee for the six-month period ended June 30, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the six-month period ended June 30, 2016 （Note 2）	Book value of investments in Mainland China as of June 30, 2016	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chieftek Machinery (Kunshan) Co., Ltd	Production, processing and sale of high precision linear motion components and rendering after-sale services	$ 164,628	Note 1	$ 164,628	$ -	$ -	$ 164,628	$ 5,450	100%	$ 5,450	$ 227,402	$ -	—

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
CHIEFTEK PRECISION CO., LTD.	$ 164,628	$ 164,628	$ 801,602

(Note 1) Through investing in an existing company in the third area (Chieftek Precision (Hong Kong) Co., Ltd.) which then invested in the investee in Mainland China.

(Note 2) The investment income (loss) is recognized based on the investees' financial statements that were reviewed and attested by R.O.C. parent company’s CPA for the six-month period ended June 30, 2016.

(Note 3) The ceiling amount is 60% of the higher of net worth or consolidated net worth.

(Note 4) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:32.28) as at June 30, 2016.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the six-month period ended June 30, 2016

Table 8

Expressed in thousands of NTD

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at June 30, 2016	%	Balance at June 30, 2016	Purpose	Maximum balance during the six-month period ended June 30, 2016	Balance at June 30, 2016	Interest rate	Interest during the six-month period ended June 30, 2016	Others
Chieftek Machinery (Kunshan) Co., Ltd	$ 104,892	28%	$ -	-	$ 100,186	28%	$ -	-	$ -	$ -	-	$ -	$ -