

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

**NISHOKU TECHNOLOGY INC.
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**December 31, 2016 and 2015
(With Independent Auditors' Report Thereon)**

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

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Representation Letter

The entities that are required to be included in the combined financial statements of NISHOKU TECHNOLOGY INC. as of and for the year ended December 31, 2016 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, NISHOKU TECHNOLOGY INC. and its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: NISHOKU TECHNOLOGY INC.

Chairman: B. F. Chen

Date: February 24, 2017



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

To the Board of Directors of Nishoku Technology Inc.:

Opinion

We have audited the consolidated financial statements of Nishoku Technology Inc. (“the Group”), which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Group’s financial statements are stated as follows:

1. Impairment assessment of accounts receivable

Please refer to Note 4(g) “Financial instruments”, Note 5(a) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” of the consolidated financial statements.

Description of key audit matter

The Group do business primarily with customers who are involved in the manufacture of mold and electronic parts with credit transactions, which make the Group vulnerable to credit risk. The default of the client may lead to impairment loss of the receivables. The assessment of impairment loss requires subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit

Our principal audit procedures included: assessing whether the Group's impairment of accounts receivable has been set aside in accordance with the Group's policy, including inquiring from the management if they had identified the debtors who have financial difficulties ; selecting a moderate number of samples from the account aging statements to ensure the accuracy of the statements, and understanding the reason on overdue accounts; assessing the uncollectable accounts receivable for the appropriateness of impairment assessment of accounts receivable; assessing the appropriateness and adequacy for doubtful accounts made by the management based on the subsequent collection of accounts receivable.

2. Evaluation of inventory

Please refer to Note 4(h) "Inventory", Note 5(b) "Significant accounting assumptions and judgments, and major sources of estimation uncertainty" of the consolidated financial statements.

Description of key audit matter

Evaluation of inventory is one of the key judgmental areas for our audit, the Group is primarily involved in the design, manufacture, and sale of mold and electronic parts. As different series or models of electronic products are rapidly being replaced by new ones, it may impact the inventory of the older ones to be slow-moving, or worse yet, stagnant; thus, may result the cost of inventory to be higher than the net realized value. The assessment of impairment loss requires subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit

Our principal audit procedures included: understanding the inventories valuation of the Group; inspecting whether those policies are applied; examine the accuracy of the aging of inventories by sampling and analyse the changes of the aging of inventories by comparison; retroactively inspecting the reasonability for allowance provided on inventory valuation in the past and compare it to the current year to ensure that the measurements and assumptions are reasonable; sampling the inventories sold in the subsequent period to assess whether the allowance for inventories are reasonable.

Other Matter

The Group has additionally prepared its parent-company-only financial statement as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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



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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)
February 24, 2017

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015		
	Amount	%	Amount	%	Amount	%	Amount	%	
Assets									
Current assets:									
1100 Cash and cash equivalents (note 6(a))	\$ 3,696,294	49	3,335,760	45	2100 Short-term borrowings (note 6(f))	\$ 343,500	5	443,863	6
1110 Financial assets at fair value through profit or loss (note 6(b))	352,562	5	412,649	6	2170 Notes and Accounts payable	539,861	7	532,479	7
1170 Accounts receivable, net (note 6(c))	1,444,595	19	1,494,506	20	2300 Other current liabilities	416,654	6	396,794	4
130X Inventories (note 6(d))	403,391	5	426,734	5	2320 Long-term liabilities, current portion (note 6(g))	150,000	2	-	-
1470 Other current assets	45,949	2	61,565	1		1,450,015	20	1,373,136	17
1476 Other current financial assets (note 6(c))	7,706	-	3,010	-	Non-Current liabilities:				
	5,950,497	80	5,734,224	77	2540 Long-term borrowings (note 6(g))	600,000	8	650,000	9
Non-current assets:					2570 Deferred tax liabilities and others (note 6(j))	679,648	9	646,580	9
1600 Property, plant and equipment (note 6(e))	1,417,562	19	1,611,473	22		1,279,648	17	1,296,580	18
1840 Deferred tax assets (note 6(i))	37,044	-	23,549	-		2,729,663	37	2,669,716	35
1985 Long-term prepaid rents	81,878	1	87,619	1	Total liabilities				
1990 Other non-current assets	26,048	-	21,347	-	Equity attributable to owners of parent (note 6(k)):				
	1,562,532	20	1,743,988	23	Ordinary share	793,053	11	802,653	11
					Capital surplus	1,563,943	18	1,396,350	19
					Retained earnings:				
					Legal reserve	376,396	5	342,453	4
					Unappropriated retained earnings	2,288,348	30	2,052,035	27
						2,664,744	35	2,394,488	31
					Other equity interest	(38,354)	(1)	271,639	4
					Treasury shares	-	-	(56,634)	-
					Total equity				
					Total liabilities and equity	\$ 7,513,029	100	7,478,212	100
Total assets	\$ 7,513,029	100	7,478,212	100					

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

		2016		2015	
		Amount	%	Amount	%
4110	Operation Revenues	\$ 4,213,054	102	4,476,166	102
4170	Less: Sales returns and allowance	<u>76,109</u>	<u>2</u>	<u>77,807</u>	<u>2</u>
	Net Operating revenues	4,136,945	100	4,398,359	100
5000	Operating costs (notes 6(d), (h), (i) and 12)	<u>3,059,644</u>	<u>74</u>	<u>3,575,827</u>	<u>81</u>
	Gross profit from operations	<u>1,077,301</u>	<u>26</u>	<u>822,532</u>	<u>19</u>
	Operating expenses: (notes 6(c), (h), (i) and 12)				
6100	Selling expenses	75,664	2	80,158	2
6200	Administrative expenses	282,167	7	272,549	6
6300	Research and development expenses	<u>101,573</u>	<u>2</u>	<u>92,510</u>	<u>2</u>
		<u>459,404</u>	<u>11</u>	<u>445,217</u>	<u>10</u>
	Net operating income	<u>617,897</u>	<u>15</u>	<u>377,315</u>	<u>9</u>
	Non-operating income and expenses:				
7010	Other income (notes 6(n) and (p))	53,183	1	83,241	2
7020	Other gains and losses, net (notes 6(o) and (p))	109,293	3	72,461	1
7050	Finance costs, net	<u>(15,117)</u>	<u>-</u>	<u>(16,585)</u>	<u>-</u>
	Total non-operating income and expenses	<u>147,359</u>	<u>4</u>	<u>139,117</u>	<u>3</u>
7900	Profit from continuing operations before tax	765,256	19	516,432	12
7950	Less: Tax expense (note 6(j))	<u>163,180</u>	<u>4</u>	<u>177,006</u>	<u>4</u>
	Profit	<u>602,076</u>	<u>15</u>	<u>339,426</u>	<u>8</u>
8300	Other comprehensive income:				
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	(373,486)	(9)	(57,225)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(j))	<u>63,493</u>	<u>2</u>	<u>9,728</u>	<u>-</u>
8300	Other comprehensive income, net	<u>(309,993)</u>	<u>(7)</u>	<u>(47,497)</u>	<u>(1)</u>
8500	Total comprehensive income	<u>\$ 292,083</u>	<u>8</u>	<u>291,929</u>	<u>7</u>
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	<u>\$ 602,076</u>	<u>15</u>	<u>339,426</u>	<u>8</u>
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	<u>\$ 292,083</u>	<u>8</u>	<u>291,929</u>	<u>7</u>
	Basic earnings per share				
9750	Basic earnings per share (NT dollars) (note 6(l))	<u>\$ 7.59</u>		<u>4.28</u>	
9850	Diluted earnings per share (NT dollars) (note 6(l))	<u>\$ 7.54</u>		<u>4.24</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

	Share capital		Retained earnings		Exchange differences on translation of foreign financial statements		Treasury shares		Total equity attributable to owners of parent	
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings						Total equity
Balance at January 1, 2015	\$ 802,653	1,436,002	313,331	1,979,641	319,136	-	(56,634)	4,794,129	4,794,129	4,794,129
Profit	-	-	-	339,426	-	-	-	339,426	339,426	339,426
Other comprehensive income (loss)	-	-	-	-	(47,497)	-	-	(47,497)	(47,497)	(47,497)
Total comprehensive income	-	-	-	339,426	(47,497)	-	-	291,929	291,929	291,929
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	29,122	(29,122)	-	-	-	-	(237,910)	(237,910)
Cash dividends of ordinary share	-	-	-	(237,910)	-	-	-	-	(39,652)	(39,652)
Capital surplus at cash dividends	-	(39,652)	-	-	-	-	-	-	-	-
Balance at December 31, 2015	802,653	1,396,350	342,453	2,052,035	271,639	-	(56,634)	4,808,496	4,808,496	4,808,496
Profit	-	-	-	602,076	-	-	-	602,076	602,076	602,076
Other comprehensive income (loss)	-	-	-	-	(309,993)	-	-	(309,993)	(309,993)	(309,993)
Total comprehensive income	-	-	-	602,076	(309,993)	-	-	292,083	292,083	292,083
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	33,943	(33,943)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(301,352)	-	-	-	-	(301,352)	(301,352)
Capital surplus at cash dividends	-	(15,861)	-	-	-	-	-	-	(15,861)	(15,861)
Retirement of treasury stock	(9,620)	(16,546)	-	(30,468)	-	-	56,634	-	-	-
Balance at December 31, 2016	793,033	1,363,943	376,396	2,288,348	(38,354)	-	-	4,783,366	4,783,366	4,783,366

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) operating activities:		
Profit before tax	\$ 765,256	516,432
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	257,372	269,145
Provision for bad debt expense	10,149	6,872
Recognition losses on inventory valuation and obsolescence	11,886	9,101
Interest expense	15,117	16,585
Gain on disposal of property, plant and equipment	(3,590)	(1,411)
Net gain on financial assets at fair value through profit	(9,137)	(11,878)
Interest income	(33,385)	(66,844)
	<u>248,412</u>	<u>221,570</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	69,224	301,992
Accounts receivable	39,762	(251,170)
Inventories	11,457	(58,798)
Other current assets and other financial assets	8,463	(3)
	<u>128,906</u>	<u>(7,979)</u>
Changes in operating liabilities:		
Accounts payable	7,382	(19,075)
Other current liabilities	(484)	44,392
	<u>6,898</u>	<u>25,317</u>
Total changes in operating assets and liabilities	<u>135,804</u>	<u>17,338</u>
Total adjustments	<u>384,216</u>	<u>238,908</u>
Cash inflow generated from operations	1,149,472	755,340
Interest received	33,385	66,844
Interest paid	(15,440)	(16,231)
Income taxes paid	(69,871)	(59,674)
Net cash flows from operating activities	<u>1,097,546</u>	<u>746,279</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(135,464)	(320,671)
Proceeds from disposal of property, plant and equipment	19,365	9,247
Increase in refundable deposits	(1,188)	(1,110)
Increase in other non-current assets	(10,373)	(7,137)
Net cash flows used in investing activities	<u>(127,660)</u>	<u>(319,671)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(100,363)	138,138
Increase (decrease) in long-term debt	100,000	(49,578)
Increase (decrease) in guarantee deposits received	(144)	88
Cash dividends paid	(317,213)	(277,562)
Net cash flows used in financing activities	<u>(317,720)</u>	<u>(188,914)</u>
Effect of exchange rate changes on cash and cash equivalents	(291,632)	(48,605)
Net increase in cash and cash equivalents	360,534	189,089
Cash and cash equivalents at beginning of period	3,335,760	3,146,671
Cash and cash equivalents at end of period	<u>\$ 3,696,294</u>	<u>3,335,760</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

NISHOKU TECHNOLOGY INC. (the "Company") was incorporated in year 1980, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company conducted an IPO on the Taiwan Stock Exchange (TWSE) on October 5, 2011. The Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") primarily are involved in the manufacture and sale of plastic injection mold, tooling manufacturing and general import and export Trade, please refer to note 14.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the board of directors on February 24, 2017.

(3) New standards, amendments and interpretations adopted:

- (a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014

(Continued)

NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

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

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts" (Applicable for IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
IAS 40 "Transfers of Investment Property"	January 1, 2018

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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The Group is still currently determining the potential impact of the standards listed below:

<u>Issuance / Release</u> <u>Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	<p>IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations.</p> <p>Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.</p>
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	<p>The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows:</p> <ul style="list-style-type: none"> • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

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<u>Issuance / Release</u> <u>Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically mentioned, The following accounting policies are applied consistently to the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter, referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC.

(b) Basis of preparation

(i) Basis of measurement

Except for the financial instruments measured at fair value through profit or loss, the consolidated financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change and any consideration received or paid are adjusted to equity attributable to stockholders of the Company.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal Activities	Percentage of shareholding (%)	
			December 31, 2016	December 31, 2015
The Company	NISHOKU BOUEKI CO., LTD. (NISHOKU BOUEKI)	Trading Company	100 %	100 %
"	NISHOKU TECHNOLOGY VIETNAM CO., LTD. (NISHOKU VIETNAM)	Manufacture and Sale of tooling and plastic products	100 %	100 %
"	SUN NICE LIMITED (SAMOA) (SUN NICE (SAMOA))	Holding Company	100 %	100 %
SUN NICE (SAMOA)	SAME START LIMITED (Anguilla) (SAME START Anguilla)	Trading Company	100 %	100 %
"	NISHOKU HONG KONG HOLDING LIMITED (NISHOKU HK) (Note 2)	Holding Company	100 %	100 %
"	SUN NICE LIMITED (BVI) (SUN NICE (BVI))	Holding Company	100 %	100 %
NISHOKU (HK)	NISHOKU PLASTIC MOLD (SHENZHEN) CO., LTD. (NISHOKU (SHENZHEN))	Manufacture and Sale of mold and plastic products	100 %	100 %
"	KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. (NISHOKU KUNSHAN PLASTIC) (Note 1)	Manufacture and Sale of mold and plastic products	71.49 %	71.49 %

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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Name of investor	Name of subsidiary	Principal Activities	Percentage of shareholding (%)	
			December 31, 2016	December 31, 2015
NISHOKU (HK)	KUNSHAN NISHOKU MOLD INDUSTRY CO., LTD (NISHOKU KUNSHAN MOLD) (Note 1)	Manufacture and Sale of mold	-	-
SUN NICE (BVI)	KUNSHAN NISHOKU ELECTRONIC TECHNOLOGY CO., LTD (NISHOKU KUNSHAN ELECTRONIC) (Note 1)	Manufacture and Sale of plastic products	-	-
"	KUNSHAN NISHOKU PLASTIC ELECTRONIC CO., LTD. (NISHOKU KUNSHAN) (Note 1)	Manufacture and Sale of mold and plastic products	28.51 %	28.51 %

Note 1 : NISHOKU KUNSHAN MOLD and NISHOKU KUNSHAN ELECTRONIC had been merged with NISHOKU KUNSHAN on April 8, 2015. NISHOKU KUNSHAN is the surviving company.

Note 2: Original name was SUPERIOR GOLDEN BRIGHT HOLDING LIMITED have been renamed to NISHOKU HONG KONG HOLDING LIMITED by the board of directors in September 2016.

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of its investment in an associate or a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(e) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when any of the criteria below is met:

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify a liability as current when any of the criteria below is met:

- (i) It expects to settle liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not impact its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

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

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

1) Financial assets measured at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- b) Performance of the financial asset is evaluated on a fair value basis;
- c) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment 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 that can be estimated reliably.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements**

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in non-operating income and expense.

4) **Derecognition of financial assets**

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements**

The Group separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss.

(ii) Financial liabilities and equity instruments**1) Classification of debt or equity**

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs under non-operating income or expense.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income or expenses.

4) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in other gains and losses under non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset; when the fair value is

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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negative, it is classified as a financial liability.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization.

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 shall be depreciated separately unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and the depreciable amount shall be allocated on a systematic basis over the asset's useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

- 1) Buildings: 20~50 years
- 2) Accessory equipment of buildings: 5~10 years
- 3) Machinery and equipment: 3~8 years
- 4) Office and other equipment: 2~8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

(j) Lease

Leases are operating leases and are not recognized in the Group's statement of financial position.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(k) Research & development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

- (i) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (ii) The intention to complete the intangible asset and use or sell it.
- (iii) The ability to use or sell the intangible asset.
- (iv) How the intangible asset will generate probable future economic benefits.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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- (v) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
- (vi) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

(l) Impairment – non-financial assets

Non-financial assets, except for inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the Group shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell, or its value in use. If the recoverable amount of an individual asset or a cash-generating unit is less than its carrying amount, the carrying amount of the individual asset or cash-generating unit shall be reduced to its recoverable amount; and that reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. An impairment loss recognized in prior periods for an individual asset or a cash-generating unit shall be reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount but should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(m) Treasury stock

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

During the cancellation of treasury shares, "capital reserve – share premiums" and "share capital" should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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(n) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer occurs upon loading the goods onto the relevant carrier at the client's designated location. Generally for such products, the customer has no right of return.

(o) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Regarding to non-vesting conditions, the measurement on the fair value of share-based payment on grant date has been considered to reflect such conditions, and there is no need for any adjustment for differences between expected and actual outcomes.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) at the time of the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of the expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

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(r) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise convertible bonds, employee stock options, and employee bonuses not yet resolved by the shareholders.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgment made in applying the accounting policies that have significant effects on amounts recognized in consolidated financial statements.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Impairment assessment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) discounted at the financial asset's original effective interest rate. When the actual future cash flows are less than expected, a impairment loss may arise.

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(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be changes in the net realizable value of inventories.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

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

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to note (p) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash Equivalents

	December 31, 2016	December 31, 2015
Cash, and demand deposits	\$ 2,059,225	2,926,537
Time deposits	1,508,464	409,223
Bond acquired under repurchase agreement	<u>128,605</u>	<u>-</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>\$ 3,696,294</u></u>	<u><u>3,335,760</u></u>

Please refer to note 6(p) for the exchange rate risk, the interest rate risk, and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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(b) Financial assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Financial assets at fair value through profit or loss		
Money market fund	\$ 184,728	199,839
Principal guaranteed financial product	161,637	174,859
Bond of oversea	<u>6,197</u>	<u>37,951</u>
Total	<u>\$ 352,562</u>	<u>412,649</u>

As of December 31, 2016 and 2015, the financial assets of the Group had not been pledged as collateral.

(c) Notes and accounts receivable, and other receivables

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Notes and accounts receivable	\$ 1,462,746	1,502,508
Other receivables	7,706	3,010
Less : allowance for impairment	<u>(18,151)</u>	<u>(8,002)</u>
	<u>\$ 1,452,301</u>	<u>1,497,516</u>

(i) The aging analysis of accounts receivable and other receivables which were past due but not impaired was as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Past due 0~120 days	\$ 59,618	84,659
Past due 121~270 days	<u>4,038</u>	<u>1,800</u>
	<u>\$ 63,656</u>	<u>86,459</u>

Based on the historical payment behavior, the Group believed that the overdue receivables, for which no allowances for uncollectible amounts were provided, are still collectible.

(ii) The Group recognized impairment loss on notes and accounts receivable using individual and collective assessment methods. The movement in the allowance for notes and accounts receivable and other receivables was as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Balance on January 1, 2016	\$ 8,002	1,414
Recognized of impairment loss	10,149	6,872
Amounts written off	<u>-</u>	<u>(284)</u>
Balance on December 31, 2016	<u>\$ 18,151</u>	<u>8,002</u>

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Inventories

	December 31, 2016	December 31, 2015
Raw materials	\$ 155,597	149,103
Work in process	166,280	165,921
Finished goods	81,514	111,710
	<u>\$ 403,391</u>	<u>426,734</u>

For the years ended December 31, 2016 and 2015, raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sale amounted to \$3,059,644 and \$3,575,827, respectively. For the years ended December 31, 2016 and 2015, the Group recognized the losses on inventory valuation and obsolescence as cost of goods sold amounting to \$11,886 and \$9,101, respectively.

As of December 31, 2016 and 2015, the Group did not provide any inventories as collateral for its loans.

(e) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 2016 and 2015, were as follows:

	<u>Land</u>	<u>Building</u>	<u>Machinery and equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
Cost or deemed cost:						
Balance on January 1, 2016	\$ 179,672	763,883	2,116,950	524,235	50,311	3,635,051
Additions	-	3,931	27,017	19,917	94,029	144,894
Reclassifications	-	1,658	42,336	22,347	(63,358)	2,983
Disposals	-	(2,502)	(218,264)	(57,938)	-	(278,704)
Effect of movements in exchange rates	-	(32,694)	(141,770)	(36,852)	(5,137)	(216,453)
Balance on December 31, 2016	<u>\$ 179,672</u>	<u>734,276</u>	<u>1,826,269</u>	<u>471,709</u>	<u>75,845</u>	<u>3,287,771</u>
Balance on January 1, 2015	\$ 179,672	753,456	1,997,433	517,013	35,038	3,482,612
Additions	-	11,347	134,479	41,722	139,742	327,290
Reclassifications	-	2,581	95,223	18,446	(123,752)	(7,502)
Disposals	-	(1,412)	(83,708)	(44,587)	-	(129,707)
Effect of movements in exchange rates	-	(2,089)	(26,477)	(8,359)	(717)	(37,642)
Balance on December 31, 2015	<u>\$ 179,672</u>	<u>763,883</u>	<u>2,116,950</u>	<u>524,235</u>	<u>50,311</u>	<u>3,635,051</u>

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Land	Building	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Total
Depreciation and impairments loss:						
Balance on January 1, 2016	\$ -	244,912	1,356,747	421,919	-	2,023,578
Depreciation	-	43,992	165,445	33,648	-	243,085
Reclassifications	-	-	167	5,833	-	6,000
Disposals	-	(1,350)	(207,032)	(54,547)	-	(262,929)
Effect of movements in exchange rates	-	(14,801)	(95,088)	(29,636)	-	(139,525)
Balance on January 1, 2016	<u>\$ -</u>	<u>272,753</u>	<u>1,220,239</u>	<u>377,217</u>	<u>-</u>	<u>1,870,209</u>
Balance on January 1, 2015	\$ -	204,106	1,284,962	434,066	-	1,923,134
Depreciation	-	44,004	170,397	35,776	-	250,177
Disposals	-	(1,352)	(79,743)	(40,776)	-	(121,871)
Effect of movements in exchange rates	-	(1,846)	(18,869)	(7,147)	-	(27,862)
Balance on December 31, 2015	<u>\$ -</u>	<u>244,912</u>	<u>1,356,747</u>	<u>421,919</u>	<u>-</u>	<u>2,023,578</u>
Carrying amounts:						
Balance on December 31, 2016	<u>\$ 179,672</u>	<u>461,523</u>	<u>606,030</u>	<u>94,492</u>	<u>75,845</u>	<u>1,417,562</u>
Balance on December 31, 2015	<u>\$ 179,672</u>	<u>518,971</u>	<u>760,203</u>	<u>102,316</u>	<u>50,311</u>	<u>1,611,473</u>

As of December 31, 2016 and 2015, the property, plant and equipment of the Group had not been pledged as collateral.

(f) Short-term borrowings

The detail were as follows:

	December 31, 2016	December 31, 2015
Credit loans, no pledge	<u>\$ 343,500</u>	<u>443,863</u>
Interest rate range	<u>1.20%~2.37%</u>	<u>1.00%~1.66%</u>

(g) Long-term borrowings

The detail were as follows:

	December 31, 2016			
	Currency	Interest rate range	Maturity year	Amount
Unsecured loans	NTD	1.15%~1.435%	2017~2019	\$ 750,000
Less: current portion	//			(150,000)
Total				<u>\$ 600,000</u>
	December 31, 2015			
	Currency	Interest rate range	Maturity year	Amount
Unsecured loans	NTD	1.53157%~1.61%	2017~2018	\$ 650,000

Please refer to note 6(p) for the exchange rate risk, the interest rate risk, and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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(h) Operating lease

	December 31, 2016	December 31, 2015
Less than on year	\$ 42,196	36,032
Between one and three years	<u>75,523</u>	<u>1,806</u>
	<u>\$ 117,719</u>	<u>37,838</u>

- (i) The Group leases factories and dormitories under operating leases. The lease terms are between one and five years. There was no provision for contingent rent under the operating lease agreement. During years 2016 and 2015, operating lease expenses recorded under comprehensive income or loss amounted \$31,369 and \$33,348, respectively.
- (ii) The Group does not participate in the residual value of the land and buildings. As a result, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord.

(i) Employee benefits

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The consolidated entities set up overseas have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries, and recognized as the contribution in the current period.

The pension costs incurred from the contributions to the Labor Insurance amounted to \$41,280 and \$54,949 for the years ended December 31, 2016 and 2015, respectively.

(j) Income tax

- (i) The components of income tax in years 2016 and 2015 were as follows:

	2016	2015
Current tax expense	\$ 79,970	88,671
Deferred tax expense	<u>83,210</u>	<u>88,335</u>
	<u>\$ 163,180</u>	<u>177,006</u>

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) The amounts of income tax profit under other comprehensive income or loss in years 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Foreign currency translation differences for foreign operations	\$ <u>(63,493)</u>	<u>(9,728)</u>

- (iii) Reconciliation of income tax and profit before tax for 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Profit excluding income tax	\$ <u>765,256</u>	<u>516,432</u>
Income tax using the Company's domestic tax rate	202,578	116,631
Effect of tax rates in foreign jurisdiction	(6,889)	28,919
Effect of exchange rate changes on overseas investment gain (losses)	(10,634)	20,149
10% surtax on unappropriated earnings	413	2,419
Prior year's income tax adjustment and other	<u>(22,288)</u>	<u>8,888</u>
	\$ <u><u>163,180</u></u>	<u><u>177,006</u></u>

- (iv) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets

The Group unrecognized deferred tax assets were all temporary differences in respect of the following items:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Depreciation period difference	\$ 53,084	66,962
The carryforward of unused tax losses	11,199	16,548
Loss on inventory valuation	31,316	30,272
Other	<u>15,443</u>	<u>16,693</u>
	\$ <u><u>111,042</u></u>	<u><u>130,475</u></u>

As of December 31, 2016, the unused prior-year tax loss carry-forward of the consolidated entities set up overseas amounted to \$149,318, and the deductible taxes calculated by the local tax authorities amounted to \$11,199.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Recognized deferred tax liabilities

The Group recognized deferred tax liabilities for 2016 and 2015 was as follows:

	Investment income recognized under the equity method	Foreign currency translation differences for foreign operations	Others	Total
Deferred tax liabilities				
Balance on January 1, 2016	\$ 589,755	55,905	221	645,881
Recognized in profit or loss	88,589	-	(78)	88,511
Recognized in other comprehensive income or loss	-	(55,299)	-	(55,299)
Balance on December 31, 2016	<u>\$ 678,344</u>	<u>606</u>	<u>143</u>	<u>679,093</u>
Balance on January 1, 2015	\$ 487,316	65,633	661	553,610
Recognized in profit or loss	102,439	-	(440)	101,999
Recognized in other comprehensive income or loss	-	(9,728)	-	(9,728)
Balance on December 31, 2015	<u>\$ 589,755</u>	<u>55,905</u>	<u>221</u>	<u>645,881</u>

3) Recognized deferred tax assets

The Group recognized deferred tax assets for 2016 and 2015 was as follows:

	Investment income recognized under the equity method	Loss on inventory valuation	Foreign currency translation differences for foreign operations	Bed debt in excess of tax limit and others	Total
Deferred tax assets					
Balance on January 1, 2016	\$ (21,472)	(623)	-	(1,454)	(23,549)
Recognized in profit or loss	(4,101)	93	-	(1,293)	(5,301)
Recognized in other comprehensive income or loss	-	-	(8,194)	-	(8,194)
Balance on December 31, 2016	<u>\$ (25,573)</u>	<u>(530)</u>	<u>(8,194)</u>	<u>(2,747)</u>	<u>(37,044)</u>
Balance on January 1, 2015	\$ (8,133)	(650)	-	(1,102)	(9,885)
Recognized in profit or loss	(13,339)	27	-	(352)	(13,664)
Balance on December 31, 2015	<u>\$ (21,472)</u>	<u>(623)</u>	<u>-</u>	<u>(1,454)</u>	<u>(23,549)</u>

- (v) The Company and NISHOKU BOUEKI income tax returns have been examined by the tax authority through the years up to 2014. However, the Company's 2013 income tax return is still reviewed by the tax authority; and the Company disagreed with the examination of the income tax return for 2011 and requested an administrative remedy. The tax effect of administrative remedy has been recognized by the Company.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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- (vi) Information related to the unappropriated earnings and tax deduction ratio is summarized as follow:

	December 31, 2016	December 31, 2015
Unappropriated earnings of 1998 and after	\$ 2,288,348	2,052,035
Balance of imputation credit account	\$ 209,967	244,937
	2016 (estimated)	2015 (actual)
Creditable ratio for earnings distribution to ROC residents stockholders	10.49 %	12.17 %

The above stated information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance of the ROC on October 17, 2013.

- (k) Capital and other equity

- (i) Ordinary shares

Reconciliation of shares outstanding for the years ended December 31, 2016 and 2015, were as follows (in thousands of shares):

	Ordinary shares	
	2016	2015
Balance on January 1	80,265	80,265
Retirement of treasury stock	(962)	-
Balance on December 31	79,303	80,265

The Company had canceled treasury stock \$9,620 (962 thousand shares) in 2016. The related registration procedure were also completed.

- (ii) Capital surplus

The balances of capital surplus as of December 31, 2016 and 2015, were as follows:

	December 31, 2016	December 31, 2015
Additional paid-capital	\$ 1,363,943	1,396,350

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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The change of the Company's capital surplus, except for retirement of treasure stock that in proportion to write off capital surplus \$16,546; in addition, the Company's appropriations of capital surplus had been approved in the shareholders' meeting held on June 7, 2016 and June 10, 2015, respectively. The appropriations were \$0.2 and \$0.5 per share and the total amounts were \$15,861 and \$39,652, respectively.

(iii) Retained earnings

According to the articles of incorporation, current—period earnings should be distributed as follows:

- 1) Settle all outstanding tax payables;
- 2) Offset the prior years' deficits;
- 3) After the recognition or reversal of special earnings reserves according to statutory requirements, 10% of statutory earning reserves;
- 4) Amount paid to directors and supervisors is less than 5%;
- 5) Employee benefits is not less than 1%, if the prior employee benefit are paid in stocks, the target group must include employees of the affiliate companies who satisfied certain qualification.
- 6) Of the remaining balance may be reserved or distributed by the stockholders' meeting for approval

The Company's stockholder benefits and employee benefits can be distributed in cash or stock, directors' remuneration be distributed in cash, the Company shall first take into consideration its investing environment in current or future, cash demand, and Long-term interes of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors, and a meeting of shareholders will be held to decide on this matter. The cash dividends shall not be more than 30% of total dividends.

The Company had modified it's article of incorporation that had been approved in the stockholders' meeting held on June 7, 2016. According to the Company's new article of incorporation stipulate that Company's net profit should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors, and a meeting of shareholders will be held to decide on this matter. The cash dividends shall not be more than 10% of total dividends.

1) Legal reserve

According to the amendment of the ROC Company Act in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be set aside as special earnings reserve during earnings distribution. The amount to be set aside should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be set aside as special earnings reserve (and can not be distributed) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2015 and 2014 were decided via the general meeting of shareholders held on June 7, 2016, and June 10, 2015, respectively. The relevant dividend distributions to shareholders were as follow:

	2015		2014	
	Payout per share	Amount	Payout per share	Amount
Dividend to shareholders				
Cash	\$ 3.8	<u>301,352</u>	3.00	<u>237,910</u>

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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(ii) Treasury shares

By applying section 28(2) of the Securities and Exchange Act, the Company had been implemented treasury stock policy, the change of treasury stock were as follows:

	<u>2016</u>		<u>2015</u>	
	Transfer shares to employees	Total (thousand shares)	Transfer shares to employees	Total (thousand shares)
Purchase shares at beginning	962	962	962	962
Retirement of treasury stock	<u>(962)</u>	<u>(962)</u>	<u>-</u>	<u>-</u>
Purchase shares at end	<u>-</u>	<u>-</u>	<u>962</u>	<u>962</u>

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

The Company had canceled the Company's shares that for the purpose of transfer to employees in 2013, was decided by the board of directors on July 4, 2016, and decided the canceled dated was on July 15, 2016.

(l) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share for the years ended December 31, 2016 and 2015, was based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

	<u>2016</u>	<u>2015</u>
Profit attributable to ordinary shareholders of the Company	<u>\$ 602,076</u>	<u>339,426</u>
Weighted-average number of ordinary shares (thousand shares)	<u>79,303</u>	<u>79,303</u>

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2016 and 2015, were based on the profit attributable to the ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	<u>2016</u>	<u>2015</u>
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 602,076</u>	<u>339,426</u>

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Weighted-average number of ordinary shares (diluted) (thousand shares)

	<u>2016</u>	<u>2015</u>
Weighted-average number of ordinary shares (basic)	79,303	79,303
Effect of employee stock bonuses	<u>574</u>	<u>808</u>
Weighted-average number of ordinary shares (diluted)	<u><u>79,877</u></u>	<u><u>80,111</u></u>

(m) Employee, board of directors', and supervisors' compensation

In accordance with the Articles of incorporation the Company should contribute no less than 1% of the profit as employee compensation and not exceed 5% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the year ended December 31, 2016 and 2015, the Company estimated its employee remuneration amounting to \$32,710 and \$25,000, and directors' and supervisors' remuneration amounting to \$8,720 and \$6,600, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2016 and 2015.

(n) Other revenue

	<u>2016</u>	<u>2015</u>
Interest income	\$ 33,385	66,844
Others	<u>19,798</u>	<u>16,397</u>
	<u><u>\$ 53,183</u></u>	<u><u>83,241</u></u>

(o) Non-operating gains and losses

The other gains and losses for the years ended December 31, 2016 and 2015, were as follows:

	<u>2016</u>	<u>2015</u>
Foreign currency exchange gain, net	\$ 99,750	66,163
Gain on valuation of financial assets	9,137	11,878
Gain on disposal of property, plant and equipment	3,590	1,411
Others	<u>(3,184)</u>	<u>(6,991)</u>
	<u><u>\$ 109,293</u></u>	<u><u>72,461</u></u>

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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(p) Financial Instruments

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises from the Group's accounts receivable and investments.

1) Accounts receivable and others receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. These criterias are reviewed periodically.

2) Investment

The credit risk exposure in bank deposits, fixed-income investment, and other financial instruments is measured and monitored by the Group's finance department. As the Group deals with banks and other external parties with good credit standing and with financial institutions, corporate organizations, and government agencies which are graded above investment level, the management believes their counterparts do not have significant default risk, therefore, the credit risk is insignificant.

3) Credit risk exposure

As of December 31, 2016 and 2015, the Group's maximum exposure to credit risk was mainly from the carrying amount of financial assets recognized in the consolidated statements of financial position and amounted to \$5,501,157 and \$5,245,925, respectively. The Groups had deposited these bank deposits in different financial institutions, and the Group believes that there is no significant credit risk from the above mentioned financial institutions.

4) Disclosures of concentration of credit risk

Sales to individual customers constituting over 10% of net revenue for the years ended December 31, 2016 and 2015, totaled 34% and 40%, respectively. As of December 31, 2016 and 2015, 23% and 30%, respectively, of the Consolidated Company's accounts receivable (including related parties) arose from the top 10 customers. Although there is a potential for concentration of credit risk, the Consolidated Company routinely assesses the collectability of the accounts receivable and provides a corresponding allowance for doubtful accounts.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>with in 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>
December 31, 2016					
Non-derivative financial liabilities					
Short-term borrowings	\$ 343,500	344,363	344,363	-	-
Long-term liabilities, current portion	150,000	150,927	150,927	-	-
Long-term borrowings	600,000	616,376	7,780	407,203	201,393
Notes and accounts payable	539,861	539,861	539,861	-	-
Other financial liabilities	47,431	47,431	47,431	-	-
	<u>\$ 1,680,792</u>	<u>1,698,958</u>	<u>1,090,362</u>	<u>407,203</u>	<u>201,393</u>
December 31, 2015					
Non-derivative financial liabilities					
Short-term borrowings	\$ 443,863	445,852	445,852	-	-
Long-term borrowings	650,000	671,455	10,211	407,891	253,354
Notes and accounts payable	532,479	532,479	532,479	-	-
Other financial liabilities	42,605	42,605	42,605	-	-
	<u>\$ 1,668,947</u>	<u>1,692,391</u>	<u>1,031,147</u>	<u>407,891</u>	<u>253,354</u>

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exchange rate risk

The Group significant exposure to foreign currency risk on financial assets and liabilities was as follows:

	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$ 71,069	32.250	2,291,603	55,588	32.825	1,824,672
CNY	17,142	4.617	79,143	39,692	4.995	198,261
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	1,601	32.250	51,636	1,048	32.825	34,402

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency.

A weakening (strengthening) of 1% of the NTD against the USD and CNY at December 31, 2016 and 2015, would have increased or decreased the net profit before tax by \$23,191 and \$19,885, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2016 and 2015, foreign exchange gain (including realized and unrealized portions) amounted to \$99,750 and \$66,163, respectively.

2) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount	
	December 31, 2016	December 31, 2015
Fixed-rate instruments:		
Financial assets	\$ 1,637,069	409,223
Financial liabilities	(262,875)	(230,500)
	\$ 1,374,194	178,723
Variable-rate instruments:		
Financial assets	\$ 2,058,264	2,924,285
Financial liabilities	(830,625)	(863,363)
	\$ 1,227,639	2,060,922

The following sensitivity analysis is based on the exposure to interest rate risk of the derivative and non-derivative financial instruments on the reporting date. If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$3,069 and \$5,152 for the years ended December 31, 2016 and 2015, respectively, assuming all other variable factors were constant. This mainly resulted from borrowings and bank deposits at variable interest rates.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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(iv) Fair value of financial instruments

1) Fair value of financial instruments

The carrying amount and fair value of the Group’s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	Carrying amounts	December 31, 2016			Total
		Fair Value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Held-for-trading financial assets	\$ <u>352,562</u>	<u>184,728</u>	<u>6,197</u>	<u>161,637</u>	<u>352,562</u>
Loans and receivables					
Cash and cash equivalents	\$ 3,696,294				
Accounts receivable, net	1,444,595				
Other receivables	<u>7,706</u>				
	<u>\$ 5,148,595</u>				
Financial liabilities carried at amortized cost					
Long and short term borrowings	\$ 1,093,500				
Accounts payable	539,861				
Other payables	<u>369,411</u>				
	<u>\$ 2,002,772</u>				

	Carrying amounts	December 31, 2015			Total
		Fair Value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Held-for-trading financial assets	\$ <u>412,649</u>	<u>205,944</u>	<u>31,846</u>	<u>174,859</u>	<u>412,649</u>
Loans and receivables					
Cash and cash equivalents	\$ 3,335,760				
Accounts receivable, net	1,494,506				
Other financial assets	<u>3,010</u>				
	<u>\$ 4,833,276</u>				

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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	December 31, 2015			
	Carrying amounts	Fair Value		
		Level 1	Level 2	Level 3
Financial liabilities carried at amortized cost				
Long and short term borrowings	\$ 1,093,863			
Accounts payable	532,479			
Other payables	<u>343,430</u>			
	<u>\$ 1,969,772</u>			

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the consolidated balance sheet date.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

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3) Reconciliation of Level 3 fair values

The following table shows a reconciliation of the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	<u>At fair value through profit or loss</u>	
	<u>Foreign exchange</u>	<u>Equity instruments with no active market price</u>
Balance on January 1, 2016	\$ -	174,859
Recognized in profit or loss	2,871	19,155
Purchase	94,026	1,985,826
Disposal	<u>(96,897)</u>	<u>(2,018,203)</u>
Balance on December 31, 2016	<u>\$ -</u>	<u>161,637</u>
Balance on January 1, 2015	\$ -	702,763
Recognized in profit or loss	-	43,541
Purchase	-	4,441,413
Disposal	<u>-</u>	<u>(5,012,858)</u>
Balance on December 31, 2015	<u>\$ -</u>	<u>174,859</u>

The aforementioned total gains and losses were recognized in “other income” and “other gains and losses”.

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level inputs to measure fair value include “financial assets measured at fair value through profit or loss – debt investments” and “available-for-sale financial assets – equity investments”.

(q) Financial risk management

(i) Structure of risk management

The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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The board of directors monitors the management to ensure compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(ii) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

Note 6(p) presents detailed information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk.

(r) Capital management

The Group manages capital to safeguard the capacity to continue to operate and to safeguard the certainty and stability of its financial resources. The management uses the asset-liability ratio to manage capital. As of December 31, 2016 and 2015, the Group's asset-liability ratios were 63% and 65%, respectively.

As of December 31, 2016, there were no changes in the Group's approach to capital management.

(s) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities, which do not affect the current cash flow, in the years ended December 31, 2016 was as follows:

- (i) For retirement of treasury stock, please refer to note 6(q).

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group and its subsidiaries.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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(b) Key management personnel compensation

Key management personnel compensation comprised:

	2016	2015
Short-term employee benefits	\$ 47,421	44,892
Post-employment benefits	249	356
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	<u>\$ 47,670</u>	<u>45,248</u>

(8) Pledged assets: None

(9) Commitments and contingencies:

(a) The aggregate unpaid amounts of contracts pertaining to the purchase of equipment were as follows:

	December 31, 2016	December 31, 2015
Acquisition of property, plant and equipment	<u>\$ 199,252</u>	<u>25,442</u>

(b) The amounts of guarantee notes issued as collateral for bank loans were as follows:

	December 31, 2016	December 31, 2015
Guarantee notes issued	<u>\$ 1,961,125</u>	<u>1,986,500</u>
Actual usage amount	<u>\$ 209,625</u>	<u>213,363</u>

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	2016			2015		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salaries	766,953	204,964	971,917	834,499	215,018	1,049,517
Labor and health insurance	20,460	7,480	27,940	28,587	8,258	36,845
Pension	34,970	6,310	41,280	48,042	6,907	54,949
Others	21,855	12,388	34,243	26,515	9,989	36,504
Depreciation	213,658	29,427	243,085	225,891	24,286	250,177
Amortization	5,906	8,381	14,287	12,206	6,762	18,968

(13) Other disclosures:

- (a) Information on significant transactions:

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

- (i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 3)	Ending balance (Note 3)	Actual usage amount during the period	Interest rate	Nature of financing	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	SAME START (Anguilla)	NISHOKU VIETNAM	Other accounts receivable	Yes	315,600	161,250	80,625	1.86	Necessary to loan other parties	-	Operating capital	-	-	-	1,159,147 (Note 1)	1,159,147 (Note 1)

Note 1: The individual amount and the total amount for lending to a company shall not exceed 10% and 40% of the lending company's net worth in the latest financial statement, respectively. The Company for lending to the Company directly or indirectly holds 100% of their shares, with the loan amount not limited and the total amounts not exceeding the lending company's net worth in the last financial statement.

Note 2: Related transaction have been eliminated during the preparation of the consolidated financial statements.

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period (Note 3)	Balance of guarantees and endorsements as of reporting date (Note 3)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	SAME START (Anquilla)	3	1,435,010 (Note 1)	969,000	909,700	-	-	19.02 %	4,783,366	Y	N	N
"	"	NISHOKU VIETNAM	2	"	1,035,300	1,035,300	193,500	-	21.64 %	-	"	"	"
"	"	NISHOKU BOUEKI	2	"	30,600	-	-	-	- %	-	"	"	"
1	NISHOKU KUNSHAN PLASTIC	SAME START (Anquilla)	1	806,974	16,125	16,125	16,125	-	0.60 %	2,689,913	N	"	"

Note 1: The amount and the total amount of the guarantee to a company shall not exceed 30% and 100%, respectively, of the Company net worth in the latest financial statements. The total amount of the guarantee that the Company and its subsidiaries to a company shall not exceed 100%, of the Company's net worth in the latest financial statement. The Company directly or indirectly holds 100% of their shares, the guarantee amounts not limited by the Company's net worth in the latest financial statement.

Note 2: The relationship of guarantor and endorsements to related parties were as follows:

- 1) Business relationship between the Company
- 2) The Company directly or indirectly holds over 50% of subsidiaries' shares;
- 3) The parent company and its subsidiaries holds over 50% of investees' shares

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

(iii) Securities held as of December 31, 2016 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of securities	Relationship with the securities issuer	Account name	Highest balance during the year		Ending balance			Fair value	Note
				Shares/Units (thousands)	Percentage of ownership (%)	Shares/Units (thousands)	Carrying value	Percentage of ownership (%)		
SAME START (Anquilla)	Bond of oversea	None	Financial assets at fair value through profit or loss	-	- %	-	6,197	- %	6,197	
NISHOKU SHENZHEN	Money market fund	"	"	-	- %	-	184,728	- %	184,728	
"	Principal guaranteed financial product	"	"	-	- %	-	161,637	- %	161,637	

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NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
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- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
NISHOKU KUNSHAN PLASTIC	Principal guaranteed financial product	Financial assets at fair value through profit or loss	China Citic Bank	None	-	-	-	1,246,914	-	1,255,584	1,246,914	8,670	-	-
"	"	"	Agricultural Bank of China	"	-	-	-	323,274	-	324,995	323,274	1,721	-	-
"	Money market fund	"	CR Yuanta Fund	"	-	-	-	230,910	-	231,425	230,910	515	-	-
"	Principal no guaranteed financial product	"	Agricultural Bank of China	"	-	-	-	254,001	-	255,928	254,001	1,927	-	-
NISHOKU SHENZHEN	Money market fund	"	CR Yuanta Fund	"	-	199,839	-	184,728	-	205,366	199,839	5,527	-	184,728
"	Principal guaranteed financial product	"	"	"	-	174,859	-	-	-	181,696	174,859	6,837	-	-
"	"	"	GF Asset Management (Guangdong) Co., Ltd	"	-	-	-	161,637	-	-	-	-	-	161,637

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance (Note 1)	Percentage of total notes/accounts receivable (payable)	
The Company	SAME START (Anguilla)	The Company indirectly invest through SUNNICE (SAMOA)	Purchase	240,789	92 %	Note 1	Note 1	Note 1	(16,818)	(46)%	Note 2
SAME START (Anguilla)	The Company	"	Sale	(240,789)	(21) %	Net 90 days	Note 2	Note 2	16,818	8%	"
"	NISHOKU SHENZHEN	Associate	Purchase	202,832	25 %	"	"	"	(42,150)	(32)%	"

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Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance (Note 1)	Percentage of total notes/accounts receivable (payable)	
SAME START (Anguilla)	"	"	Sale	(143,286)	(13) %	"	"	"	19,602	9%	"
"	NISHOKU KUNSHAN PLASTIC	"	Purchase	105,885	13 %	"	"	"	(9,148)	(7)%	"
"	"	"	Sale	(676,832)	(59) %	"	"	"	169,932	76%	"
"	NISHOKU BOUEKI	"	Purchase	136,957	17 %	"	"	"	(44,901)	(32)%	"
NISHOKU SHENZHEN	SAME START (Anguilla)	"	Sale	(202,832)	(18) %	"	"	"	42,150	9%	"
"	"	"	Purchase	143,286	32 %	"	"	"	(19,602)	(12)%	"
NISHOKU KUNSHAN PLASTIC	SAME START (Anguilla)	"	Purchase	676,832	55 %	"	"	"	(169,932)	(34)%	"
"	"	"	Sale	(105,885)	(4) %	"	"	"	9,148	1%	"
NISHOKU BOUEKI	SAME START (Anguilla)	"	Sale	(136,957)	(84) %	"	"	"	44,901	100%	"

Note 1: Payment term given to related parties and third parties were 90 days and 60 to 120 days, respectively. In addition, the Company did not buy same product from third part, so the purchase price can not be compared.

Note 2: The subsidiaries did not purchase or sale same product from third parties, so the purchase (sale) price can not be compared. In addition, the receipt terms of related parties were not significant different to third parties.

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
SAME START (Anguilla)	NISHOKU KUNSHAN PLASTIC	The Company indirectly invest through SUNNICE (SAMOA)	169,932	3.37	-		20,792	-

Note 1: Until February 20, 2017.

Note 2: Transactions within the Group were eliminated in the consolidated financial statements

(ix) Trading in derivative instruments: Please refer to notes 6(s).

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(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions, 2015			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	SAME START (Anguilla)	1	Purchase	240,789	Note 3	6%
"	"	"	1	Account Payable	16,818	"	-%
1	NISHOKU BOUEKI	"	3	Sales	136,957	"	3%
"	"	"	3	Commission revenue	25,078	"	1%
"	"	"	3	Account receivable	44,901	"	1%
2	SAME START (Anguilla)	NISHOKU SHENZHEN	3	Purchase	202,832	"	5%
"	"	"	3	Account Payable	42,150	"	1%
"	"	"	3	Sales	143,286	"	3%
"	"	"	3	Account receivable	19,602	"	-%
"	"	NISHOKU KUNSHAN PLASTIC	3	Purchase	105,885	"	2%
"	"	"	3	Account Payable	9,148	"	-%
"	"	"	3	Sales	676,832	"	16%
"	"	"	3	Account receivable	169,932	"	2%
2	SAME START (Anguilla)	NISHOKU VIETNAM	3	Sales	53,140	Note 3	1%
"	"	"	3	Account receivable	10,704	"	-%
"	"	"	3	Other receivable	80,835	Loans and interests	1%

Note 1: "0" represents the parent company, and the others represent the subsidiaries.

Note 2: "1" represents the transactions from parent company to subsidiary.

"2" represents the transactions from subsidiary to parent company.

"3" represents the transactions between subsidiaries.

Note 3: The trading price and product that purchase or sale from related parties that did not purchase or sale from third parties, so can not be compared.

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(b) Information on investees:

The following is the information on investees for the years ended December 31, 2016 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Highest balance during the year		Balance as of December 31, 2016			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2016	December 31, 2015	Shares (thousands)	Percentage of ownership	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	SUN NICE (SAMOA)	SAMOA	Holding	1,774,490	1,774,490	56,282	100 %	56,282	100.00 %	5,604,942	723,520	723,520	1
"	NISHOKU BOUEKI	Taiwan	Purchase and sales of plastic raws and parts	1,000	1,000	6,300	100 %	6,300	100.00 %	122,992	31,330	29,523	1
"	NISHOKU VIETNAM	Vietnam	Manufacture and sale of tooling and plastic products	267,314 (USD 8,500 thousands)	267,314 (USD 8,500 thousands)	-	100 %	-	100.00 %	123,541	(26,344)	(26,344)	1
SUN NICE (SAMOA)	SAME START (Anquilla)	Aquilla	Purchase and sale of mold and plastic products	634,278	634,278	21,814	100 %	21,814	100.00 %	1,159,147	299,467	299,467	1
"	NISHOKU HK	HK	Holding	1,800,361 (USD 57,915 thousands)	1,800,361 (USD 57,915 thousands)	62,298	100 %	62,298	100.00 %	3,677,029	323,534	323,534	1
"	SUNNICE (BVI)	BVI	"	585,292 (USD 17,948 thousands)	585,292 (USD 17,948 thousands)	15,697	100 %	15,697	100.00 %	770,012	98,593	98,593	1

Note 1: Transactions within the Group were eliminated in the consolidated financial statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2015	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2016	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 1)	Book value (Note 1)	Highest balance during the year		Accumulated remittance of earnings in current period
					Outflow	Inflow						Shares/ Units (thousands)	Percentage of ownership	
NISHOKU SHENZHEN	Manufacture and sale of mold and plastic products	USD23,288 thousands	Indirect investment through third area	703,870 (USD22,939 thousands)	-	-	703,870 (USD22,939 thousands)	75,407	100.00%	75,407	1,724,899	- %	100.00 %	41,864
NISHOKU KUNSHAN PLASTIC	Manufacture and sale of mold and plastic products	USD53,310 thousands	"	1,674,270 (USD52,524 thousands)	-	-	1,674,270 (USD52,524 thousands)	346,051	100.00%	346,051	2,689,913	- %	100.00 %	95,767

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(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
2,378,140	2,378,140	(Note 2)

Note 1: The above investment income (loss) in mainland China were based on financial statements audited by the Company's auditors.

Note 2: The Company has received the certificate issue by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start operating of its headquarters.

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(14) Segment information:

(a) General information

- (i) The Group's identifies its operating segments based on decision of the chief operating decision marker (CODM). The Group's operating segments are in United States, Asia and Europe, etc. Those operating segments are be reportable segments. The Revenue from manufacture and supply electronic parts to clients. Since the strategy of each segment is different, its is necessary to separate them for management.
- (ii) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 "significant accounting policies".

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(b) Geographic information

The Group's product revenues from geographical clients were as follows:

	2016				
	United States	Asia	Europe	Elimination	Total
Revenue from external customers	\$ <u>1,950,626</u>	<u>1,116,096</u>	<u>1,070,223</u>	<u>-</u>	<u>4,136,945</u>
Reportable segment profit or loss	\$ <u>372,538</u>	<u>155,272</u>	<u>90,087</u>	<u>-</u>	<u>617,897</u>
	2015				
	United States	Asia	Europe	Elimination	Total
Revenue from external customers	\$ <u>2,193,128</u>	<u>1,079,637</u>	<u>1,125,594</u>	<u>-</u>	<u>4,398,359</u>
Reportable segment profit or loss	\$ <u>292,412</u>	<u>20,889</u>	<u>64,014</u>	<u>-</u>	<u>377,315</u>

(c) Product and service information

Revenue from external customers of the Group was as follows:

<u>Product and Services</u>	2016	2015
Plastic injection	\$ 3,720,072	3,898,862
Mold	401,825	491,537
Others	<u>15,048</u>	<u>7,960</u>
Total	<u>\$ 4,136,945</u>	<u>4,398,359</u>

(d) Major customers

Sales to individual clients constituting over 10% of total revenue in 2016 and 2015 are summarized as follows:

<u>Customer</u>	2016	
	Amount	Percentage of net sales
Company A	\$ 864,007	21
Company B	<u>535,912</u>	<u>13</u>
Total	<u>\$ 1,399,919</u>	<u>34</u>

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<u>Customer</u>	<u>2015</u>	
	<u>Amount</u>	<u>Percentage of net sales</u>
Company A	\$ 895,942	20
Company B	454,033	10
Company C	421,732	10
Total	<u>\$ 1,771,707</u>	<u>40</u>