Winbond Electronics Corporation and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2017 and 2016 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

We have reviewed the accompanying consolidated balance sheets of Winbond Electronics Corporation (the "Company") and its subsidiaries (collectively referred as the "Group") as of September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months ended September 30, 2017 and 2016 and for the nine months ended September 30, 2017 and 2016, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

October 26, 2017

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2017 (Reviewed)		December 31, 2016 (Audited)		September 30, 2016 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 5,278,464	7	$ 7,683,817	11	$ 8,418,684	13
Current financial assets at fair value through profit or loss (Note 7)	-	-	5,559	-	30,666	-
Current available-for-sale financial assets (Note 8)	5,562,366	7	4,486,893	7	4,035,706	6
Notes and accounts receivable, net (Note 9)	6,801,174	9	5,756,815	8	5,708,501	9
Accounts receivable due from related parties, net (Note 26)	41,053	-	49,531	-	51,067	-
Other receivables (Notes 6 and 10)	709,176	1	518,048	1	764,918	1
Inventories (Note 11)	7,949,864	10	7,536,161	11	7,777,993	12
Other current assets	1,105,711	2	1,222,919	2	1,116,778	2
Total current assets	27,447,808	36	27,259,743	40	27,904,313	43
NON-CURRENT ASSETS						
Non-current available-for-sale financial assets (Note 8)	320,741	-	146,913	-	160,819	-
Non-current financial assets measured at cost (Note 12)	340,875	1	611,699	1	641,700	1
Investments accounted for using equity method (Note 13)	4,567,586	6	2,654,477	4	2,428,841	4
Property, plant and equipment (Note 14)	42,179,761	55	34,372,537	51	31,014,143	48
Investment properties (Note 15)	57,378	-	61,673	-	63,897	-
Intangible assets (Note 16)	236,305	-	285,304	-	298,066	-
Deferred income tax assets	1,714,921	2	2,353,422	4	2,473,596	4
Other non-current assets (Note 6)	240,865	-	243,727	-	250,025	-
Total non-current assets	49,658,432	64	40,729,752	60	37,331,087	57
TOTAL	$ 77,106,240	100	$ 67,989,495	100	$ 65,235,400	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	$ 856,496	1	$ -	-	$ -	-
Current financial liabilities at fair value through profit or loss (Note 7)	21,932	-	47,288	-	-	-
Notes and accounts payable	4,292,242	5	4,209,720	6	3,908,701	6
Accounts payable to related parties (Note 26)	486,876	1	472,489	1	523,043	1
Payables on machinery and equipment	3,372,792	4	3,826,462	6	1,450,900	2
Other payables	3,010,937	4	2,786,505	4	2,353,471	4
Long-term borrowings, current portion (Note 17)	3,556,850	5	3,090,180	4	3,660,929	6
Other current liabilities	167,168	-	173,091	-	219,865	-
Total current liabilities	15,765,293	20	14,605,735	21	12,116,909	19
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 17)	9,687,028	13	6,638,273	10	7,830,245	12
Net defined benefit liabilities, non-current	1,020,464	1	1,062,706	1	995,972	1
Other non-current liabilities	440,391	1	461,982	1	451,846	1
Total non-current liabilities	11,147,883	15	8,162,961	12	9,278,063	14
Total liabilities	26,913,176	35	22,768,696	33	21,394,972	33
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 19)						
Share capital	35,800,002	46	35,800,002	53	35,800,002	55
Capital surplus	2,513,567	3	2,471,044	3	2,471,044	3
Retained Earnings						
Legal reserve	498,385	1	208,606	-	208,606	-
Special reserve	31,429	-	1,395,063	2	1,395,063	2
Unappropriated earnings	5,639,934	7	2,952,901	5	2,203,158	4
Exchange differences on translation of foreign financial statements	(85,038)	-	23,433	-	14,696	-
Unrealized gains on available-for-sale financial assets	4,414,996	6	1,176,299	2	591,054	1
Treasury shares	-	-	(106,387)	-	(106,387)	-
Total equity attributable to owners of the parent	48,813,275	63	43,920,961	65	42,577,236	65
NON-CONTROLLING INTERESTS	1,379,789	2	1,299,838	2	1,263,192	2
Total equity	50,193,064	65	45,220,799	67	43,840,428	67
TOTAL	$ 77,106,240	100	$ 67,989,495	100	$ 65,235,400	100

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

(With Deloitte & Touche review report dated October 26, 2017)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	$ 12,549,903	100	$ 10,732,716	100	$ 34,386,143	100	$ 31,316,548	100
OPERATING COST (Note 11)	7,922,013	63	7,758,642	72	23,054,919	67	22,339,611	71
GROSS PROFIT	4,627,890	37	2,974,074	28	11,331,224	33	8,976,937	29
OPERATING EXPENSES								
Selling expenses	362,400	3	313,516	3	987,695	3	920,353	3
General and administrative expenses	405,108	3	317,116	3	1,092,054	3	956,846	3
Research and development expenses	1,761,632	14	1,459,649	14	4,829,876	14	4,323,337	14
Total operating expenses	2,529,140	20	2,090,281	20	6,909,625	20	6,200,536	20
INCOME FROM OPERATIONS	2,098,750	17	883,793	8	4,421,599	13	2,776,401	9
NON-OPERATING INCOME AND EXPENSES								
Interest income	8,338	-	40,525	-	25,444	-	119,850	-
Dividend income	283,312	2	34,446	-	339,429	1	83,726	-
Other income	5,394	-	9,832	-	51,939	-	28,966	-
Gains (losses) on disposals of property, plant and equipment	675	-	166	-	1,425	-	(1,019)	-
Gains (losses) on disposals of investments	22,801	-	5,543	-	25,489	-	(1,811)	-
Gains (losses) on financial instruments at fair value through profit or loss	(7,637)	-	102,604	1	142,032	-	161,932	1
Share of profit (loss) of associates accounted for using equity method	165,136	1	(13,004)	-	165,150	1	(4,418)	-
Interest expenses	(20,265)	-	(40,925)	-	(43,817)	-	(144,581)	-
Other expenses	(12,674)	-	(6,807)	-	(61,996)	-	(18,584)	-
Foreign exchange losses	(15,479)	-	(137,386)	(1)	(196,358)	(1)	(234,154)	(1)
Impairment loss on financial assets (Note 12)	-	-	-	-	(10,000)	-	-	-
Total non-operating income and expenses	429,601	3	(5,006)	-	438,737	1	(10,093)	-
PROFIT BEFORE INCOME TAX	2,528,351	20	878,787	8	4,860,336	14	2,766,308	9
INCOME TAX EXPENSE (Note 21)	362,198	3	161,649	1	884,180	2	497,101	2
NET PROFIT	2,166,153	17	717,138	7	3,976,156	12	2,269,207	7
OTHER COMPREHENSIVE INCOME								
Components of other comprehensive income that will be reclassified to profit or loss:								
Exchange differences on translation of foreign financial statements	(3,727)	-	(75,832)	(1)	(117,039)	-	(90,133)	-
Unrealized gains on available-for-sale financial assets	736,078	6	776,267	7	1,558,521	4	1,357,384	5
Share of other comprehensive income of associates accounted for using equity method	935,256	8	428,227	4	1,747,959	5	708,361	2
Other comprehensive income	1,667,607	14	1,128,662	10	3,189,441	9	1,975,612	7
TOTAL COMPREHENSIVE INCOME	$ 3,833,760	31	$ 1,845,800	17	$ 7,165,597	21	$ 4,244,819	14
NET PROFIT ATTRIBUTABLE TO:								
Owners of the parent	$ 2,084,353	16	$ 660,003	6	$ 3,761,178	11	$ 2,078,767	7
Non-controlling interests	81,800	1	57,135	1	214,978	1	190,440	-
	$ 2,166,153	17	$ 717,138	7	$ 3,976,156	12	$ 2,269,207	7
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the parent	$ 3,720,662	30	$ 1,791,795	17	$ 6,891,404	20	$ 4,032,513	13
Non-controlling interests	113,098	1	54,005	-	274,193	1	212,306	1
	$ 3,833,760	31	$ 1,845,800	17	$ 7,165,597	21	$ 4,244,819	14
EARNINGS PER SHARE (Note 22)								
Basic	$ 0.58		$ 0.18		$ 1.05		$ 0.58	
Diluted	$ 0.58		$ 0.18		$ 1.05		$ 0.58	

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

(With Deloitte & Touche review report dated October 26, 2017)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent										
			Retained Earnings			Other Equity					
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2016	$ 35,800,002	$ 2,470,292	$ -	$ -	$ 2,086,060	$ 88,771	$ (1,436,767)	$ (106,387)	$ 38,901,971	$ 1,196,568	$ 40,098,539
Appropriation of 2015 earnings											
Legal reserve	-	-	208,606	-	(208,606)	-	-	-	-	-	-
Special reserve	-	-	-	1,395,063	(1,395,063)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(358,000)	-	-	-	(358,000)	-	(358,000)
Total appropriations	-	-	208,606	1,395,063	(1,961,669)	-	-	-	(358,000)	-	(358,000)
Net profit for the nine months ended September 30, 2016	-	-	-	-	2,078,767	-	-	-	2,078,767	190,440	2,269,207
Other comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	-	(74,075)	2,027,821	-	1,953,746	21,866	1,975,612
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	2,078,767	(74,075)	2,027,821	-	4,032,513	212,306	4,244,819
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	752	-	-	-	-	-	-	752	-	752
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(145,682)	(145,682)
BALANCE, SEPTEMBER 30, 2016	$ 35,800,002	$ 2,471,044	$ 208,606	$ 1,395,063	$ 2,203,158	$ 14,696	$ 591,054	$ (106,387)	$ 42,577,236	$ 1,263,192	$ 43,840,428
BALANCE AT JANUARY 1, 2017	$ 35,800,002	$ 2,471,044	$ 208,606	$ 1,395,063	$ 2,952,901	$ 23,433	$ 1,176,299	$ (106,387)	$ 43,920,961	$ 1,299,838	$ 45,220,799
Appropriation of 2016 earnings											
Legal reserve	-	-	289,779	-	(289,779)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,363,634)	1,363,634	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,148,000)	-	-	-	(2,148,000)	-	(2,148,000)
Total appropriations	-	-	289,779	(1,363,634)	(1,074,145)	-	-	-	(2,148,000)	-	(2,148,000)
Net profit for the nine months ended September 30, 2017	-	-	-	-	3,761,178	-	-	-	3,761,178	214,978	3,976,156
Other comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	(108,471)	3,238,697	-	3,130,226	59,215	3,189,441
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	3,761,178	(108,471)	3,238,697	-	6,891,404	274,193	7,165,597
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	4,511	-	-	-	-	-	-	4,511	-	4,511
Disposal of the Company's share by subsidiaries recognized as treasury share transactions (Note 19)	-	38,012	-	-	-	-	-	106,387	144,399	-	144,399
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(194,242)	(194,242)
BALANCE, SEPTEMBER 30, 2017	$ 35,800,002	$ 2,513,567	$ 498,385	$ 31,429	$ 5,639,934	$ (85,038)	$ 4,414,996	$ -	$ 48,813,275	$ 1,379,789	$ 50,193,064

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

(With Deloitte & Touche review report dated October 26, 2017)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 4,860,336	$ 2,766,308
Adjustments for:		
Depreciation expense	4,310,349	4,208,293
Amortization expense	78,761	73,227
Provision for allowance for doubtful accounts	28,798	6,017
Provision for (reversal of) decline in market value and obsolescence and abandonment of inventories	33,897	(5,029)
Net gain on financial assets and liabilities at fair value through profit or loss	(19,797)	(53,093)
Interest expense	43,817	144,581
Interest income	(25,444)	(119,850)
Dividend income	(339,429)	(83,726)
Share of (profit) loss of associates accounted for using equity method	(165,150)	4,418
(Gain) loss on disposal of property, plant and equipment	(1,425)	1,019
Impairment loss on financial assets	10,000	-
Impairment loss on non-financial assets	-	26
(Gain) loss on disposal of investments	(25,489)	1,811
Changes in operating assets and liabilities		
Increase in notes and accounts receivable	(1,071,568)	(529,941)
Decrease in accounts receivable due from related parties	8,478	29,848
Increase in other receivables	(184,453)	(31,419)
(Increase) decrease in inventories	(447,600)	762,871
Decrease in other current assets	117,227	2,938
Decrease (increase) in other non-current assets	2,862	(6,261)
Increase in notes and accounts payable	82,522	62,217
Increase (decrease) in accounts payable to related parties	14,387	(184,021)
Increase (decrease) in other payables	31,002	(73,779)
(Decrease) increase in other current liabilities	(5,923)	81,211
(Decrease) increase in other non-current liabilities	(50,846)	49,622
Cash inflow generated from operations	7,285,312	7,107,288
Interest received	33,852	26,477
Dividends received	339,429	83,726
Interest paid	(151,469)	(184,900)
Income taxs paid	(73,042)	(143,956)
Net cash flows from operating activities	7,434,082	6,888,635
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of available-for-sale financial assets	-	(437,736)
Proceeds from disposal of available-for-sale financial assets	315,312	146,565
Proceeds from capital reduction of available-for-sale financial assets	6,067	7,913

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WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2017	**2016**
Proceeds from repayment of held-to-maturity financial assets	$ -	$ 101,100
Proceeds from disposal of financial assets measured at cost	-	8,243
Proceeds from capital reduction of financial assets measured at cost	229,651	18,017
Acquisition of property, plant and equipment	(12,476,558)	(2,637,038)
Proceeds from disposal of property, plant and equipment	2,832	1,129
Acquisition of intangible assets	(32,057)	(105,003)
Decrease in financial lease receivables	-	224,353
Net cash used in investing activities	(11,954,753)	(2,672,457)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	856,496	-
Proceeds from long-term borrowings	4,400,000	-
Repayments of long-term borrowings	(895,090)	(1,586,428)
Cash dividends paid	(2,143,489)	(357,248)
Proceeds from sale of treasury shares	144,399	-
Change in non-controlling interests	(202,810)	(161,740)
Other financing activities	-	(38,600)
Net cash flows from (used in) financing activities	2,159,506	(2,144,016)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(44,188)	(50,093)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,405,353)	2,022,069
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,683,817	6,396,615
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 5,278,464	$ 8,418,684

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

(With Deloitte & Touche review report dated October 26, 2017) (Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

Winbond Electronics Corporation (the "Company") was incorporated in the Republic of China ("ROC") on September 29, 1987 and is engaged in the design, development, manufacture and marketing of Very Large Scale Integration ("VLSI") integrated circuits ("ICs") used in a variety of microelectronic applications.

The Company's shares have been listed on the Taiwan Stock Exchange since October 18, 1995. Walsin Lihwa is a major shareholder of the Company and held approximately 23% ownership interest in the Company as of September 30, 2017 and 2016.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Board of Directors and issued on October 26, 2017.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company and its subsidiaries' (the Group) accounting policies:

1) Annual Improvements to IFRSs 2011-2013 Cycle

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a company's financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts which do not meet the definitions of financial assets or financial liabilities within IAS 32. When the amended IFRS 13 becomes effective in 2017, the Group will choose to measure the fair value of those contracts retrospectively on a net basis.

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

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

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

The disclosures of the related party transactions will be enhanced when the above amendments are retrospectively applied in 2017. Please refer to Note 26.

Except for the above impacts, as of the date the consolidated financial statements were approved for issue, the Group continues assessing other possible impacts that application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. The IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarification to IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

1) IFRS 9 “Financial Instruments”

Recognition, measurement, and impairment of financial assets

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

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

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

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

The other financial assets which do not meet aforementioned criteria should be measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment that is not held for trading in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group has performed a preliminary assessment of the impact of IFRS 9 to the classification of Available-for-sale financial assets, including listed shares, emerging market shares and unlisted shares that will be designated as at fair value through other comprehensive income. The fair value gains or losses accumulated in others equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides, unlisted shares measured at cost will be measured at fair value instead.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

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

When IFRS9 becomes effective, the recognition, measurement and impairment of financial assets shall be applied retroactively except of the financial assets which derecognized before the date of initial application. The Group may elect not to restate prior periods and to recognize the cumulative effect of the initial application of this Standard at the first date.

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

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

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

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

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

c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Issued by IASB (Note)**
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

1) IFRS 16 “Leases”

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

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

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

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

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatments, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in the consolidated financial statements do not present all the disclosures required for a complete set of annual financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of Consolidation

a. Principles for preparing consolidated financial statements

The consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

b. Subsidiaries included in consolidated financial statements

			% of Ownership		
Investor	**Investee**	**Main Business**	**September 30, 2017**	**December 31, 2016**	**September 30, 2016**
The Company	Winbond Int'l Corporation ("WIC")	Investment holding	100	100	100
WIC	Winbond Electronics Corp. America ("WECA")	Design, sales and after-sales service of semiconductor	100	100	100
The Company	Landmark Group Holdings Ltd. ("Landmark")	Investment holding	100	100	100
Landmark	Winbond Electronics Corp. Japan ("WECJ")	Research, development, sales and after-sales service of semiconductor	100	100	100
Landmark	Peaceful River Corp. ("PRC")	Investment holding	100	100	100
The Company	Winbond Electronics (HK) Limited ("WEHK")	Sale of semiconductor	100	100	100
The Company	Pine Capital Investment Limited ("PCI")	Investment holding	100	100	100
PCI	Winbond Electronics (Suzhou) Limited ("WECN")	Design, development and marketing of VLSI integrated ICs	100	100	100
The Company	Mobile Magic Design Corporation ("MMDC")	Design, development and marketing of Pseudo SRAM	100	100	100
The Company	Winbond Technology LTD ("WTL")	Design and service of semiconductor	100	100	100
The Company	Newfound Asian Corp. ("NAC")	Investment holding	100	100	100
NAC	Baystar Holdings Ltd. ("BHL")	Investment holding	100	100	100
The Company	Nuvoton Technology Corporation ("NTC")	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	61	61	61
The Company	Techdesign Corporation ("TDC")	Electronic commerce and product marketing	100	100	100
NTC	Marketplace Management Ltd. ("MML")	Investment holding	100	100	100
MML	Goldbond LLC ("GLLC")	Investment holding	100	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Provide project of sale in China and repair, test and consult of software	100	100	100
GLLC	Winbond Electronics (Nanjing) Ltd. ("WENJ")	Computer software service (except I.C. design)	100	100	100
NTC	Pigeon Creek Holding Co., Ltd. ("PCH")	Investment holding	100	100	100
PCH	Nuvoton Technology Corp. America ("NTCA")	Design, sales and after-sales service of semiconductor	100	100	100
NTC	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100	100	100
NIH	Nuvoton Technology Israel Ltd. ("NTIL")	Design and service of semiconductor	100	100	100
NTC	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100	100
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100	100
NTC	Song Yong Investment Corporation ("SYI")	Investment holding	100	100	100
NTC	Nuvoton Technology India Private Limited ("NTIPL")	Design, sales and service of semiconductor	100	100	100

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months after the reporting period, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Except as otherwise mentioned, assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's foreign currencies are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement are recognized in profit or loss in the period they arise.

Exchange differences arising on the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

Cash Equivalents

Cash equivalents include time deposits and investments, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

Financial Instruments

a. Financial assets

   All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, except derivative financial assets which are recognized and derecognized on settlement date basis.

   The categories of financial assets held by the Group are financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial assets are either held for trading or designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

2) Available-for-sale financial assets

Listed shares held by the Group that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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

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

3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalent, notes and accounts receivable, account receivable due from related parties, other receivables and refundable deposits are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivable when the effect of discounting is immaterial.

b. Impairment of financial assets

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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

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

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

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

d. Financial liabilities

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

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

e. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

f. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

g. Information about fair value of financial instruments

The Group determined the fair value of financial assets and liabilities as follow:

1) The fair values of financial assets and liabilities which have standard terms and conditions and traded in active market are determined by reference to quoted market price. If there is no quoted market price in active market, valuation techniques are applied.

2) The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract.

3) The fair values of other financial assets and financial liabilities are determined by discounted cash flow analysis in accordance with generally accepted pricing models.

Inventories

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

Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

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

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

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

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

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

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

Property, Plant and Equipment

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

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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

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

The Group's property, plant and equipment were depreciated straight-line basis over the estimated useful life of the asset:

Buildings	9-21 years
Machinery and equipment	4-8 years
Other equipment	6 years

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss, and depreciated over 20 years useful lives after considered residual values, using the straight-line method. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

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

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

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

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

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event and at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. For potential product risk, the Group accrues reserve for products guarantee based on commitment to specific customers.

Revenue Recognition

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

Leasing

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

Under finance lease, the Group as lessor recognizes amounts due from lessees as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Under operating lease, the Group as lessor recognizes rental income from operating lease on a straight-line basis over the term of the relevant lease. Contingent rents receivable arising under operating leases are recognized as income in the period in which they are earned. As lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents payable arising under operating leases are recognized as an expense in the period in which they are incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition of qualifying assets are added to the cost of those assets, until such time that the assets are substantially ready for their intended use or sale.

Other than state above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

   Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the period adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

c. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income at the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The Group's critical accounting judgments and key sources of estimation uncertainty is below:

a. Valuation of inventory

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

b. Impairment of accounts receivable

Objective evidence of impairment used in evaluating impairment loss includes estimated future cash flows. The amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the future cash flows are lower than expected, significant impairment loss may be recognized.

6. CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2016	September 30, 2016
Cash and deposits in banks	$ 4,341,999	$ 7,129,365	$ 7,574,733
Repurchase agreements collateralized by bonds	936,465	554,452	843,951
	$ 5,278,464	$ 7,683,817	$ 8,418,684

a. The Group has time deposits pledged to secure land and building leases, customs tariff obligations, export bill and sales deposits which are reclassified as "other non-current assets". Time deposits pledged as security at the end of the reporting period were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Time deposits	$ 140,915	$ 140,621	$ 145,112

b. The Group has partial time deposits which were not held for the purpose of meeting short-term cash commitments and are reclassified to "other receivables". These partial time deposits at the end of the reporting period were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Time deposits	$ 339,672	$ 213,553	$ 191,596

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2017	December 31, 2016	September 30, 2016
Financial assets at FVTPL - current			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts	$ -	$ -	$ 29,814
Foreign exchange swap contracts	-	5,559	852
	$ -	$ 5,559	$ 30,666
Financial liabilities at FVTPL - current			
Derivative financial liabilities (not under hedge accounting)			
Forward exchange contracts	$ 21,932	$ 47,288	$ -

At the date of balance sheet, the outstanding forward exchange contracts not under hedge accounting were as follows:

	Currencies	Maturity Date	Contract Amount (In Thousand)
September 30, 2017			
Sell forward exchange contracts	USD to NTD	2017.10.05-2017.11.24	USD158,500/NTD4,765,679
Sell forward exchange contracts	RMB to NTD	2017.10.13	RMB14,000/NTD64,113
Buy forward exchange contracts	NTD to USD	2017.10.06-2017.11.24	NTD895,340/USD30,000

(Continued)

	Currencies	Maturity Date	Contract Amount (In Thousand)
December 31, 2016			
Sell forward exchange contracts	USD to NTD	2017.01.06-2017.02.17	USD101,000/NTD3,209,844
Sell forward exchange contracts	RMB to NTD	2017.01.13-2017.02.17	RMB30,000/NTD137,743
Foreign exchange swap contracts	EUR to NTD	2017.01.26-2017.02.24	EUR5,665/NTD197,931
September 30, 2016			
Sell forward exchange contracts	USD to NTD	2016.10.06-2016.12.09	USD137,400/NTD4,328,040
Buy forward exchange contracts	NTD to USD	2016.10.14	NTD375,378/USD12,000
Foreign exchange swap contracts	EUR to NTD	2016.12.30-2017.01.26	EUR5,665/NTD199,275

(Concluded)

The Group entered into derivative financial instruments contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. These derivative financial instruments contracts did not meet the criteria of hedge effectiveness, therefore, they were not accounted for by hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Listed stocks and exchange traded funds			
Walsin Lihwa Corporation	$ 2,760,000	$ 2,370,000	$ 2,080,000
Hannstar Display Corporation	1,215,816	975,168	872,192
Walton Advanced Engineering Inc.	733,418	585,733	563,205
Walsin Technology Corporation	694,722	345,009	372,825
Nyquest Technology Co., Ltd.	320,741	146,913	160,819
Vanguard Short-Term Corporate Bond ETF	150,607	158,700	110,005
Telit Communications PLC	7,803	11,806	12,350
CIFM Money Market Fund Class B	-	24,873	25,129
Wal-Mart Stores, Inc.	-	15,604	-
Available-for-sale financial assets	$ 5,883,107	$ 4,633,806	$ 4,196,525
Current	$ 5,562,366	$ 4,486,893	$ 4,035,706
Non-current	320,741	146,913	160,819
	$ 5,883,107	$ 4,633,806	$ 4,196,525

9. NOTES AND ACCOUNTS RECEIVABLE

	September 30, 2017	December 31, 2016	September 30, 2016
Notes receivable	$ -	$ 72	$ 9
Accounts receivable	6,960,687	5,889,047	5,842,643
Less: Allowance for doubtful accounts	(159,513)	(132,304)	(134,151)
	$ 6,801,174	$ 5,756,815	$ 5,708,501

The average credit period for sales of goods was 30-60 days. Allowance for doubtful accounts is based on estimated irrecoverable amounts determined by reference to aging of receivables, past default experience of the counterparties and an analysis of their financial position.

The aging of accounts receivable were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Not overdue	$ 6,839,864	$ 5,442,035	$ 5,676,998
Overdue under 30 days	80,943	420,632	153,239
Overdue 31-60 days	19,007	7,273	5,519
Overdue 61 days and longer	20,873	19,107	6,887
	$ 6,960,687	$ 5,889,047	$ 5,842,643

Movements in the allowance for doubtful accounts recognized on accounts receivable were as follows:

	Nine Months Ended September 30	
	2017	2016
Balance at January 1	$ 132,304	$ 128,424
Add: Provision recognized on accounts receivable	28,798	6,017
Effect of exchange rate changes	(1,589)	(290)
Balance at September 30	$ 159,513	$ 134,151

The Group's receivables were aged on a collective basis and not on individual account basis.

10. FINANCE LEASE RECEIVABLES

	September 30, 2017	December 31, 2016	September 30, 2016
Gross investment in leases			
Not later than one year	$ -	$ -	$ 332,836
Less: Unearned finance income	-	-	(29,022)
Present value of minimum lease payments	$ -	$ -	$ 303,814
Finance lease receivables			
Not later than one year (recorded as "other receivables")	$ -	$ -	$ 303,814

The Company entered into finance lease agreements with a non-related party for certain machinery. All leases were denominated in New Taiwan dollars. The term of finance leases agreements was 3-5 years. The interest rate inherent in the leases was 1.7% per annum which was fixed on the contract date for the entire lease term. The machinery was partially pledged to secure long-term borrowings.

As of December 31, 2016, the financial lease agreements expired, and the pledged machinery has been cancelled off its pledged status.

11. INVENTORIES

	September 30, 2017	December 31, 2016	September 30, 2016
Finished goods	$ 1,576,532	$ 1,574,361	$ 1,506,300
Work-in-process	5,793,299	5,426,989	5,797,331
Raw materials and supplies	572,496	530,332	472,857
Inventories in transit	7,537	4,479	1,505
	$ 7,949,864	$ 7,536,161	$ 7,777,993

a. Gain on reversal of decline in market value and obsolescence and abandonment of inventories was $5,029 thousand which were recognized as cost of sales for the nine months ended September 30, 2016. Loss on decline in market value and obsolescence and abandonment of inventories was $33,099 thousand, $11,713 thousand and $33,897 thousand which were recognized as cost of sales for the three months ended September 30, 2017 and 2016 and nine months ended September 30, 2017, respectively. Gain on recovery of decline in market value amounted to $21,620 thousand, $4,647 thousand, $46,730 thousand and $197,922 thousand for the three months ended September 30, 2017 and 2016 and for the nine months ended September 30, 2017 and 2016 were due to net realizable value increased.

b. Unallocated fixed manufacturing costs recognized as cost of sales in the three months ended September 30, 2017 and 2016, and the nine months ended September 30, 2017 and 2016 were $0 thousand and $102,859 thousand, $127,998 thousand and $531,922 thousand, respectively.

12. FINANCIAL ASSETS MEASURED AT COST

	September 30, 2017	December 31, 2016	September 30, 2016
LTIP Trust Fund	$ 209,320	$ 466,144	$ 466,144
United Industrial Gases Co., Ltd.	81,081	81,081	81,081
Yu-Ji Venture Capital Co., Ltd.	21,000	25,000	25,000
Harbinger III Venture Capital Corp.	10,976	10,976	10,976
Smart Catch International Co., Ltd.	-	10,000	40,000
Others	18,498	18,498	18,499
Non-current financial assets measured at cost	$ 340,875	$ 611,699	$ 641,700

Management believed that the above unlisted equity investments held by the Group have fair values that cannot be reliably measured because the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of the reporting period.

After proper assessment, the Company recognized an impairment loss on Smart Catch International Co., Ltd. of $10,000 thousand, which was recorded as “impairment loss on financial assets” for the nine months ended September 30, 2017.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	September 30, 2017	December 31, 2016	September 30, 2016
Associates that are not individually material			
Chin Xin Investment Co., Ltd.	$ 4,567,586	$ 2,654,477	$ 2,428,841

As of September 30, 2017, the Company had 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

The investments accounted for using equity method and the shares of profit or loss and other comprehensive income of those investments for the nine months ended September 30, 2017 and 2016 were based on the associates' financial statements reviewed by independent auditors.

14. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2017	December 31, 2016	September 30, 2016
Land	$ 1,618,895	$ 1,623,646	$ 1,621,460
Buildings	10,527,386	7,228,631	7,392,568
Machinery and equipment	28,091,095	18,581,254	19,182,360
Other equipment	809,988	501,933	400,861
Construction in progress and prepayments for purchase of equipment	1,132,397	6,437,073	2,416,894
	$ 42,179,761	$ 34,372,537	$ 31,014,143

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost						
Balance at January 1, 2017	$ 1,623,646	$ 21,615,031	$ 93,310,319	$ 3,451,660	$ 6,437,073	$ 126,437,729
Additions	-	647,595	7,079,327	944,274	3,460,390	12,131,586
Disposals	-	(476)	(398,838)	(12,082)	-	(411,396)
Reclassified	-	3,444,797	5,841,012	(520,743)	(8,765,066)	-
Transfer to other current assets	-	-	(19)	-	-	(19)
Effect of exchange rate changes	(4,751)	(17,046)	(1,100)	(700)	-	(23,597)
Balance at September 30, 2017	$ 1,618,895	$ 25,689,901	$ 105,830,701	$ 3,862,409	$ 1,132,397	$ 138,134,303
Accumulated depreciation and impairment						
Balance at January 1, 2017	$ -	$ 14,386,400	$ 74,729,065	$ 2,949,727	$ -	$ 92,065,192
Depreciation expenses	-	786,887	3,405,048	114,945	-	4,306,880
Disposals	-	(96)	(393,318)	(11,656)	-	(405,070)
Effect of exchange rate changes	-	(10,676)	(1,189)	(595)	-	(12,460)
Balance at September 30, 2017	$ -	$ 15,162,515	$ 77,739,606	$ 3,052,421	$ -	$ 95,954,542
Cost						
Balance at January 1, 2016	$ 1,625,058	$ 21,494,688	$ 91,709,441	$ 3,260,504	$ 801,152	$ 118,890,843
Additions	-	114,136	981,119	102,212	2,118,527	3,315,994
Disposals	-	(218,488)	(150,967)	(26,642)	-	(396,097)
Reclassified	-	156,204	345,447	1,134	(502,785)	-
Effect of exchange rate changes	(3,598)	(12,787)	(2,657)	(7,358)	-	(26,400)
Balance at September 30, 2016	$ 1,621,460	$ 21,533,753	$ 92,882,383	$ 3,329,850	$ 2,416,894	$ 121,784,340

(Continued)

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Accumulated depreciation and impairment						
Balance at January 1, 2016	$ -	$ 13,585,584	$ 70,528,175	$ 2,862,054	$ -	$ 86,975,813
Depreciation expenses	-	780,499	3,324,628	99,368	-	4,204,495
Disposals	-	(217,058)	(150,950)	(25,941)	-	(393,949)
Effect of exchange rate changes	-	(7,840)	(1,830)	(6,492)	-	(16,162)
Balance at September 30, 2016	$ -	$ 14,141,185	$ 73,700,023	$ 2,928,989	$ -	$ 90,770,197

(Concluded)

a. As of September 30, 2017, December 31, 2016 and September 30, 2016, the carrying amounts of $16,471,009 thousand, $20,272,406 thousand and $16,686,587 thousand of land, buildings and 12-inch Fab manufacturing facilities were pledged to secure long-term borrowings. The Group was not permitted to sell or pledge any of these pledged assets.

b. Information about capitalized interest

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Capitalized interest amounts	$ 37,575	$ 14,709	$108,698	$ 39,332
Capitalized interest rates	1.79%	1.90%	1.79%	1.89%-1.94%

c. In response to future market demand and the development of advanced manufacturing processes, the Company invested in capital expenditure for the construction of the 12-inch Fab manufacturing buildings and acquisition of related equipments. As of December 31 2016, unfinished buildings and machinery were in the amount of $5,996,694 thousand, which was recorded as construction in progress and prepayments for purchase of equipment. As of March 2017, the construction was completed and tested. Construction in progress and prepayments for purchase of equipment were recorded as “buildings” and “machinery and equipment”, respectively.

15. INVESTMENT PROPERTIES

	September 30, 2017	December 31, 2016	September 30, 2016
Investment properties, net	$ 57,378	$ 61,673	$ 63,897

The investment properties is in Shen-Zhen, China. As of December 31, 2016 and 2015, the fair value of such investment properties were both approximately $200,000 thousand, which was referred by the neighborhood transactions. The Company’s management team evaluated the fair value of investment properties and determined that the fair value of the investment properties had not changed significantly, compared to the fair value of the investment properties during the nine months ended September 30, 2017 and 2016.

	Investment Properties
Cost	
Balance at January 1, 2017	$ 105,650
Effect of exchange rate changes	(1,327)
Balance at September 30, 2017	$ 104,323
Accumulated depreciation and impairment	
Balance at January 1, 2017	$ 43,977
Depreciation expenses	3,469
Effect of exchange rate changes	(501)
Balance at September 30, 2017	$ 46,945
Cost	
Balance at January 1, 2016	$ 114,300
Effect of exchange rate changes	(6,910)
Balance at September 30, 2016	$ 107,390
Accumulated depreciation and impairment	
Balance at January 1, 2016	$ 42,434
Depreciation expenses	3,798
Effect of exchange rate changes	(2,739)
Balance at September 30, 2016	$ 43,493

16. INTANGIBLE ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Deferred technical assets, net	$ 234,855	$ 283,732	$ 296,301
Other intangible assets, net	1,450	1,572	1,765
	$ 236,305	$ 285,304	$ 298,066

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2017	$ 18,789,610	$ 22,325	$ 18,811,935
Additions	18,309	334	18,653
Effect of exchange rate changes	(804)	(436)	(1,240)
Balance at September 30, 2017	$ 18,807,115	$ 22,233	$ 18,829,348
Accumulated amortization and impairment			
Balance at January 1, 2017	$ 18,505,878	$ 20,753	$ 18,526,631
Amortization expenses	67,803	443	68,246
Effect of exchange rate changes	(1,421)	(413)	(1,834)
Balance at September 30, 2017	$ 18,572,260	$ 20,783	$ 18,593,043
Cost			
Balance at January 1, 2016	$ 18,689,626	$ 21,713	$ 18,711,339
Additions	90,969	800	91,769
Disposals	-	(68)	(68)
Effect of exchange rate changes	(3,797)	2,245	(1,552)
Balance at September 30, 2016	$ 18,776,798	$ 24,690	$ 18,801,488
Accumulated amortization and impairment			
Balance at January 1, 2016	$ 18,420,206	$ 20,207	$ 18,440,413
Amortization expenses	63,863	453	64,316
Disposals	-	(68)	(68)
Impairment losses recognized	-	26	26
Effect of exchange rate changes	(3,572)	2,307	(1,265)
Balance at September 30, 2016	$ 18,480,497	$ 22,925	$ 18,503,422

The amounts of deferred technical assets were the technical transfer fee in connection with certain technical transfer agreements. The above technical assets pertained to different products or process technology. The assets were depreciated on a straight-line basis from the commencement of production, and over the estimated useful life of the assets: Deferred technical assets - economic benefits or terms of the contracts and other intangible assets - 3-5 years.

17. BORROWINGS

a. Short-term borrowings

	September 30, 2017		December 31, 2016		September 30, 2016	
	Interest Rate %	Amount	Interest Rate %	Amount	Interest Rate %	Amount
Bank lines of credit	0.75%-0.83%	$ 856,496	-	$ -	-	$ -

b. Long-term borrowings

	Period	Interest Rate	September 30, 2017	December 31, 2016	September 30, 2016
Secured borrowings					
CTBC Bank Co., Ltd. syndicated loan (IV)	2014.07.07-2019.11.27	1.87%-2.23%	$ 7,333,330	$ 8,166,660	$ 9,000,000
Bank of Taiwan secured medium-term loan	2014.12.29-2021.12.29	1.40%-1.70%	555,840	617,600	617,600
Bank of Taiwan syndicated loan (IV)	2016.08.15-2021.12.29	1.79%	4,700,000	1,000,000	-
Bank of Taiwan syndicated loan (III)	2011.09.19-2016.12.23	-	-	-	1,932,499
Unsecured borrowings					
Bank loans	2017.07.28-2019.07.27	1.18%	700,000	-	-
			13,289,170	9,784,260	11,550,099
Less: Current portion			(3,556,850)	(3,090,180)	(3,660,929)
Less: Syndication agreement management fee			(45,292)	(55,807)	(58,925)
			$ 9,687,028	$ 6,638,273	$ 7,830,245

1) CTBC Bank Co., Ltd. Syndicated Loan (IV)

   a) On July 7, 2014, the Company entered into a syndicated loan, with a group of financial institutions to procure equipment for 12-inch Fab and fund the borrowing payments, credit line was divided into part A and B, which amounted to $6.5 billion and $2.5 billion, respectively; the total line of credit $9 billion.

   b) Part A will be repaid every six months from November 27, 2017 until maturity, part B will be repaid every six months from November 27, 2016 until maturity.

   c) Please refer to Note 14 for collateral on bank borrowings.

2) The collateral on the Bank of Taiwan secured medium-term loan are the land and building of the Company in Zhubei, please referred to Note 14. The principal will be repaid every six months from June 29, 2017 until maturity.

3) Bank of Taiwan Syndicated Loan (IV)

   a) On August 15, 2016, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for 12-inch Fab and fund the borrowing payments. The credit line was divided into part A and B, which amounted to $10 billion and $2 billion, respectively; and the total line of credit amounted to $12 billion.

   b) Part A will be repaid every six months from December 29, 2019 until maturity, and part B will be repaid every six months from December 29, 2018 until maturity.

   c) Please refer to Note 14 for collateral on bank borrowings.

4) Bank of Taiwan Syndicated Loan (III)

   a) On September 19, 2011, the Company entered into a syndicated loan, with a group of 17 financial institutions, to procure equipment for 12-inch Fab. The original credit line amount of $7 billion was deducted by $0.25 billion because of prepayment, so the final credit line amounted to $6.75 billion.

b) The Company changed the terms and repayment schedule of the agreement on December 18, 2013. The loan utilized before December 22, 2013 will be repaid every six months from June 23, 2014, and the loan utilized after December 22, 2013 will be repaid every six months at 30%, 30% and 40% from December 23, 2015.

c) Please refer to Note 14 for collateral on bank borrowings.

d) The loan was fully repaid on December 23, 2016.

5) The Company is required to maintain certain financial covenants, including current ratio, debt ratio and tangible net equity, on June 30 and December 31 during the tenors of the loans. Additionally, the principal and interest coverage should be also maintained on June 30 and December 31 during the tenors of the loans except for the Bank of Taiwan secured medium - term loan. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements.

18. RETIREMENT BENEFIT PLANS

The employee benefit expense in respect of the Group's defined benefit retirement plans was calculated using the actuarially determined pension cost discount rate as of December 31, 2016 and 2015, and recognized $21,705 thousand and $22,812 thousand, $71,427 thousand and $69,003 thousand for the three months ended September 30, 2017 and 2016, and the nine months ended September 30, 2017 and 2016, respectively.

19. EQUITY

a. Share capital

	September 30, 2017	December 31, 2016	September 30, 2016
Number of shares authorized (in thousand)	6,700,000	6,700,000	6,700,000
Share authorized	$ 67,000,000	$ 67,000,000	$ 67,000,000
Number of shares issued and fully paid (in thousand)	3,580,000	3,580,000	3,580,000
Share issued	$ 35,800,002	$ 35,800,002	$ 35,800,002

As of September 30, 2017, December 31, 2016 and September 30, 2016, the balance of the Company's capital account amounted to $35,800,002 thousand, divided into 3,580,000 thousand shares with par value of NT$10.00 per share.

b. Capital surplus

	September 30, 2017	December 31, 2016	September 30, 2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital			
Arising from treasury share transactions	$ 2,342,036	$ 2,299,513	$ 2,299,513
Arising from conversion of bonds	136,352	136,352	136,352

(Continued)

	September 30, 2017	December 31, 2016	September 30, 2016
May be used to offset a deficit only			
Arising from changes in percentage of ownership interest in subsidiaries	$ 6,042	$ 6,042	$ 6,042
Arising from share of changes in capital surplus of associates	29,137	29,137	29,137
	$ 2,513,567	$ 2,471,044	$ 2,471,044

(Concluded)

The capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers and convertible bonds) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the Company's paid-in capital. The capital surplus from share of changes in equities of subsidiaries and associates may be used to offset a deficit; however, when generated from issuance of restricted shares for employees, such capital surplus may not be used for any purpose.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees, directors and supervisors. The shareholders held their regular meeting on June 16, 2016 and June 13, 2017; in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy of employees' compensation and remuneration to directors.

Amendments of the Company's Articles of Incorporation was summarized as follows:

From the pre-tax net profit of the current year, before deducting remuneration of employees and remuneration of directors and supervisors, no more than 1% shall be allocated as remuneration of directors and supervisors and no less than 1% as remuneration of employees. The remuneration of employees may be distributed in stock or cash upon resolution of the Board of Directors, and may be distributed to the employees of subsidiaries of the Company meeting certain criteria.

However, if the Company has accumulated losses, the Company shall first set aside an amount for making up losses, and then allocate remuneration of employees and remuneration of directors according to the percentage set forth in the preceding paragraph.

Before establishment of the audit committee, supervisors' remuneration shall be incorporated into directors' remuneration for the purpose of calculation of the distribution ceiling of the directors' remuneration provided in the first Paragraph.

The Board of Directors is authorized to determine the "employees of subsidiaries of the Company meeting certain criteria" set forth in the first Paragraph or the Board of Directors may authorize the Chairman of the Board of Directors to determine the "employees of subsidiaries of the Company meeting certain criteria" set forth in the first Paragraph.

If the Company has pre-tax profits at the end of the current fiscal year, after paying all taxes and covering all accumulated losses, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities or based on the business needs of the Company, if there is any balance, the Board of Directors may submit a proposal for allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution of distributing bonus and dividends to shareholders.

The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than 50% of the distributable retained earnings of the current year shall be distributed to shareholders as dividends, which may be distributed in stock dividend or cash dividend, and the distribution of cash dividend shall not be less than 50% of total dividends, so as to maintain continuous growth.

For information about the accrual basis of the employees' compensation and remuneration of directors and supervisors and the actual appropriations, please refer to Note 20 on employee benefits expenses.

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

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of shareholders' equity, such as the accumulated balance of foreign currency translation reserve, unrealized valuation gain/loss from available-for-sale financial assets, net amount of fair value below the cost of the Company's share capital held by subsidiaries, etc. For the subsequent decrease in the deduction amount to shareholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2016 and 2015 were approved in the shareholders' meetings on June 13, 2017 and June 16, 2016, respectively, as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2016	**For Year 2015**	**For Year 2016**	**For Year 2015**
Legal reserve	$ 289,779	$ 208,606		
(Reversal of) special reserve	(1,363,634)	1,395,063		
Cash dividends	2,148,000	358,000	$ 0.60	$ 0.10
	$ 1,074,145	$ 1,961,669		

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	Nine Months Ended September 30	
	2017	2016
Balance at January 1	$ 23,433	$ 88,771
Exchange differences arising on translating the financial statements of foreign operations	(108,471)	(74,075)
Balance at September 30	$ (85,038)	$ 14,696

The exchange differences arising on translation of foreign operation's net assets from its functional currency to the Group's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

2) Unrealized gain (loss) on available-for-sale financial assets

	Nine Months Ended September 30	
	2017	2016
Balance at January 1	$ 1,176,299	$ (1,436,767)
Unrealized gain arising on revaluation of available-for-sale financial assets	1,490,738	1,319,460
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using equity method	1,747,959	708,361
Balance at September 30	$ 4,414,996	$ 591,054

Unrealized gain/loss on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income. When those available-for-sale financial assets have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified to profit or loss.

e. Treasury shares

1) Treasury shares transactions for the nine months ended September 30, 2017 were summarized as follows:

Purpose of Buyback	Treasury Shares Held as of January 1, 2017	Increase During the Period	Decrease During the Period	Treasury Shares Held as of September 30, 2017
Share capital held by subsidiaries	7,518,364	-	7,518,364	-

2) Treasury shares transactions for the nine months ended September 30, 2016 were summarized as follows:

Purpose of Buyback	Treasury Shares Held as of January 1, 2016	Increase During the Period	Decrease During the Period	Treasury Shares Held as of September 30, 2016
Share capital held by subsidiaries	7,518,364	-	-	7,518,364

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held	Carrying Value	Market Value
December 31, 2016			
Baystar Holdings Ltd.	7,518,364	$ 106,387	$ 74,958
September 30, 2016			
Baystar Holdings Ltd.	7,518,364	$ 106,387	$ 75,935

Based on the Securities and Exchange Act of the ROC, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

The purpose of holding the shares is to maintain shareholders' equity. The Company's shares held by subsidiaries were treated as treasury shares, and the holders are entitled to the rights of shareholders, except for the right to participate in the Company's share issuance for cash and vote in shareholders' meeting when the subsidiary held more than 50%. Other rights are the same as share capital.

The Company's subsidiary - Baystar Holdings Ltd. (BHL) originally held 7,518,364 shares of the Company's share capital. In August 2017, BHL sold 7,518,364 shares of the Company's share capital in a gain of $38,012 thousand, the Company recorded the transaction as an addition of Capital surplus under the Treasury shares accounting policy.

f. Non-controlling interests

	Nine Months Ended September 30	
	2017	2016
Balance at January 1	$ 1,299,838	$ 1,196,568
Attributable to non-controlling interests		
Share of profit for the period	214,978	190,440
Exchange difference on translation of foreign financial statements	(8,568)	(16,058)
Unrealized gain arising on revaluation of available-for-sale financial assets	67,783	37,924
Decrease in non-controlling interests	(194,242)	(145,682)
Balance at September 30	$ 1,379,789	$ 1,263,192

20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	Three Months Ended September 30, 2017			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	$ 806,153	$ 1,291,113	$ -	$ 2,097,266
Post-employment benefits	$ 32,793	$ 66,980	$ -	$ 99,773
Depreciation	$ 1,352,601	$ 168,148	$ 1,862	$ 1,522,611
Amortization	$ 8,323	$ 12,399	$ 3,505	$ 24,227

	Three Months Ended September 30, 2016			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	$ 633,809	$ 1,044,608	$ -	$ 1,678,417
Post-employment benefits	$ 30,095	$ 62,419	$ -	$ 92,514
Depreciation	$ 1,299,613	$ 73,659	$ 1,946	$ 1,375,218
Amortization	$ 8,323	$ 14,850	$ 2,925	$ 26,098

	Nine Months Ended September 30, 2017			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	$ 2,236,831	$ 3,590,608	$ -	$ 5,827,439
Post-employment benefits	$ 93,774	$ 205,087	$ -	$ 298,861
Depreciation	$ 3,930,675	$ 374,102	$ 5,572	$ 4,310,349
Amortization	$ 24,970	$ 43,276	$ 10,515	$ 78,761

	Nine Months Ended September 30, 2016			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	$ 1,918,309	$ 3,145,552	$ -	$ 5,063,861
Post-employment benefits	$ 90,166	$ 196,295	$ -	$ 286,461
Depreciation	$ 3,962,568	$ 239,712	$ 6,013	$ 4,208,293
Amortization	$ 24,969	$ 39,483	$ 8,775	$ 73,227

In accordance with the Company Act and the Articles of Incorporation, it stipulates distribution of the compensation of employees and remuneration of directors at the rates no higher than 1% and no less than 1%, respectively, of net profit before income tax, remuneration to directors and compensation of employees. The calculation for the rate mentioned above also include the Company's remuneration of supervisors before establishment of the Audit Committee. The Company estimates the compensation of employees and remuneration of directors for the three months ended September 30, 2017 and 2016 and the nine months ended September 30, 2017 and 2016 at the rate of 1% of the base net profit (offset of deficit).

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Employees' compensation	$ 24,402	$ 7,888	$ 45,949	$ 24,849
Remuneration of directors and supervisors	$ 24,402	$ 7,888	$ 45,949	$ 24,849

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

The compensation to employees and remuneration to the directors and supervisors of 2016 and 2015 were approved by the Company's board of directors on February 3, 2017 and January 29, 2016, respectively.

	Year Ended December 31	
	2016	2015
Employees' compensation	$ 34,400	$ 28,475
Remuneration of directors and supervisors	34,400	28,475

There was no difference between the amounts of the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors, and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on the compensation to employees and remuneration to the directors and supervisors resolved by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Reconciliation of accounting profit and income tax expense were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Income tax expense from continuing operations at the statutory rate	$ 468,447	$ 195,766	$ 923,459	$ 571,335
Tax effect of adjustment item				
Permanent differences	(105,696)	(22,228)	(166,306)	(69,878)
Additional income tax on unappropriated earnings	-	-	122,806	12,439
Current income tax	362,751	173,538	879,959	513,896
Deferred income tax	(1,690)	(9,291)	(3,250)	(21,683)
Adjustment for prior years' tax	1,137	(2,598)	7,471	4,888
Income tax expense recognized in profit or loss	$ 362,198	$ 161,649	$ 884,180	$ 497,101

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. The information on the Company's integrated income tax was as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Balance of imputation credit account	$ 180,107	$ 53,036	$ 42,662
Undistributed earnings for the years of 1998 and thereafter	$ 5,639,934	$ 2,952,901	$ 2,203,158

The Company had no undistributed earnings for the years of 1997 and before.

	2016	2015
Creditable ratio for distribution of earnings	9.54%	20.48%

According to the revised Article 66 - 6-1 of the Income Tax Law, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio.

c. The Company's tax returns through 2014 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Three Months Ended September 30					
	2017			2016		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)	Shares (Denominator) (In Thousand)	Earnings Per Share (In Dollars) After Income Tax (Attributable to Owners of the Parent)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)	Shares (Denominator) (In Thousand)	Earnings Per Share (In Dollars) After Income Tax (Attributable to Owners of the Parent)
Basic earnings per share						
Net income attributed to common shareholders	$ 2,084,353	3,577,494	$ 0.58	$ 660,003	3,572,482	$ 0.18
Effect of dilutive potential common share						
Employees' compensation	-	904		-	781	
Diluted earnings per share						
Net income attributed to common shareholders	$ 2,084,353	3,578,398	$ 0.58	$ 660,003	3,573,263	$ 0.18

	Nine Months Ended September 30					
	2017			2016		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)	Shares (Denominator) (In Thousand)	Earnings Per Share (In Dollars) After Income Tax (Attributable to Owners of the Parent)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)	Shares (Denominator) (In Thousand)	Earnings Per Share (In Dollars) After Income Tax (Attributable to Owners of the Parent)
Basic earnings per share						
Net income attributed to common shareholders	$ 3,761,178	3,574,153	$ 1.05	$ 2,078,767	3,572,482	$ 0.58
Effect of dilutive potential common share						
Employees' compensation	-	2,419		-	2,682	
Diluted earnings per share						
Net income attributed to common shareholders	$ 3,761,178	3,576,572	$ 1.05	$ 2,078,767	3,575,164	$ 0.58

If the Company may settle the compensation or bonus to employees by cash or shares, the Company should presume that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. NON-CASH TRANSACTIONS

	Nine Months Ended September 30	
	2017	**2016**
Non-cash investing and financing activities		
Long-term borrowings, current portion	$ 3,556,850	$ 3,660,929
Exchange differences on translation of foreign financial statements	$ (108,471)	$ (74,075)
Unrealized gains on available-for-sale financial assets	$ 3,238,697	$ 2,027,821

24. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

a. Lease arrangements

The Company and NTC leased land from Science Park Administration, and the lease term will expire in 2023 and 2027, respectively, which can be extended after the expiration of the lease periods.

NTC leased a land from Taiwan Sugar Corporation. Under a twenty-year term from October 2014 to September 2034, which is allowed to extend upon the expiration of lease. The chairman of NTC is a joint guarantor of such lease, please refer to Note 26.

The Group leased some of the offices in the United States, China, Japan, Israel, India, and part in Taiwan, and the lease terms will expire between 2017 and 2022 which can be extended after the expiration of the lease periods.

As of September 30, 2017, December 31, 2016 and September 30, 2016, deposits paid under operating leases amounted to $64,505 thousand, $62,109 thousand and $67,089 thousand, respectively (recorded as "other non-current assets").

b. Prepayments for lease obligations

	September 30, 2017	December 31, 2016	September 30, 2016
Current (recorded as "other current assets")	$ 2,381	$ 4,112	$ 2,382
Non-current (recorded as "other non-current assets")	38,106	39,892	40,487
	$ 40,487	$ 44,004	$ 42,869

c. Lease expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Lease expenditure	$ 54,604	$ 57,153	$ 162,010	$ 168,096

The Group as Lessor

Operating lease agreements

Operating leases relate to leasing the investment property with lease terms of 3-5 years, and with an extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of September 30, 2017, December 31, 2016 and September 30, 2016, deposits received under operating leases amounted to $2,179 thousand, $1,911 thousand and $1,943 thousand, respectively (recorded as "other non-current liabilities").

25. CAPITAL MANAGEMENT

The Group's capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, research and development activities, debt repayments and dividends payments.

26. RELATED PARTY TRANSACTIONS

a. The names and relationships of related parties are as follows:

Related Party	Relationship with the Group
Walsin Lihwa Corporation	Investor that exercises significant influence over the Group
Nyquest Technology Co., Ltd.	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Walton Advanced Engineering Ltd. (Suzhou)	Related party in substance
Global Brands Manufacture (Dongguan) Ltd.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
Walsin Technology Corporation	Related party in substance
Hannstar Display Corporation	Related party in substance
Harbinger III Venture Capital Corp.	Related party in substance

b. Operating activities

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
1) Operating revenue				
Related party in substance	$ 57,643	$ 71,894	$ 189,408	$ 246,112

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
2) Manufacturing expenses				
Related party in substance	$ 608,277	$ 617,555	$ 1,751,963	$ 1,944,268
3) General and administrative expenses				
Investor that exercises significant influence over the Group	$ 2,007	$ 2,322	$ 6,305	$ 6,570
Related party in substance	2,635	2,583	7,904	7,748
	$ 4,642	$ 4,905	$ 14,209	$ 14,318
4) Dividend income				
Investor that exercises significant influence over the Group				
Walsin Lihwa Corporation	$ 140,000	$ -	$ 140,000	$ -
Related party in substance				
HannStar Display Corporation	59,034	-	59,034	-
Others	37,746	27,467	40,108	27,467
	$ 236,780	$ 27,467	$ 239,142	$ 27,467
5) Other income				
Related party in substance	$ 178	$ 1,436	$ 2,609	$ 1,436

	September 30, 2017	December 31, 2016	September 30, 2016
6) Accounts receivable due from related parties			
Related party in substance	$ 41,053	$ 49,531	$ 51,067
7) Accounts payable to related parties			
Related party in substance	$ 486,876	$ 472,489	$ 523,043
8) Other current assets			
Investor that exercises significant influence over the Group	$ 1,354	$ 340	$ 1,050

	September 30, 2017	December 31, 2016	September 30, 2016
9) Other payables			
Related party in substance	$ 29,292	$ 32,820	$ 30,522
Investor that exercises significant influence over the Group	1,148	6	531
	$ 30,440	$ 32,826	$ 31,053
10) Refundable deposits (recorded as "other non-current assets")			
Related party in substance	$ 1,722	$ 1,722	$ 1,722
Investor that exercises significant influence over the Group	203	203	203
	$ 1,925	$ 1,925	$ 1,925

11) Property, plant and equipment disposed

	Three Months Ended September 30			
	2017		2016	
	Price	Gain on Disposal	Price	Gain on Disposal
Related party in substance	$ 620	$ 114	$ -	$ -

	Nine Months Ended September 30			
	2017		2016	
	Price	Gain on Disposal	Price	Gain on Disposal
Related party in substance	$ 620	$ 114	$ -	$ -

The Group's transactions with the related party were conducted under normal terms.

c. Guarantee

As of September 30, 2017, the chairman of NTC is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Please refer to Note 24.

d. Compensation of key management personnel

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Short-term employment benefits	$ 64,171	$ 64,534	$ 204,224	$ 190,012
Post-employment benefits	1,711	2,014	8,730	7,066
	$ 65,882	$ 66,548	$ 212,954	$ 197,078

The remuneration of directors and key management personnel was suggested by the remuneration committee having regard to the performance of individuals and market trends. And the remuneration was resolved by the board of directors.

27. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6, Note 10, Note 14 and Note 17.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Amounts available under unused letters of credit as of September 30, 2017 were approximately US$28,791 thousand, EUR1,063 thousand and JPY1,547,602 thousand.

b. Signed construction contract

	Total Contract Price	**Payment as of September 30, 2017**
TASA Construction Corporation	$ 2,374,000	$ 1,466,092

29. SIGNIFICANT SUBSEQUENT EVENTS

On September 7, 2017, the Board of Directors resolved to issue 400,000 thousand ordinary shares with a par value of NT$10 each share, the above transaction was approved by FSC on October 16, 2017.

In the Board of Directors 3rd Meeting of 11th session, the chairman was authorized to determine the subscription base date at November 6, 2017, and for consideration of NT$22 per share on October 24, 2017.

The Company’s share capital will issued and fully paid to $39,800,002 thousand.

30. FINANCIAL INSTRUMENT

a. Fair value of financial instruments

1) Valuation techniques and assumptions used in fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks and mutual funds).

- Forward exchange contracts and foreign exchange swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3) Fair value of financial instruments that are not measured at fair value

Fair value hierarchy as at September 30, 2017

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets measured at cost					
Domestic emerging securities					
Equity securities	$ 493	$ -	$ 335	$ -	$ 335

Fair value hierarchy as at December 31, 2016

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets measured at cost					
Domestic emerging securities					
Equity securities	$ 493	$ -	$ 267	$ -	$ 267

Fair value hierarchy as at September 30, 2016

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets measured at cost					
Domestic emerging securities					
Equity securities	$ 493	$ -	$ 187	$ -	$ 187

4) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy as at September 30, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed securities				
Equity securities	$ 5,724,697	$ -	$ -	$ 5,724,697
Overseas listed securities				
Equity securities	158,410	-	-	158,410
	$ 5,883,107	$ -	$ -	$ 5,883,107
Financial liabilities at FVTPL				
Derivative financial liabilities (not under hedge accounting)	$ -	$ 21,932	$ -	$ 21,932

Fair value hierarchy as at December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets (not under hedge accounting)	$ -	$ 5,559	$ -	$ 5,559
Available-for-sale financial assets				
Domestic listed securities				
Equity securities	$ 4,422,823	$ -	$ -	$ 4,422,823
Overseas listed securities				
Equity securities	186,110	-	-	186,110
Mutual funds	24,873	-	-	24,873
	$ 4,633,806	$ -	$ -	$ 4,633,806
Financial liabilities at FVTPL				
Derivative financial liabilities (not under hedge accounting)	$ -	$ 47,288	$ -	$ 47,288

Fair value hierarchy as at September 30, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets (not under hedge accounting)	$ -	$ 30,666	$ -	$ 30,666
Available-for-sale financial assets				
Domestic listed securities				
Equity securities	$ 4,049,041	$ -	$ -	$ 4,049,041
Overseas listed securities				
Equity securities	122,355	-	-	122,355
Mutual funds	25,129	-	-	25,129
	$ 4,196,525	$ -	$ -	$ 4,196,525

There were no transfers between the levels for the nine months ended September 30, 2017 and 2016, respectively.

b. Categories of financial instruments

Fair values of financial assets and liabilities were summarized as follows:

	September 30, 2017		December 31, 2016		September 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Loans and receivables						
Cash and cash equivalents	$ 5,278,464	$ 5,278,464	$ 7,683,817	$ 7,683,817	$ 8,418,684	$ 8,418,684
Notes and accounts receivable (included related parties)	6,842,227	6,842,227	5,806,346	5,806,346	5,759,568	5,759,568
Other receivables	709,176	709,176	518,048	518,048	764,918	764,918
Refundable deposits (recorded in other non-current assets)	180,354	180,354	181,134	181,134	183,033	183,033
Financial assets at FVTPL	-	-	5,559	5,559	30,666	30,666
Available-for-sale financial assets (current and non-current)	5,883,107	5,883,107	4,633,806	4,633,806	4,196,525	4,196,525
Financial assets measured at cost	340,875	340,717	611,699	611,473	641,700	641,394
Financial liabilities						
Measured at amortized cost						
Short-term borrowings	856,496	856,496	-	-	-	-
Notes and accounts payable (included related parties)	4,779,118	4,779,118	4,682,209	4,682,209	4,431,744	4,431,744
Payable on equipment and other payables	6,383,729	6,383,729	6,612,967	6,612,967	3,804,371	3,804,371
Long-term borrowings (included current portion)	13,289,170	13,289,170	9,784,260	9,784,260	11,550,099	11,550,099
Long-term contract payable (recorded in other non-current liabilities)	10,748	10,748	22,868	22,868	22,237	22,237
Guarantee deposits (recorded in other non-current liabilities)	71,618	71,618	86,518	86,518	68,544	68,544
Financial liabilities at FVTPL	21,932	21,932	47,288	47,288	-	-

c. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, borrowings, accounts receivable and accounts payable. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, and use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts to hedge the foreign currency risk on export.

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

a) Foreign currency risk

The Group uses forward foreign exchange contracts to hedge the exchange rate risk within approved policy parameters utilizing forward foreign exchange contracts.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against U.S. dollars, there would be impact on net income in the amounts of increased by $2,261 thousand, decreased by $1,147 thousand, increased by $33,024 thousand and increased by $34,465 thousand for the three months ended September 30, 2017 and 2016, and the nine months ended September 30, 2017 and 2016.

b) Interest rate risk

The Group's interest rate risk arises primarily from floating rate deposits and borrowings.

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

	September 30, 2017	December 31, 2016	September 30, 2016
Cash flow interest rate risk			
Financial assets	$ 32,719	$ 29,165	$ 29,114
Financial liabilities	13,289,170	9,784,260	11,550,099

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows for the three months ended September 30, 2017 and 2016, and the nine months ended September 30, 2017 and 2016 would have increased by $17,001 thousand, $0 thousand, $132,565 thousand and $115,210 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual accounts receivables at the end of the reporting period to ensure that adequate impairment losses are recognized for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group has enough operating capital to comply with loan covenants; liquidity risk is low.

The Group's non-derivative financial liabilities and their agreed repayment period were as follows:

	September 30, 2017			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 11,162,847	$ 10,748	$ -	$ 11,173,595
Variable interest rate liabilities	3,556,850	4,623,520	5,108,800	13,289,170
Fixed interest rate liabilities	856,496	-	-	856,496
	$ 15,576,193	$ 4,634,268	$ 5,108,800	$ 25,319,261

	December 31, 2016			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 11,295,176	$ 11,434	$ 11,434	$ 11,318,044
Variable interest rate liabilities	3,090,180	2,723,520	3,970,560	9,784,260
	$ 14,385,356	$ 2,734,954	$ 3,981,994	$ 21,102,304

	September 30, 2016			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 8,236,115	$ 11,119	$ 11,118	$ 8,258,352
Variable interest rate liabilities	3,660,929	3,556,850	4,332,320	11,550,099
	$ 11,897,044	$ 3,567,969	$ 4,343,438	$ 19,808,451

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed.

The significant assets and liabilities denominated in foreign currencies were as follows:

	September 30, 2017			December 31, 2016			September 30, 2016		
	Foreign Currencies (Thousand)	Exchange Rate (Note 1)	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate (Note 1)	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate (Note 1)	New Taiwan Dollars (Thousand)
<u>Financial assets</u>									
Monetary items									
USD	$ 245,791	30.315	$ 7,451,153	$ 199,411	32.25	$ 6,431,008	$ 199,688	31.36	$ 6,262,217
USD	21,301	112.40 (Note 2)	645,749	15,393	117.02 (Note 2)	496,419	17,823	100.87 (Note 2)	558,927
EUR	2,170	35.76	77,592	2,710	33.90	91,878	1,836	35.08	64,392
JPY	3,817,481	0.2697	1,029,575	2,555,860	0.2756	704,395	1,673,950	0.3109	520,431
RMB	76,239	4.559	347,575	48,389	4.617	223,412	63,298	4.693	297,057
ILS	27,745	8.5961	238,496	14,568	8.3882	122,202	20,895	8.3493	174,461
Non-monetary items									
USD	6,266	30.315	189,961	13,759	32.25	443,734	13,759	31.36	431,488
<u>Financial liabilities</u>									
Monetary items									
USD	131,517	30.315	3,986,947	118,730	32.25	3,829,048	89,122	31.36	2,794,869
USD	13,516	112.40 (Note 2)	409,738	9,587	117.02 (Note 2)	309,171	10,668	100.87 (Note 2)	334,550
EUR	18,569	35.76	664,020	3,395	33.90	115,082	3,309	35.08	116,077
JPY	3,869,288	0.2697	1,043,547	2,712,845	0.2756	747,660	1,514,597	0.3109	470,888
ILS	23,738	8.5961	204,058	14,002	8.3882	117,453	21,609	8.3493	180,423

Note 1: Except as otherwise noted, exchange rate represents the number of New Taiwan dollars for which one foreign currency could be exchanged.

Note 2: The exchange rate represents the number of JPY for which one U.S. dollars could be exchanged.

For the three months ended September 30, 2017 and 2016, and the nine months ended September 30, 2017 and 2016, realized and unrealized net foreign exchange loss were $15,479 thousand, $137,386 thousand, $196,358 thousand and $234,154 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

32. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" and IAS 34 "Interim Financial Reporting" were as follows:

a) Segment of DRAM IC product

The DRAM IC product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Mobile RAM and Specialty DRAM.

b) Segment of Flash Memory product

The Flash Memory product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Flash Memory product.

c) Segment of Logic IC product

The Logic IC product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Logic IC product.

2) Principles of measuring reportable segments, profit, assets and liabilities

The significant accounting principles of each operating segment are the same as those stated in Note 4 to the consolidated financial statements. The Group's operating segment profit or loss represents the profit or loss earned by each segment. The profit or loss is controllable by segment managers and is the basis for assessment of segment performance. Individual segment assets are disclosed as zero since those measures are not reviewed by the chief operating decision maker. Major liabilities are arranged based on the capital cost and deployment of the whole company, which are not controlled by individual segment managers.

b. Segment revenues and operating results

The following was an analysis of the Group's revenue from continuing operations by reportable segments.

	Segment Revenue		Segment Profit and Loss	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
DRAM IC product	$ 15,112,449	$ 16,043,803	$ 2,934,816	$ 3,346,532
Flash Memory product	12,438,989	9,142,007	2,252,223	869,670
Logic IC product	6,833,363	6,130,382	1,166,521	1,014,812
Total of segment revenue	34,384,801	31,316,192	6,353,560	5,231,014
Other revenue	1,342	356	1,342	356
Operating revenue	$ 34,386,143	$ 31,316,548		
Unallocated expenditure				
Administrative and supporting expense			(1,092,054)	(956,846)
Sales and other common expenses			(841,249)	(1,498,123)
Income from operations			4,421,599	2,776,401
Non-operating income and expenses				
Interest income			25,444	119,850
Dividend income			339,429	83,726
Other income			51,939	28,966
Gains (losses) on disposals of property, plant and equipment			1,425	(1,019)
Gains (losses) on disposals of investments			25,489	(1,811)
Gains on financial instruments at fair value through profit or loss			142,032	161,932
Share of profit (loss) of associates accounted for using equity method			165,150	(4,418)

(Continued)

	Segment Revenue		Segment Profit and Loss	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Interest expenses			$ (43,817)	$ (144,581)
Other expenses			(61,996)	(18,584)
Foreign exchange losses			(196,358)	(234,154)
Impairment loss on financial assets			(10,000)	-
Profit before income tax			$ 4,860,336	$ 2,766,308

(Concluded)