

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

**MIN AIK TECHNOLOGY CO., LTD.
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

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

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~12
(4) Summary of significant accounting policies	12~26
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	26~27
(6) Explanation of significant accounts	27~49
(7) Related-party transactions	49~51
(8) Pledged assets	52
(9) Commitments and contingencies	52
(10) Losses Due to Major Disasters	52
(11) Subsequent Events	52
(12) Other	53
(13) Other disclosures	
(a) Information on significant transactions	53~56
(b) Information on investees	57
(c) Information on investment in mainland China	57
(14) Segment information	57~59

Representation Letter

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

Company name: Min Aik Technology Co., Ltd.

Chairman: CHIA KIN HENG

Date: March 20, 2017



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of Min Aik Technology Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Min Aik Technology Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

Please refer to Note 4(o) “Revenue” of the consolidated financial statements.

The Group's revenue recognition is based on the transaction terms between clients. Revenue recognition is one of the key judgmental areas for our audit, particularly in respect of high volume of transaction generated from world-wide operation bases.

How the matter was addressed in our audit

Our principal audit procedures included: assessing whether appropriate revenue recognition policies are applied through comparison with accounting standards; testing the Group's controls surrounding revenue recognition, including corroborating the orders from clients, the proof of shipment, and receipt documents; sampling the sales transaction between the reported date, inspected the external file to evaluate whether the sales was recorded in appropriate period.

2. Inventory valuation

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

Valuation of inventory is one of the key judgmental areas for our audit, the Group is primarily involved in the manufacture of hard disk drive components. As different series or models of electronic products are rapidly being replaced by new ones, it may affect the inventory of the older ones to be slow-moving, or worse yet, stagnant; thus, may result the cost of inventory to be higher than the net realized value. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit

Our principal audit procedures included: assessing whether appropriate inventory policies are applied through comparison with accounting standards; sampling the inventory item to testing the accuracy of inventory aging report; comparing and analyzing the aging of inventory over two years, we considered the historical accuracy of provisioning and used the information obtained as evidence for evaluating the appropriateness of the assumptions made in the current year including how these compare to the experience in previous year; review the subsequent sales status to assessed whether the estimate of inventory allowance is reasonable.

Other Matter

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Mei-Pin Wu and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2017

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in, New Taiwan Dollars)

	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
1100 Cash and cash equivalents (note 6(a))	\$ 2,584,010	32	2,426,532	31	2100			
1170 Accounts receivable, net (note 6(c))	1,589,189	20	1,704,024	21	2170			
1180 Accounts receivable from related parties, net (notes 6(c) and 7)	25,872	-	36,828	-	2180			
1200 Other receivables, net (notes 6(c), 7 and 8)	125,104	1	59,927	1	2201			
130X Inventories (note 6(d))	1,039,439	13	1,176,033	15	2230			
1470 Other current assets	124,665	1	78,341	1	2322			
	<u>5,488,279</u>	<u>67</u>	<u>5,481,685</u>	<u>69</u>	2300			
Non-current assets:								
1543 Non-current financial assets at cost, net (note 6(b))	-	-	28,959	-				
1550 Investments accounted for using equity method (note 6(e))	866,723	11	876,367	11	2540			
1600 Property, plant and equipment (notes 6(f), 7 and 8)	1,499,680	19	1,425,478	18	2570			
1840 Deferred tax assets (note 6(i))	141,364	2	105,971	1	2600			
1900 Other non-current assets (note 6(g))	86,914	1	83,100	1				
	<u>2,594,681</u>	<u>33</u>	<u>2,519,875</u>	<u>31</u>				
Total assets	<u>\$ 8,082,960</u>	<u>100</u>	<u>8,001,560</u>	<u>100</u>				
Liabilities and Equity								
Current liabilities:								
Short-term borrowings (note 6(h))								
Accounts payable								
Accounts payable to related parties (note 7)								
Wages and salaries payable								
Current tax liabilities								
Long-term borrowings, current portion (note 6(i))								
Other current liabilities								
	<u>317,106</u>	<u>4</u>	<u>375,824</u>	<u>5</u>				
	<u>2,619,474</u>	<u>32</u>	<u>2,121,656</u>	<u>26</u>				
Non-Current liabilities:								
Long-term borrowings (note 6(i))								
Deferred tax liabilities (note 6(i))								
Other non-current liabilities (note 6(k))								
	<u>148,692</u>	<u>2</u>	<u>178,976</u>	<u>2</u>				
	<u>494,840</u>	<u>6</u>	<u>442,055</u>	<u>6</u>				
	<u>18,670</u>	<u>-</u>	<u>29,083</u>	<u>-</u>				
	<u>662,202</u>	<u>8</u>	<u>650,114</u>	<u>8</u>				
	<u>3,281,676</u>	<u>40</u>	<u>2,771,770</u>	<u>34</u>				
Total liabilities	<u>1,742,020</u>	<u>22</u>	<u>1,742,020</u>	<u>22</u>				
Equity attributable to owners of parent (note 6(m)):								
Ordinary shares					3100			
Capital surplus					3200			
Retained earnings:								
Legal reserve					3310			
Special reserve					3320			
Unappropriated retained earnings					3350			
	<u>794,208</u>	<u>10</u>	<u>718,700</u>	<u>9</u>				
	<u>445,538</u>	<u>6</u>	<u>59,074</u>	<u>1</u>				
	<u>440,230</u>	<u>5</u>	<u>1,349,439</u>	<u>17</u>				
	<u>1,679,976</u>	<u>21</u>	<u>2,127,213</u>	<u>27</u>				
Other equity interest:								
Exchange differences on translation of foreign financial statements					3410			
Total equity attributable to owners of parent	<u>(643,158)</u>	<u>(8)</u>	<u>(445,538)</u>	<u>(6)</u>				
Non-controlling interests					36XX			
Total equity	<u>4,568,338</u>	<u>57</u>	<u>5,001,767</u>	<u>63</u>				
	<u>232,946</u>	<u>3</u>	<u>228,023</u>	<u>3</u>				
	<u>4,801,284</u>	<u>60</u>	<u>5,229,790</u>	<u>66</u>				
Total liabilities and equity	<u>\$ 8,082,960</u>	<u>100</u>	<u>8,001,560</u>	<u>100</u>				

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

	2016		2015	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(o) and 7)	\$ 8,365,413	100	8,164,884	100
5000 Operating costs (notes 6(d), (j) and (k), 7 and 12)	<u>7,350,595</u>	<u>88</u>	<u>6,687,241</u>	<u>82</u>
Gross profit from operations	<u>1,014,818</u>	<u>12</u>	<u>1,477,643</u>	<u>18</u>
Operating expenses (notes 6(c), (j) and (k), 7 and 12):				
6100 Selling expenses	201,820	2	217,862	3
6200 Administrative expenses	304,405	4	333,467	4
6300 Research and development expenses	<u>210,520</u>	<u>3</u>	<u>200,565</u>	<u>2</u>
Total operating expenses	<u>716,745</u>	<u>9</u>	<u>751,894</u>	<u>9</u>
Net operating income	<u>298,073</u>	<u>3</u>	<u>725,749</u>	<u>9</u>
Non-operating income and expenses (notes 6(b), (e) and (p) and 7):				
7010 Other income	61,041	1	58,675	-
7020 Other gains and losses, net	4,939	-	218,321	3
7050 Finance costs, net	(7,112)	-	(5,155)	-
7060 Share of profit of associates and joint ventures accounted for using equity method, net	<u>7,205</u>	<u>-</u>	<u>200,529</u>	<u>2</u>
Total non-operating income and expenses	<u>66,073</u>	<u>1</u>	<u>472,370</u>	<u>5</u>
7900 Profit before tax	364,146	4	1,198,119	14
7950 Less: Tax expense (note 6(l))	<u>131,924</u>	<u>1</u>	<u>396,376</u>	<u>5</u>
Profit	<u>232,222</u>	<u>3</u>	<u>801,743</u>	<u>9</u>
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Actuarial gains on defined benefit plans (note 6(k))	4,740	-	(4,795)	-
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	<u>(3,892)</u>	<u>-</u>	<u>(114)</u>	<u>-</u>
	<u>848</u>	<u>-</u>	<u>(4,909)</u>	<u>-</u>
8360 Other components of other comprehensive income that will not be reclassified to profit or loss				
8361 Exchange differences on translation	(248,370)	(3)	(517,816)	(6)
8399 Income tax related to components of other comprehensive income	<u>37,334</u>	<u>-</u>	<u>77,334</u>	<u>1</u>
Components of other comprehensive income that will be reclassified to profit or loss	<u>(211,036)</u>	<u>(3)</u>	<u>(440,482)</u>	<u>(5)</u>
8300 Other comprehensive income, net	<u>(210,188)</u>	<u>(3)</u>	<u>(445,391)</u>	<u>(5)</u>
Total comprehensive income	<u>\$ 22,034</u>	<u>-</u>	<u>356,352</u>	<u>4</u>
Profit, attributable to:				
Profit, attributable to owners of parent	\$ 213,883	3	755,083	8
Profit, attributable to non-controlling interests	<u>18,339</u>	<u>-</u>	<u>46,660</u>	<u>1</u>
	<u>\$ 232,222</u>	<u>3</u>	<u>801,743</u>	<u>9</u>
Comprehensive income attributable to:				
Comprehensive income, attributable to owners of parent	\$ 17,111	-	363,710	4
Comprehensive income, attributable to non-controlling interests	<u>4,923</u>	<u>-</u>	<u>(7,358)</u>	<u>-</u>
	<u>\$ 22,034</u>	<u>-</u>	<u>356,352</u>	<u>4</u>
Basic earnings per share (NT dollars) (note 6(n))	<u>\$ 1.23</u>		<u>4.33</u>	
Diluted earnings per share (NT dollars) (note 6(n))	<u>\$ 1.22</u>		<u>4.30</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Other equity interest			Total equity
							Legal reserve	Special reserve	Unappropriated earnings	
Balance on January 1, 2015	\$ 1,742,020	1,578,072	646,187	85,194	1,028,902	1,760,283	(59,074)	5,021,301	235,381	5,256,682
Profit	-	-	-	-	755,083	755,083	-	755,083	46,660	801,743
Other comprehensive income (loss)	-	-	-	-	(4,909)	(4,909)	(386,464)	(391,373)	(54,018)	(445,391)
Total comprehensive income (loss)	-	-	-	-	750,174	750,174	(386,464)	363,710	(7,358)	356,352
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	72,513	-	(72,513)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(383,244)	(383,244)	-	(383,244)	-	(383,244)
Reversal of special reserve appropriated	-	-	-	(26,120)	26,120	-	-	-	-	-
Balance on December 31, 2015	1,742,020	1,578,072	718,700	59,074	1,349,439	2,127,213	(445,538)	5,001,767	228,023	5,229,790
Profit	-	-	-	-	213,883	213,883	-	213,883	18,339	232,222
Other comprehensive income (loss)	-	-	-	-	848	848	(197,620)	(196,772)	(13,416)	(210,188)
Total comprehensive income	-	-	-	-	214,731	214,731	(197,620)	17,111	4,923	22,034
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	75,508	-	(75,508)	-	-	-	-	-
Special reserve appropriated	-	-	-	386,464	(386,464)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(661,968)	(661,968)	-	(661,968)	-	(661,968)
Changes in equity of associates and joint ventures accounted for using equity method	-	212,451	-	-	-	-	-	212,451	-	212,451
Disposal of investments accounted for using equity method	-	(1,023)	-	-	-	-	-	(1,023)	-	(1,023)
Balance on December 31, 2016	\$ 1,742,020	1,789,500	794,208	445,538	440,230	1,679,976	(643,158)	4,568,338	232,946	4,801,284

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) operating activities:		
Profit before tax	\$ 364,146	1,198,119
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	253,364	207,468
Amortization expense	17,612	5,742
Interest expense	7,112	5,155
Interest income	(5,736)	(7,922)
Share of profit of associates accounted for using equity method	(7,205)	(200,529)
Loss (gain) on disposal of property, plan and equipment	(2,004)	1,255
Gain on disposal of investments accounted for using equity method	(3,413)	-
Impairment loss on financial assets	28,959	28,000
Impairment loss on investments accounted for using equity method	50,898	3,914
Other	24,154	10,414
Total adjustments to reconcile profit (loss)	363,741	53,497
Changes in operating assets and liabilities:		
Accounts receivable	126,662	(116,085)
Other receivable	(22,526)	73,107
Inventories	116,522	(304,167)
Other current assets	(46,324)	(14,118)
Other non-current assets	38	(77)
Accounts payable	52,141	305,415
Other financial liabilities	(78,770)	19,054
In other current liabilities	52,456	(176,127)
Other non-current liabilities	(5,673)	146
Total adjustments	558,267	(159,355)
Cash inflow generated from operations	922,413	1,038,764
Interest received	2,006	7,922
Dividends received	148,406	152,085
Interest paid	(6,912)	(5,220)
Income taxes paid	(146,350)	(188,718)
Net cash flows from operating activities	919,563	1,004,833
Cash flows from (used in) investing activities:		
Proceeds from disposal of investments accounted for using equity method	10,842	-
Acquisition of property, plant and equipment	(441,809)	(452,399)
Proceeds from disposal of property, plant and equipment	6,776	9,149
Increase (decrease) in other receivables	(38,921)	85,292
Other investing activities	(25,291)	(20,889)
Net cash flows used in investing activities	(488,403)	(378,847)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	587,000	-
Repayments of long-term borrowings	(30,336)	(27,768)
Cash dividends paid	(661,968)	(383,244)
Net cash flows used in financing activities	(105,304)	(411,012)
Effect of exchange rate changes on cash and cash equivalents	(168,378)	(309,181)
Net increase (decrease) in cash and cash equivalents	157,478	(94,207)
Cash and cash equivalents at beginning of period	2,426,532	2,520,739
Cash and cash equivalents at end of period	\$ 2,584,010	2,426,532

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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

(1) Company history

Min Aik Technology Co., Ltd. (the "Company") was incorporated on October 3, 1979, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The address of the Company's registered office is 10F. 1, No. 492 1, Sec. 1, Wanshou Rd., Guishan District, Taoyuan City. The Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") primarily is involved in the design, manufacture, and sale of hard disk drive components, plastic camera components, CD ROM drive components, and mechanical components for optical devices, the assembly of high cleanliness products, precision plastic injection tooling, and injection molding tooling, and trading activities.

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

These consolidated financial statements were authorized for issuance by the board of directors on March 20, 2017.

(3) New standards, amendments and interpretations adopted:

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

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

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

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

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

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

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

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

The Group is still currently determining the potential impact of the standards listed below:

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

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The following accounting policies were applied consistently to the periods presented in the financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

Except for the defined benefit asset is recognized as plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less the present value of the defined benefit obligation, the consolidated financial statements have been prepared on a historical cost basis.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2016	December 31, 2015
The Company	Min Aik Technology USA Inc. (MAUS)	Researching hard disk drive components	100.00 %	100.00 %
"	Min Aik International Development Pte., Ltd. (MAS)	Investment holding, researching hard disk drive components, and providing sales and marketing support	100.00 %	100.00 %
"	Synergy Technology Industrial Co., Ltd. (Synergy)	Holding company	100.00 %	100.00 %
"	Min Aik Technology (Thailand) Co., Ltd. (MATH)	Manufacture and sale of hard disk drive components	100.00 %	100.00 %
"	Good Master Holding Co., Ltd. (Good Master)	Holding company	100.00 %	100.00 %
"	Green Far Company Ltd. (Green Far)	Sale of electricity produced by curvature module	100.00 %	100.00 %
MAS	Min Aik Technology(M) Sdn. Bhd. (MAM)	Manufacture and sale of hard disk drive components	100.00 %	100.00 %
Synergy	Min Aik Technology (Suzhou) Co., Ltd. (MAY)	Manufacture and sale of hard disk drive components	100.00 %	100.00 %
"	MATC Technology (M) Sdn. Bhd. (MATC)	Manufacture and sale of hard disk drive components	80.00 %	80.00 %
MATH	MU-Technology Pte. Ltd. (MUS)	Holding company	69.41 %	69.41 %
MUS	MU Technology (M) Sdn. Bhd. (MUM)	Manufacture and sale of hard disk drive components	100.00 %	100.00 %

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(d) Foreign currencies

(i) Foreign currency transaction

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

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

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the translation of foreign currency financial statements into the Group's functional currency which are recognized in other comprehensive income.

(ii) Foreign operations

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

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

An entity shall classify an asset as current when:

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

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

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

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents. If they do not meet the above definition, time deposits should be recognized as other current and non current financial assets.

(g) Financial instruments

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

(i) Financial assets

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

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES**Notes to Consolidated Financial Statements**

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than ones classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

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

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

2) Financial assets at cost

Investments in equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured are measured at their cost, less, impairment loss, and are included in financial assets at cost.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt security with no active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

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

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

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

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its 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 is not reversible in subsequent periods.

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

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

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

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, and it is included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Group designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
- b) Performance of the financial liabilities is evaluated on a fair value basis;
- c) A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in non-operating income and expenses.

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(h) Inventories

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

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

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The Group recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of the associate.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under additional paid in capital. If the additional paid in capital resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless, the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and expense.

(ii) Subsequent cost

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

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Leased assets are depreciated by using the straight line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

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

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

- 1) Buildings: 20 ~50 years
- 2) Building facilities: 8 ~10 years
- 3) Machinery: 2 ~20 years

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

- 4) Leasehold improvement: 3 ~15 years
- 5) Office and other equipment: 2 ~ 10 years

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

(k) Lease

Operating leases are not recognized in the Group's balance sheet.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense on a straight-line basis over the term of the lease.

(l) Research & development

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

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

- (i) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (ii) The intention to complete the intangible asset and use or sell it.
- (iii) The ability to use or sell the intangible asset.
- (iv) How the intangible asset will generate probable future economic benefits.
- (v) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
- (vi) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

(m) Impairment – non-derivative financial assets

The carrying amounts of the Group's non financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit (CGU).

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

(n) Treasury stock

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

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

(o) Revenue

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

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

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(iii) Short-term employee benefits

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

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

(q) Share-based payment

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

(r) Income taxes

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

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

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

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

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

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

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

(s) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

(t) Operating segments

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

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

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

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

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

(a) Valuation of inventories

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

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

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

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

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to note 6(q) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand and demand deposits	\$ 2,501,812	2,274,006
Time deposits	<u>82,198</u>	<u>152,526</u>
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 2,584,010</u>	<u>2,426,532</u>

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

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Financial assets

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Financial assets measured at cost	\$ <u>-</u>	<u>28,959</u>

- (i) Please refer to note 6(q) for the fair value hierarchy of the financial assets and liabilities of the Group.
- (ii) The aforementioned investments held by the Group are measured at amortized cost at year-end given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Group management had determined that the fair value cannot be measured reliably.

For the years ended December 31, 2016 and 2015, the Group recognized an impairment loss of \$28,959 and \$28,000, respectively.

- (iii) As of December 31, 2016 and 2015, the financial assets of the Group had not been pledged as collateral for its loans.

(c) Notes and accounts receivable and other receivables

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Accounts receivable (including related parties)	\$ 1,619,577	1,746,239
Other receivables	125,104	59,927
Less: allowance for impairment	<u>(4,516)</u>	<u>(5,387)</u>
	<u>\$ 1,740,165</u>	<u>1,800,779</u>

As of December 31, 2016 and 2015, except for the time deposits of the Group had been pledged as collateral for borrowings, the Group did not provide any of the aforementioned notes and accounts receivable and other receivables as collateral for its loans. Please refer to note 8.

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

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Past due 0-90 days	\$ 244,222	419,369
Past due 91-180 days	<u>136</u>	<u>856</u>
	<u>\$ 244,358</u>	<u>420,225</u>

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

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

	<u>2016</u>	<u>2015</u>
Balance on January 1	\$ 5,387	4,249
Recognized (reversal) of impairment loss	<u>(871)</u>	<u>1,138</u>
Balance on December 31	<u>\$ 4,516</u>	<u>5,387</u>

(d) Inventories

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Raw materials	\$ 539,565	575,455
Work in progress	154,360	148,456
Finished goods	<u>345,514</u>	<u>452,122</u>
	<u>\$ 1,039,439</u>	<u>1,176,033</u>

For the years ended December 31, 2016 and 2015, the Group recognized the following items as cost of goods sold:

	<u>2016</u>	<u>2015</u>
Cost of goods sold	\$ 7,193,552	6,533,345
Additional losses on inventory valuation and obsolescence	12,851	43,626
Unallocated fixed manufacturing overhead resulting from the actual production being lower than the normal capacity	141,574	104,809
Others	<u>2,618</u>	<u>5,461</u>
	<u>\$ 7,350,595</u>	<u>6,687,241</u>

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

(e) Investments accounted for using equity method

A summary of the Group's financial information for equity-accounted investees at the reporting date is as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Associates	<u>\$ 866,723</u>	<u>876,367</u>

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(i) The information on material associates

Name of Associates	Main business activities	Country	Ownership (%)	
			December 31, 2016	December 31, 2015
MAP	Mechanical components for optical devices	Taiwan	35.04 %	39.75 %

The fair value of affiliate listed on the Stock Exchange which are material to the Group is as follows:

	December 31, 2016
MAP	<u>\$ 1,140,028</u>

The following consolidated financial information of significant affiliate has been adjusted according to individually prepared IFRS financial statements of these affiliates:

	December 31, 2016	December 31, 2015
Current assets	\$ 2,331,564	1,979,841
Non-current assets	630,326	777,805
Current liabilities	(905,500)	(1,076,768)
Non-current liabilities	(67,263)	(124,297)
Net assets	<u>\$ 1,989,127</u>	<u>1,556,581</u>
Net assets attributable to non-controlling interests	<u>\$ 1,981,280</u>	<u>1,429,588</u>
	<u>2016</u>	<u>2015</u>
Operating revenue	<u>\$ 2,632,106</u>	<u>3,322,622</u>
Net income	\$ 227,629	511,381
Other comprehensive loss	(50,910)	(25,885)
Total comprehensive income	<u>\$ 176,719</u>	<u>485,496</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 176,719</u>	<u>485,496</u>

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

	<u>2016</u>	<u>2015</u>
Share of net assets of affiliate as of January 1	\$ 568,261	527,361
Comprehensive income attributable to the Group	61,922	192,985
Dividends received from affiliate	<u>(148,406)</u>	<u>(152,085)</u>
Share of net assets of affiliate as of December 31	481,777	568,261
Add: Change in Equity of associates accounted for using equity method	212,451	-
Add: The differences of equity attributable to owners	28,632	29,486
Less: Unrealized profit in ending inventory	<u>(5,621)</u>	<u>(8,136)</u>
The equity of associates belongs to the consolidated Company	<u>\$ 717,239</u>	<u>589,611</u>

- (ii) The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Carrying amount of individually insignificant associates' equity	<u>\$ 164,737</u>	<u>213,716</u>
	<u>2016</u>	<u>2015</u>
Attributable to the Group:		
Net loss	\$ (74,218)	(1,382)
Other comprehensive loss	<u>(144)</u>	<u>(4,076)</u>
Comprehensive loss	<u>\$ (74,362)</u>	<u>(5,458)</u>

The aforementioned investments held by the Group and the probability for each estimate cannot be reasonably determined; therefore, the Group management had determined that the fair value cannot be measured reliably.

For the years ended December 31, 2016 and 2015, the Group recognized an impairment loss of \$50,898 and \$3,914.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(f) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Other facilities</u>	<u>Prepayment for purchase of equipment</u>	<u>Total</u>
Cost or deemed cost:						
Balance on January 1, 2016	\$ 24,530	245,327	1,929,675	859,515	50,388	3,109,435
Additions	-	-	166,847	25,136	203,821	395,804
Disposal	-	-	(38,636)	(10,465)	-	(49,101)
Reclassification	-	-	158,203	27,922	(186,125)	-
Transfer from inventory	-	-	11,993	1,103	-	13,096
Transfer to expense	-	-	-	-	(16,941)	(16,941)
Effect of movements in exchange rates	<u>(258)</u>	<u>(13,242)</u>	<u>(91,905)</u>	<u>(44,405)</u>	<u>(4,784)</u>	<u>(154,594)</u>
Balance on December 31, 2016	<u>\$ 24,272</u>	<u>232,085</u>	<u>2,136,177</u>	<u>858,806</u>	<u>46,359</u>	<u>3,297,699</u>
Balance on January 1, 2015	\$ 25,935	286,863	1,847,144	769,364	39,903	2,969,209
Additions	-	-	116,839	45,064	327,407	489,310
Disposal	-	-	(28,031)	(49,383)	-	(77,414)
Reclassification	-	-	137,389	147,464	(284,853)	-
Transfer from inventory	-	-	21,856	506	-	22,362
Transfer to expense	-	-	-	-	(26,662)	(26,662)
Effect of movements in exchange rates	<u>(1,405)</u>	<u>(41,536)</u>	<u>(165,522)</u>	<u>(53,500)</u>	<u>(5,407)</u>	<u>(267,370)</u>
Balance on December 31, 2015	<u>\$ 24,530</u>	<u>245,327</u>	<u>1,929,675</u>	<u>859,515</u>	<u>50,388</u>	<u>3,109,435</u>
Depreciation and impairments loss:						
Balance on January 1, 2016	\$ -	42,453	1,074,676	566,828	-	1,683,957
Depreciation for the year	-	8,311	184,337	60,716	-	253,364
Disposal	-	-	(34,508)	(9,821)	-	(44,329)
Effect of movements in exchange rates	<u>-</u>	<u>(2,877)</u>	<u>(60,680)</u>	<u>(31,416)</u>	<u>-</u>	<u>(94,973)</u>
Balance on December 31, 2016	<u>\$ -</u>	<u>47,887</u>	<u>1,163,825</u>	<u>586,307</u>	<u>-</u>	<u>1,798,019</u>
Balance on January 1, 2015	\$ -	40,224	1,064,884	600,891	-	1,705,999
Depreciation for the year	-	8,668	146,365	52,435	-	207,468
Disposal	-	-	(22,725)	(44,285)	-	(67,010)
Effect of movements in exchange rates	<u>-</u>	<u>(6,439)</u>	<u>(113,848)</u>	<u>(42,213)</u>	<u>-</u>	<u>(162,500)</u>
Balance on December 31, 2015	<u>\$ -</u>	<u>42,453</u>	<u>1,074,676</u>	<u>566,828</u>	<u>-</u>	<u>1,683,957</u>
Carrying amounts:						
Balance on December 31, 2016	<u>\$ 24,272</u>	<u>184,198</u>	<u>972,352</u>	<u>272,499</u>	<u>46,359</u>	<u>1,499,680</u>
Balance on December 31, 2015	<u>\$ 24,530</u>	<u>202,874</u>	<u>854,999</u>	<u>292,687</u>	<u>50,388</u>	<u>1,425,478</u>

As of December 31, 2016 and 2015, the property, plant and equipment of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(g) Other non-current assets

The following are the other non-current assets of the Group:

	December 31, 2016	December 31, 2015
Long-term prepayments for rents	\$ 41,214	44,326
Others	<u>45,700</u>	<u>38,774</u>
	<u>\$ 86,914</u>	<u>83,100</u>

The Group signed an agreement with an estate company in Malaysia to acquire the right to the use land for a factory and office from 2003 to 2096.

(h) Short-term borrowings

	December 31, 2016	December 31, 2015
Unsecured bank loans	<u>\$ 587,000</u>	<u>-</u>
Range of interest rates	<u>1.05%~1.08%</u>	<u>-</u>

Please refer to note 6(q) for the interest rate risk, and the liquidity risk of the financial assets and liabilities of the Group. For the collateral for short-term borrowings, please refer to note 8.

(i) Long-term borrowings

The details were as follows:

December 31, 2016				
	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Bank loans	NTD	1.97%	2023	\$ 178,976
Less: current portion				<u>(30,284)</u>
Total				<u>\$ 148,692</u>
December 31, 2015				
	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity year</u>	<u>Amount</u>
Bank loans	NTD	2.11%~2.25%	2023	\$ 209,259
Secured bank loans	USD	1.93%	2016	<u>53</u>
				209,312
Less: current portion				<u>(30,336)</u>
Total				<u>\$ 178,976</u>

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(j) Operating lease

Non-cancellable operating lease rentals payable were as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Less than one year	\$ 65,926	69,921
Between two and five years	34,410	98,806
Over six years	<u>30,450</u>	<u>32,480</u>
	<u>\$ 130,786</u>	<u>201,207</u>

(i) The Group leased office space, warehouses, and equipment under operating leases with lease terms of 1 to 20 years and had an option to renew the leases. During the years 2016 and 2015, an amount of \$70,025 and \$68,926, respectively, was recognized as an expense in profit or loss in respect of operating leases. There was no contingent rent recognized as an expense.

(ii) The Group does not participate in the residual value of the land and buildings.

(k) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value of the plan assets of the Company were as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Present value of defined benefit obligations	\$ 51,956	71,465
Fair value of plan assets	<u>(50,487)</u>	<u>(64,010)</u>
Net defined benefit liabilities	<u>\$ 1,469</u>	<u>7,455</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$50,487 as of December 31, 2016. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in the present value of the defined benefit obligations

The movement in the present value of the defined benefit obligations of the Group were as follows:

	<u>2016</u>	<u>2015</u>
Defined benefit obligation at January 1	\$ 71,465	65,698
Current service costs and interest	1,763	1,910
Re-measurement loss (gain):		
- Return on plan assets excluding interest income	(9,717)	(706)
- Actuarial loss (gain) arising from		
-demographic assumptions	712	976
-financial assumptions	3,558	4,880
Past service cost and actuarial gains and losses	17,011	-
Benefit paid	<u>(32,836)</u>	<u>(1,293)</u>
Defined benefit obligation at December 31	<u>\$ 51,956</u>	<u>71,465</u>

3) Movements of the defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	<u>2016</u>	<u>2015</u>
Fair value of plan assets at January 1	\$ 64,010	61,946
Interest income	1,127	1,316
Re-measurement loss (gain)		
- Return on plan assets excluding interest income	(708)	355
Contribution paid by employer	1,884	1,686
Benefits paid	<u>(15,826)</u>	<u>(1,293)</u>
Fair value of plan assets at December 31	<u>\$ 50,487</u>	<u>64,010</u>

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2016</u>	<u>2015</u>
Current service cost	\$ 524	514
Net interest of net liabilities for defined benefit obligations	113	80
Past service cost and curtailment or settlement gains	<u>17,011</u>	<u>-</u>
	<u>\$ 17,648</u>	<u>594</u>
Operating cost	\$ 13,196	-
Selling expenses	2,797	-
Administrative expenses	<u>1,655</u>	<u>594</u>
	<u>\$ 17,648</u>	<u>594</u>

5) Re-measurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's re-measurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2016 and 2015, was as follows:

	<u>2016</u>	<u>2015</u>
Accumulated amount at January 1	\$ (8,548)	(3,753)
Recognized (reversal) during the period	<u>4,740</u>	<u>(4,795)</u>
Accumulated amount at December 31	<u>\$ (3,808)</u>	<u>(8,548)</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	1.375 %	1.750 %
Future salary increase rate	1.625 %	1.625 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$1,884.

The weighted-average lifetime of the defined benefits plans is 12 years.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

<u>Actuarial assumptions</u>	<u>Influences of defined obligations</u>	
	<u>Increase of 0.5%</u>	<u>Decrease of 0.5%</u>
2016.12.31		
Discount rate 1.375%	(2,332)	2,497
Future salary increase rate 1.625%	2,411	(2,274)
2015.12.31		
Discount rate 1.75%	(3,202)	3,424
Future salary increase rate 1.625%	3,323	(3,139)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There was no change in the method and assumptions used in the preparation of the sensitivity analysis for 2016 and 2015.

(ii) Defined contribution plans

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

The Group recognized pension costs under the defined contribution method amounting to \$41,878 and \$40,606 for the years ended December 31, 2016 and 2015, respectively.

(I) Income taxes

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

	<u>2016</u>	<u>2015</u>
Current tax expense	\$ 74,392	290,379
Deferred tax expense	57,532	105,997
Income tax expense	<u>\$ 131,924</u>	<u>396,376</u>

(ii) The amount of income tax recognized in other comprehensive income for 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Foreign currency translation differences for foreign operations	<u>\$ (37,334)</u>	<u>(77,334)</u>

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

	<u>2016</u>	<u>2015</u>
Profit excluding income tax	\$ <u>364,146</u>	<u>1,198,119</u>
Income tax using the Company's domestic tax rate	122,598	304,994
Effect of tax rates in foreign jurisdiction	31,040	65,296
10% surtax on unappropriated earnings	-	29,549
Change in unrecognized deferred tax assets	(9,463)	(4,927)
Tax-exempt income	(3,990)	(22,056)
Others	<u>(8,261)</u>	<u>23,520</u>
	<u>\$ <u>131,924</u></u>	<u><u>396,376</u></u>

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

There is no unrecognized deferred tax liabilities.

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
The carry forward of unused tax losses	\$ 55,050	78,089
Tax effect of deductible temporary differences	<u>47,880</u>	<u>34,304</u>
	<u>\$ <u>102,930</u></u>	<u><u>112,393</u></u>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2016, the carry forward of unused tax losses of MAY and MATH, amounted to \$298,341 based on their respective effective tax rates, the maximum deductible tax amount was \$55,050.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2016 and 2015 were as follows:

		Investment income recognized under the equity method	Others	Total		
Deferred tax liabilities:						
Balance on January 1, 2016	\$	400,679	41,376	442,055		
Recognized in profit or loss		45,473	10,247	55,720		
Foreign currency translation adjustment		-	(2,935)	(2,935)		
Balance on December 31, 2016	\$	446,152	48,688	494,840		
Balance on January 1, 2015	\$	306,859	53,513	360,372		
Recognized in profit or loss		93,820	(5,660)	88,160		
Foreign currency translation adjustment		-	(6,477)	(6,477)		
Balance on December 31, 2015	\$	400,679	41,376	442,055		
		Investment income recognized under the equity method	Exchange differences on translation of foreign financial statements	Others	Total	
Deferred tax assets:						
Balance on January 1, 2016	\$	(2,122)	(6)	(85,020)	(18,823)	(105,971)
Recognized in profit or loss		(720)	-	-	2,532	1,812
Recognized in other comprehensive income		-	-	(37,334)	-	(37,334)
Exchange rate translation differences		-	-	-	129	129
Balance on December 31, 2016	\$	(2,842)	(6)	(122,354)	(16,162)	(141,364)
Balance on January 1, 2015		(2,034)	(6)	(7,686)	(39,590)	(49,316)
Recognized in profit or loss		(88)	-	-	17,925	17,837
Recognized in other comprehensive income		-	-	(77,334)	-	(77,334)
Exchange rate translation differences		-	-	-	2,842	2,842
Balance on December 31, 2015	\$	(2,122)	(6)	(85,020)	(18,823)	(105,971)

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(v) Examination and approval

The Company's and Green Far's tax returns for the years through 2014 were examined and approved by the Taipei National Tax Administration.

(vi) Information related to the ICA is summarized as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Unappropriated earnings of 1998 and after	\$ <u>440,230</u>	<u>1,349,439</u>
Balance of imputation credit account	\$ <u>39,512</u>	<u>177,515</u>
	<u>2016(Estimated)</u>	<u>2015(Actual)</u>
Creditable ratio for earnings distribution to ROC residents	<u>8.98 %</u>	<u>16.33 %</u>

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

(m) Capital and other equity

As of December 31, 2016 and 2015, the authorized common stock was \$4,000,000 (including employee stock options for 750 million shares).

The total common stock outstanding in 2015 and 2016 all amounted to \$1,742,020. The par value of the Company's common stock is \$10 (NT dollars) per share.

(i) Capital surplus

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

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Additional paid-in capital	\$ 1,443,485	1,443,485
Treasury share transactions	80,675	80,675
Gain on disposal of assets	7	7
Change of equity of associates accounted for using equity method	<u>265,333</u>	<u>53,905</u>
	<u>\$ 1,789,500</u>	<u>1,578,072</u>

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

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Retained earnings

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

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

1) Legal reserve

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (and is not qualified for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2016 and 2015, the amount of reversal of special reserve are \$445,538 and \$59,074, respectively.

3) Earnings distribution

Earnings distribution for 2015 and 2014 was decided via the general meeting of the stockholders' held on June 7, 2016, and the tentative resolution of the stockholders meeting held on July 7 and June 6, 2015, respectively. The relevant dividend distributions to shareholders were as follows:

	2015	2014
Dividends per share (NT dollars)		
Cash from unappropriated retained earnings	\$ <u>3.8</u>	<u>2.2</u>

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(n) Earnings per share

(i) Basic earnings per share

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

	<u>2016</u>	<u>2015</u>
Profit of the Company	\$ <u>213,883</u>	<u>755,083</u>
Weighted-average number of ordinary shares at 31 December	<u>174,202</u>	<u>174,202</u>

(ii) Diluted earnings per share

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

1) Profit attributable to ordinary shareholders of the Company (diluted)

	<u>2016</u>	<u>2015</u>
Profit attributable to ordinary shareholders of the Company (basic=diluted)	\$ <u>213,883</u>	<u>755,083</u>

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

	<u>2016</u>	<u>2015</u>
Weighted-average number of ordinary shares (basic) (thousands shares)	174,202	174,202
Impact on employee compensation	<u>780</u>	<u>1,358</u>
Weighted-average number of ordinary shares (diluted) at December 31 (thousands shares)	<u>174,982</u>	<u>175,560</u>

(o) Revenue

The revenue for the years ended December 31, 2016 and 2015, was as follows:

	<u>2016</u>	<u>2015</u>
Sales of goods	\$ 8,206,968	7,849,090
Sales of molds	149,870	292,403
Others	<u>8,575</u>	<u>23,391</u>
	<u>\$ 8,365,413</u>	<u>8,164,884</u>

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(p) Non-operating income and expenses

(i) Other income

The other income for the years ended December 31, 2016 and 2015, was as follows:

	<u>2016</u>	<u>2015</u>
Interest income	\$ 5,736	7,922
Others	<u>55,305</u>	<u>50,753</u>
	<u>\$ 61,041</u>	<u>58,675</u>

(ii) Other gains and losses

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

	<u>2016</u>	<u>2015</u>
Foreign currency exchange gains, net	\$ 79,313	324,504
Impairment loss on investment accounting for using equity method	(50,898)	(3,914)
Impairment loss on financial assets	(28,959)	(28,000)
Financial liabilities at fair value through profit or loss	4,419	-
Gain on disposal of investments accounted for using equity method	3,413	-
Compensation Paid	-	(72,565)
Others	<u>(2,349)</u>	<u>(1,704)</u>
	<u>\$ 4,939</u>	<u>218,321</u>

(q) Financial instruments

(i) Credit risk

1) Exposure to credit risk

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

a) Accounts receivable and others receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. These limits are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

The Group did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

b) Investment

The credit risk exposure in bank deposits, fixed-income investment, and other financial instruments is measured and monitored by the Group's finance department. As the Group deals with banks and other external parties with good credit standing and with financial institutions, corporate organizations, and government agencies which are graded above investment level, the management believes that the Group does not have any compliance issues, and therefore, there is no significant credit risk.

2) Other information about credit risk was as follows:

a) Exposure to credit risk

As of December 31, 2016 and 2015, the carrying amount of financial assets, which represents the maximum amount exposed to credit risk, was \$4,324,175 and \$4,256,270, respectively.

b) The Group's credit risk is mainly affected by the credit characteristics of each creditor. This is also an impact on credit risk from the business of the customer. As of December 31, 2016 and 2015, 82% and 86%, respectively, of the ending balance of accounts receivable arose from sales to individual customers constituting the top three customers for the years ended December 31, 2016 and 2015.

(ii) Liquidity risk

Liquidity risk is a risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities:

- 1) Based on the date on which the Group may be required to make an early repayment and on the preparation of the financial liabilities' undiscounted cash flows, including interest, but does not include the effect of any netting agreement.
- 2) Other non-derivative financial liabilities' maturity analysis prepared in accordance with the agreed repayment date.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>2 ~5 years</u>	<u>Over 5 years</u>
December 31, 2016						
Non-derivative financial liabilities:						
Short-term and long-term borrowings	\$ 765,976	782,771	626,779	32,932	95,218	27,842
Accounts payable	1,327,872	1,327,872	1,327,872	-	-	-
Accounts payable-related parties	207,099	207,099	207,099	-	-	-
Other financial liabilities	<u>178,591</u>	<u>178,591</u>	<u>178,591</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,479,538</u>	<u>2,496,333</u>	<u>2,340,341</u>	<u>32,932</u>	<u>95,218</u>	<u>27,842</u>
December 31, 2015						
Non-derivative financial liabilities:						
Short-term and long-term borrowings	\$ 209,312	224,721	34,451	33,760	97,445	59,065
Accounts payable	1,368,556	1,368,556	1,368,556	-	-	-
Accounts payable-related parties	114,274	114,274	114,274	-	-	-
Other financial liabilities	<u>222,317</u>	<u>222,317</u>	<u>222,317</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,914,459</u>	<u>1,929,868</u>	<u>1,739,598</u>	<u>33,760</u>	<u>97,445</u>	<u>59,065</u>

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD	\$ 112,793	32.250	3,637,571	106,051	32.825	3,481,133
SGD	7,458	22.290	166,236	10,698	23.250	248,735
CHF	519	31.525	16,350	627	33.185	20,812

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

	December 31, 2016			December 31, 2015		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities						
Monetary items						
USD	41,916	32.250	1,351,790	39,486	32.825	1,296,114
SGD	683	22.290	15,229	519	23.250	12,059

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

A weakening (strengthening) of 1% of the TWD against the foreign currency as of December 31, 2016 and 2015, would have increased or decreased the net profit before tax by \$24,531 and \$24,425, respectively. The analysis is performed on the same basis for both periods.

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. In 2016 and 2015, the foreign exchange gain, including both realized and unrealized, amounted to \$79,313 and \$324,504, respectively.

2) Interest rate analysis

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

	Carrying amount	
	December 31, 2016	December 31, 2015
Fixed-rate instruments:		
Financial assets	\$ 239,343	243,318
Financial liabilities	(200,000)	-
	<u>\$ 39,343</u>	<u>243,318</u>
Variable-rate instruments:		
Financial assets	\$ 2,347,069	2,101,887
Financial liabilities	(565,976)	(209,312)
	<u>\$ 1,781,093</u>	<u>1,892,575</u>

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

The following sensitivity analysis is based on the exposure to interest rate risk of the derivative and non-derivative financial instruments on the reporting date. If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$4,453 thousand and \$4,731 thousand for the years ended December 31, 2016 and 2015, respectively, assuming all other variable factors were constant. This mainly resulted from borrowings at variable interest rates.

The Group's financial liabilities at fixed interest rates are measured using the amortized cost method. Since the change in market interest rate at the end of each reporting period had no impact on profit and loss, disclosure of the sensitivity to changes in fair value is not necessary.

(iv) Fair value

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

	December 31, 2016				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Loans and receivables					
Cash and cash equivalents	\$ 2,584,010				
Accounts receivable, net	1,589,189				
Accounts receivable—related parties, net	25,872				
Other financial assets	<u>125,104</u>				
	<u>\$ 4,324,175</u>				
Financial liabilities carried at amortized cost					
Borrowings	\$ 765,976				
Accounts payable	1,327,872				
	207,099				
Other financial liabilities	<u>336,552</u>				
	<u>\$ 2,637,499</u>				

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

	December 31, 2015				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Loans and receivables					
Cash and cash equivalents	\$ 2,426,532				
Accounts receivable, net	1,704,024				
Accounts receivable—related parties, net	36,828				
Other financial assets	<u>59,927</u>				
	<u>\$ 4,227,311</u>				
Financial assets measured at cost					
Unlisted equity investment	<u>\$ 28,959</u>				
Financial liabilities carried at amortized cost					
Borrowings	\$ 209,312				
Accounts payable	1,368,556				
Accounts payable—related parties	114,274				
Other financial liabilities	<u>461,127</u>				
	<u>\$ 2,153,269</u>				

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

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

For the years ended December 31, 2016 and 2015, the Company estimated its employee remuneration amounting to \$16,388 and \$62,279, and directors' and supervisors' remuneration amounting to \$4,097 and \$15,569, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2016 and 2015. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2016 and 2015.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(s) Financial risk management

(i) Structure of risk management

The Group's finance department provides business services for all internal departments. It sets the objectives, policies and processes for managing risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

The Group minimizes the risk exposure through derivative financial instruments. The board of directors regulates the use of derivative and non-derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, and credit risk; the use of derivative and non-derivative financial instruments; and investment of excess liquidity. The internal auditors of the Group continuously review of the amount of risk exposure in accordance with the Group's risk management policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation. The finance department reports to the board of directors periodically.

(ii) Briefings

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

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

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes as for measuring and managing risk. For detailed information, please refer to 6(q).

(t) Capital management

The Group manages capital to safeguard the capacity to continue to operate. The management uses the asset-liability ratio to manage capital. This ratio is debt divided by assets. Debt is derived from the total liabilities, except for bonds payable. As of December 31, 2016 and 2015, the Group's asset-liability ratios all were 40% and 34%.

As of December 31, 2016 and 2015, there were no changes in the Group's approach to capital management.

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

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

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Sales

(i) Sale of goods to related parties

The amounts of significant sales by the Group to related parties and the resulting accounts receivable were as follows:

	Sales		Accounts receivable – related party	
	2016	2015	December 31, 2016	December 31, 2015
Associates	\$ 42,098	115,006	25,872	31,805

The credit terms were 120 days for related parties, but may be adjusted depending on the demand for funds of the related party. The general credit terms for counterparties other than related parties are about 2 to 3 months after delivery. The sales prices were not significantly different from those for third-party customers.

(ii) Purchases

The amounts of purchases by the Group from related parties were as follows:

	Purchase		Accounts payable – related party	
	2016	2015	December 31, 2016	December 31, 2015
Associates	\$ 561,853	399,269	206,647	113,652
Other related parties	-	641	-	-
	\$ 561,853	399,910	206,647	113,652

The credit terms were 30 to 120 days for related parties, but they may be adjusted depending on the demand for funds of the related party. The general credit terms for counterparties other than related parties are L/C, T/T, or 60~120 days after goods are received. The purchase price is negotiated by the parties.

(iii) Service revenue

1) Inspection revenue

	Amounts		Other accounts receivable – related party	
	2016	2015	December 31, 2016	December 31, 2015
Associates	\$ 912	1,729	1,173	625

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

2) Management service revenue

	<u>Amounts</u>		<u>Accounts receivable – related party</u>	
	<u>2016</u>	<u>2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	Associates	\$ <u>2,502</u>	<u>11,065</u>	<u>-</u>

(iv) Property transactions

The purchases of property, plant and equipment from related parties were as follows:

	<u>Amounts</u>		<u>Other accounts payable – related parties</u>	
	<u>2016</u>	<u>2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	Purchase price	\$ <u>-</u>	<u>194</u>	<u>-</u>

(v) Other transactions

The associated company provided repair service to the Group amounting to \$452 and \$142 on December 31, 2016 and 2015, which was recognized as other expenses. As of December 31, 2016 and 2015, the amount of \$452 and \$622 were still unpaid, therefore, they were recognized as accounts payable to related parties.

(vi) Loans to related parties

In 2016, the loans to associate amounted to \$50,000. There was no such issue in 2015. As of December 31, 2016, the loans to associate amounted to \$40,000, which was recognized as other receivables.

(c) Key management personnel compensation

	<u>2016</u>	<u>2015</u>
Short-term employee benefits	\$ 46,520	72,415
Post-employment benefits	459	441
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	<u>\$ 46,979</u>	<u>72,856</u>

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Time deposit (classified under other receivable)	Bank loans and guarantee for credit line	\$ 51,364	52,443
Machinery and equipment	Bank loans	-	272
		<u>\$ 51,364</u>	<u>52,715</u>

(9) Commitments and contingencies:

Significant commitments unrecognized:

(a) Unrecognized commitments of the Group were as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Acquisition of property, plant and equipment	<u>\$ 68,372</u>	<u>101,261</u>

(b) Guarantee notes issued as collateral for applying for a credit line were as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Guarantee notes issued	<u>\$ 1,937,250</u>	<u>2,057,648</u>
Endorsement guarantee	<u>\$ 661,521</u>	<u>767,471</u>

(c) The Group entered into operating lease agreements. Please refer to note 6(j).

(d) Green Far entered into an electricity sales agreement with Taiwan Power Company. The initial term of the sales agreement shall commence on the agreed date and extend for a period of twenty years.

(10) Losses Due to Major Disasters:None**(11) Subsequent Events:**

In order to maintain the Group's credibility and stockholders equity, The Board of Directors resolved to acquire treasury stocks from public market in a period from January 23, 2017 to March 17, 2017, with the price ranging from \$28 to \$40 per share. As of March 17, 2017, the Group acquired 2,248 thousand shares with an average price of \$36.18.

Via the meeting of the board of directors on March 20, 2017, the Company decided to adjust its capital and its shareholders' return on equity. The Company plans to return the amount of \$348,404 to its shareholders, with a return rate of 20%.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(12) Other:

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

By function	2016			2015		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salary	719,672	280,338	1,000,010	711,363	311,913	1,023,276
Labor and health insurance	18,974	16,870	35,844	21,150	16,580	37,730
Pension	38,630	20,896	59,526	26,956	14,244	41,200
Others	53,614	18,571	72,185	41,841	16,595	58,436
Depreciation	222,761	30,603	253,364	181,490	25,978	207,468
Amortization	8,554	9,058	17,612	4,227	1,515	5,742

(13) Other disclosures:**(a) Information on significant transactions:**

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

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Das	Other receivables from related parties	Yes	10,000	-	-	5%	2	-	Operating capital	-	-	-	913,668	1,827,335
"	"	Abytek	Other notes receivable due from related parties	Yes	50,000	40,000	40,000	3%	2	-	"	-	Note 4	-	913,668	1,827,335
1	MUS	MUM	Other receivables from related parties	Yes	32,250	-	-	1%	2	-	"	-	-	-	913,668	1,827,335

Note 1: The highest amounts were approved by the board of directors.

Note 2: The short term financing available for purposes shall not exceed 20% of the lending company's net worth in the latest financial statements.

Note 3: The total amount available for lending purposes shall not exceed 40% of the lending company's net worth in the latest financial statements.

Note 4: Abytek issued cheques and pledged its solar panels as collaterals.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Synergy	1	Note 1	258,000	258,000	-	-	5.65 %	9,136,676	Y	N	N
"	"	MUM	1	456,834	258,000	161,250	-	-	3.53 %	-	Y	N	N
"	"	Green Far	1	Note 1	242,271	242,271	178,976	-	5.30 %	-	Y	N	N

Note 1: Except for the Company's subsidiaries, in which the Company directly or indirectly holds 100% of their shares, the guarantee amounts given to them shall not exceed 10% of the Company's net worth in the latest financial statements.

Note 2: The highest balance for guarantees can not exceed the Company's net worth in the latest financial statement.

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

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair value	Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)			
The Company	Archers Inc.	NO	Financial assets measured at cost	4,500	-	13.89 %	Not applicable for listed company	13.89 %	
"	LBO	"	"	165	-	4.34 %	"	7.06 %	
"	HDDisk	"	"	833	-	12.50 %	"	12.50 %	

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

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	MAM	The subsidiary held 100 percentage shares by MAS	Purchase	3,098,578	64 %	Note 1	-	The general credit terms are about 2 to 4 months	(1,196,600)	(58)%	Note 3
The Company	MATC	The subsidiary held 80 percentage shares by Synergy	"	560,141	12 %	"	-	"	(276,015)	(13)%	"
The Company	MAY	The subsidiary held 100 percentage shares by Synergy	"	455,819	9 %	"	-	"	(292,613)	(14)%	"
The Company	MAP	The Company held 35.04 percentage shares of the invested company	"	198,927	4 %	"	-	"	(97,547)	(5)%	-

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
MAM	MUM	The subsidiary held 100 percentage shares by MUS	Purchase	489,475	9 %	Note 2	-	"	(43,654)	(4)%	Note 3
MAM	MAP	The Company held 35.04 percentage shares of the invested company	"	356,022	7 %	"	-	"	(107,251)	(11)%	-
MAM	The Company	The subsidiary held 100 percentage shares by MAS	Sale	(3,098,578)	(53) %	Note 1	-	"	1,196,600	74%	Note 3
MATC	The Company	The subsidiary held 80 percentage shares by Synergy	"	(560,141)	(83) %	"	-	"	276,015	88%	"
MAY	The Company	The subsidiary held 100 percentage shares by Synergy	"	(455,819)	(91) %	"	-	"	292,613	90%	"
MUM	MAM	The subsidiary held 100 percentage shares by MAS	"	(489,475)	(98) %	Note 2	-	"	43,654	91%	"

Note 1: Payment term given to related parties is 120 days; any further adjustment on the term will have to be agreed by both parties.

Note 2: Payment term given to related parties is INV 60 days; any further adjustment on the term will have to be agreed by both parties.

Note 3: Transactions within the Group were eliminated in the consolidated financial statements.

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

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts
					Amount	Action taken		
MAM	The Company	The subsidiary held 100 percentage shares by MAS	1,196,600	2.41	136,722	-	500,816	-
MATC	The Company	The subsidiary held 80 percentage shares of Synergy	276,015	1.70	75,936	-	75,523	-
MAY	The Company	The subsidiary held 100 percentage shares of Synergy	292,613	1.60	111,029	-	104,019	-

Note 1: Until March 10, 2017.

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

(ix) Trading in derivative instruments:

Until December 31, 2016, the Group settled all the derivative goods, and realized gain was \$4,419.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

Disclosure of the amounts exceeding the \$10,000.

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	MAM	1	Purchase	3,098,578	Note 3	37.04%
				Account payable	1,196,600	"	14.80%
				Service revenue	69,275	"	0.83%
0	"	MAY	1	Purchase	455,819	"	5.45%
				Account payable	292,613	"	3.62%
0	"	MATC	1	Purchase	560,141	"	6.70%
				Account payable	276,015	"	3.41%
1	MAM	MUM	3	Purchase	489,475	Note 4	5.85%
				Account payable	43,654	"	0.54%

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

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

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

"3" represents the transactions between subsidiaries.

Note 3: The purchase price is decided by the Company. However, the netting off on accounts receivable and accounts payables is agreed upon by both parties. Payment term given to related parties is 120 days; any further adjustment on the term will have to be agreed by both parties.

Note 4: Payment term given to related parties is INV 60 days; any further adjustment on the term will have to be agreed by both parties.

(b) Information on investees:

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

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Highest Percentage of ownership	Balance as of December 31, 2016			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2016	December 31, 2015		Shares (thousands)	Percentage of ownership	Carrying value			
The Company	MAS	Singapore	Market development and customer service	353,522	353,522	18,564	100.00 %	2,087,600	239,958	100.00 %	239,927	Note 1
The Company	Synergy	Samoa	Holding company	1,036,016	1,036,016	32,312	100.00 %	1,050,304	26,232	100.00 %	26,258	"
The Company	MATH	Thailand	Manufacturing and sale of machinery components	460,754	684,662	412	100.00 %	114,862	36,113	100.00 %	35,170	"
The Company	MAUS	USA	Manufacturing sale of machinery components and customer service	968	968	30	100.00 %	4,648	(16)	100.00 %	(16)	"
The Company	Good Master	Caymen	Holding company	39	39	6	100.00 %	1	-	100.00 %	-	"
The Company	Green far	Taiwan	Energy	2,000	2,000	200	100.00 %	7,699	4,145	100.00 %	4,145	"
The Company	MAP Tech.	Singapore	Holding company	260,791	260,791	66,913	46.60 %	29,651	2,832	46.60 %	1,320	-
The Company	MAP	Taiwan	Manufacturing	487,115	487,115	26,983	35.04 %	717,239	227,629	39.75 %	81,423	-
The Company	Abyltek	Taiwan	Manufacturing and sales solar mold	209,885	220,727	16,229	27.05 %	61,872	(265,094)	28.30 %	(71,708)	-
The Company	DAS	Taiwan	Setup of computer equipment and service of software	134,869	134,869	9,514	37.94 %	57,961	8,957	47.57 %	(3,830)	-

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Highest Percentage of ownership	Balance as of December 31, 2016			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2016	December 31, 2015		Shares (thousands)	Percentage of ownership	Carrying value			
MAS	MAM	Malaysia	Manufacturing and sale of machinery components	333,937	333,937	60,000	100.00 %	2,071,375	239,900	100.00 %	239,900	Note 1
Synergy	MATC	Malaysia	Manufacturing and sale of machinery components	406,648	406,648	42,107	80.00 %	502,497	(7,856)	80.00 %	(6,285)	#
MATH	MUS	Singapore	Holding company	363,530	363,530	11,800	69.41 %	243,514	65,035	69.41 %	45,141	#
MUS	MUM	Malaysia	Manufacturing and sale of machinery components	347,134	347,134	35,996	100.00 %	310,468	65,283	100.00 %	65,283	#

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

(c) Information on investment in mainland China:

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2015	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2016	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 1)	Book value (Note 1)	Highest Percentage of ownership	Accumulated remittance of earnings in current period
					Outflow	Inflow							
MAY	Manufacturing sale of machinery components and customer service	645,057	Remittance from third-region company Synergy to invest in Mainland China	629,368	-	-	629,368	32,553	100.00%	32,553	548,017	100 %	-

Note 1: The investment income (loss) were based on financial statements audited by the auditor of the Company.

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

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
629,540	735,934	2,741,003

(iii) Significant transactions:

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

(14) Segment information:

(a) General information

The Group identifies its operating segments based on the decision of the chief operating decision maker (CODM). The Group's operating segments are EMS (Electronics Manufacturing Service), Automatic Equipment Service, and Commerce Service. Except for EMS, the operating segments did not meet the quantitative threshold for individually reportable segments nor are they aggregated with other operating segments.

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

EMS' s main operating activities are designing and manufacturing consumer electronics end products. Those of Automatic Equipment Service are designing and manufacturing automatic machinery for industrial use. The main operating activity of Commerce Service is trading business. Since the strategy of each segment is different, it is necessary to separate them for management.

(b) Reportable segments and operating segment information

The Consolidated Company assessed performance of the segments based on the segments' profit, and the accounting policy of the segments is the same as that described in the summary of significant accounting policies.

The Group's segment financial information was as follows:

	For the years ended December 31, 2016			
	EMS	Others	Adjustments and eliminations	Total
External revenue	\$ 8,126,601	238,812	-	8,365,413
Intra-group revenue	-	-	-	-
Total segment revenue	<u>\$ 8,126,601</u>	<u>238,812</u>	<u>-</u>	<u>8,365,413</u>
Segment profit	<u>\$ 269,275</u>	<u>28,798</u>	<u>-</u>	<u>298,073</u>
Segment total assets	<u>\$ -</u>	<u>-</u>	<u>8,082,960</u>	<u>8,082,960</u>
	For the years ended December 31, 2015			
	EMS	Others	Adjustments and eliminations	Total
External revenue	\$ 7,690,923	473,961	-	8,164,884
Intra-group revenue	-	-	-	-
Total segment revenue	<u>\$ 7,690,923</u>	<u>473,961</u>	<u>-</u>	<u>8,164,884</u>
Segment profit	<u>\$ 602,943</u>	<u>122,806</u>	<u>-</u>	<u>725,749</u>
Segment total assets	<u>\$ -</u>	<u>-</u>	<u>8,001,560</u>	<u>8,001,560</u>

(Continued)

MIN AIK TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Product and service information

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

Product	2016	2015
APFA	\$ 4,182,403	3,452,429
VCM	1,628,428	1,724,732
COVER	707,888	827,150
EHD	497,668	546,567
CSA/RAMP	413,309	553,276
HDD	251,015	216,807
Others	684,702	843,923
	<u>\$ 8,365,413</u>	<u>8,164,884</u>

(d) Geographic information

The Group's non-current assets are located in Asia, and its revenue from external clients by geographical location was as follows:

Geographic area	2016	2015
Asia	\$ 7,725,155	7,411,314
Americas	543,744	672,078
Europe	96,514	81,492
	<u>\$ 8,365,413</u>	<u>8,164,884</u>

(e) Major customers

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

	2016		2015	
	Revenue	Percentage of net sales	Revenue	Percentage of net sales
Western Digital (Thailand) Company	\$ 3,969,642	47	3,371,013	42
Western Digital (M) Sdn. Bhd.	2,964,067	35	3,095,508	38
	<u>\$ 6,933,709</u>	<u>82</u>	<u>6,466,521</u>	<u>80</u>

