Silergy Corp.
(Incorporated in the Cayman Islands)
and Subsidiaries

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

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Silergy Corp.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

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

Business Combination Purchase Price Allocation

In 2016, the Company acquired the LED lighting business unit from NXP B.V. and the department of smart meters and energy monitoring from Maxim Integrated Products, Inc. The purchase price was NT$633,068 thousand and NT$3,401,475 thousand, respectively (see Note 28 to the consolidated financial statements for details), which mainly comprised goodwill and identified intangible assets with limited useful lives. The accounting treatment for goodwill is based on a periodic measurement of impairment loss, where identified intangible assets with limited useful lives are impaired based on a straight-line method of amortization over their estimated useful lives. Because the amortization of the purchase prices greatly involved assumptions and judgment, and the price amount was significant, it could influence the Company's financial performance, and as such was deemed as one of the key audit matters.

According to the audit procedures devised for this key audit matter, we evaluated the model for purchase price allocation, the accuracy of financial figures used by management, and the report of purchase price allocation made by external financial consultants. Besides, we engaged internal financial experts to evaluate the applicability of significant inputs about growth rates and discount rates and to test the accuracy of the calculation model.

Goodwill Impairment Loss

According to IAS 36 - Impairment of Assets, the measurement of impairment loss has to be made every year, and is based on an estimated future profitability which includes assumptions about long-term growth rates and discount rates from within the same industry. As of December 31, 2016, the book value of goodwill was NT$2,546,052 thousand, 24% of total assets. Because the amount was significant and the measurement greatly involved judgment, it could influence the amount of impairment loss, and as such was identified as one of the key audit matters.

According to the audit procedures designed for this key audit matter, we evaluated the financial figures used by management in the model for goodwill impairment loss, and tested the reasonability of management's stated future cash flows by comparing them to historical figures. Additionally, we engaged internal financial experts to evaluate the applicability of significant inputs about growth rates and discount rates and to test the accuracy of the calculation model.

Business Combination Income

Business combinations have brought new customers and sales into the Company, and operating income has grown magnificently. Revenue recognition authenticity and conformity to the appropriate accounting principles could have significant influence on the Company's financial performance. As such, it was considered as one of the key audit matters.

The audit procedures developed for this key audit matter were as follows:

1. To audit the business combination income, we evaluated the reasonability of revenue recognition and the internal control related to payment receipt by testing the design and implementation from chosen samples.

2. To evaluate if the policy for revenue recognition conformed to IAS 18 consistently in the period, we reviewed a chosen sample of shipping documents from operating income sources in the year to evaluate the reasonability of income recognition.

3. We especially investigated the existence of significant new customers and examined the details of their transactions by checking if there were any errors.

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

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

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

Those charged with governance, (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ming-Yen Chien and Liang-Fa Wei.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2017

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

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

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

SILERGY CORP.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

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

	2016		2015 (Audited after Restated)	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,679,526	25	$ 1,420,685	27
Debt investments with no active market - current (Notes 4 and 9)	667,849	6	933,212	17
Accounts receivable, net (Notes 4, 5 and 10)	582,472	5	328,225	6
Other receivables (Notes 4, 10 and 33)	35,972	-	37,170	1
Inventories (Notes 4, 5 and 11)	1,312,193	12	1,026,679	19
Prepayments (Note 18)	53,398	1	32,359	1
Other financial assets - current (Note 14)	-	-	36,108	1
Total current assets	5,331,410	49	3,814,438	72
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 8)	131,259	1	138,240	3
Debt investment with no active market - non-current (Notes 4 and 9)	32,250	-	-	-
Investments accounted for using equity method (Notes 4 and 13)	629,921	6	683,620	13
Property, plant and equipment (Notes 4, 15 and 28)	387,356	4	109,488	2
Goodwill (Notes 4, 5, 16 and 28)	2,546,052	24	276,502	5
Other intangible assets (Notes 4, 17 and 28)	1,598,323	15	130,237	2
Deferred tax assets (Notes 4, 5 and 25)	38,697	-	37,385	1
Refundable deposits	28,006	-	26,061	-
Net defined benefit assets - non-current (Notes 4 and 22)	829	-	655	-
Long-term prepayments (Notes 4 and 18)	103,972	1	110,644	2
Total non-current assets	5,496,665	51	1,512,832	28
TOTAL	$ 10,828,075	100	$ 5,327,270	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 19)	$ 10,170	-	$ -	-
Accounts payable (Note 20)	460,318	4	356,092	7
Other payables (Notes 16 and 21)	317,232	3	299,484	6
Current tax liabilities	5	-	57,614	1
Other current liabilities (Note 21)	5,209	-	6,165	-
Total current liabilities	792,934	7	719,355	14
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 19)	1,758,758	16	-	-
Deferred tax liabilities (Notes 4 and 25)	59	-	63	-
Guarantee deposits	9,001	-	-	-
Other payables - non-current (Note 21)	72,563	1	-	-
Total non-current liabilities	1,840,381	17	63	-
Total liabilities	2,633,315	24	719,418	14
EQUITY (Notes 4, 19, 23 and 27)				
Capital stock				
Common shares	840,232	8	782,206	15
Capital surplus				
Paid-in capital	3,285,208	30	1,162,098	22
Employee share options	139,405	1	38,186	-
Share options	147,974	2	-	-
Restricted shares for employees	191,155	2	156,206	3
Total capital surplus	3,763,742	35	1,356,490	25
Retained earnings				
Legal reserve	253,228	2	133,103	2
Unappropriated earnings	3,332,282	31	2,139,278	40
Total retained earnings	3,585,510	33	2,272,381	42
Other equity				
Exchange differences on translating foreign operations	91,948	1	288,017	6
Unearned employee benefits	(86,672)	(1)	(91,242)	(2)
Total other equity	5,276	-	196,775	4
Total equity	8,194,760	76	4,607,852	86
TOTAL	$ 10,828,075	100	$ 5,327,270	100

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

SILERGY CORP.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE, NET (Note 4)	$ 7,138,903	100	$ 4,700,981	100
OPERATING COSTS (Notes 11 and 24)	3,738,293	52	2,520,278	54
GROSS PROFIT	3,400,610	48	2,180,703	46
OPERATING EXPENSES (Notes 4, 23, 24 and 27)				
Selling and marketing expenses	460,294	7	333,017	7
General and administrative expenses	492,403	7	249,000	5
Research and development expenses	1,009,598	14	614,684	13
Total operating expenses	1,962,295	28	1,196,701	25
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 4, 13, 16 and 24)	2,511	-	191,175	4
OPERATING INCOME	1,440,826	20	1,175,177	25
NONOPERATING INCOME AND EXPENSES				
Share of loss of associates (Notes 4 and 13)	(17,513)	-	(12)	-
Interest income (Note 4)	16,825	-	16,095	-
Other income (Notes 4 and 24)	107,254	2	60,509	1
Foreign exchange gain, net (Note 4)	17,959	-	37,104	1
Loss on financial assets at fair value through profit or loss (Notes 4 and 19)	(618)	-	-	-
Interest expenses (Note 19)	(61,765)	(1)	(18)	-
Gains on sale of investment (Note 13)	-	-	2,239	-
Miscellaneous expenses	(4,726)	-	(5,808)	-
Impairment loss (Notes 4 and 8)	-	-	(23,649)	-
Total nonoperating income and expenses	57,416	1	86,460	2
PROFIT BEFORE INCOME TAX	1,498,242	21	1,261,637	27
INCOME TAX EXPENSE (Notes 4, 5 and 25)	(28,586)	-	(60,396)	(1)
NET PROFIT FOR THE YEAR	1,469,656	21	1,201,241	26

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SILERGY CORP.
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (Notes 4, 22 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of associates accounted for using equity method	$ (43,002)	(1)	$ -	-
Exchange differences arising on translation to the presentation currency	(34,746)	-	148,639	3
Remeasurement of defined benefit plans	(17)	-	402	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(118,321)	(2)	(84,329)	(2)
Other comprehensive income for the year, net of income tax	(196,086)	(3)	64,712	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,273,570	18	$ 1,265,953	27
NET PROFIT ATTRIBUTABLE TO:				
Owners of Silergy Corp.	$ 1,469,656	21	$ 1,201,247	26
Non-controlling interests	-	-	(6)	-
	$ 1,469,656	21	$ 1,201,241	26
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of Silergy Corp.	$ 1,273,570	18	$ 1,265,959	27
Non-controlling interests	-	-	(6)	-
	$ 1,273,570	18	$ 1,265,953	27
EARNINGS PER SHARE (Note 26)				
Basic	$18.72		$15.66	
Diluted	$17.68		$15.03	

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

SILERGY CORP.
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company														
											Other Equity (Notes 4, 23 and 27)				
	Capital Stock (Note 23)		Capital Surplus (Notes 19, 23 and 27)					Retained Earnings (Note 23)			Exchange Differences on Translating Foreign Operations	Unearned Employee Benefits			
	Shares	Amount	Paid-in Capital	Employee Share Options	Share Options	Restricted Shares For Employees	Total	Legal Reserve	Unappropriated Earnings	Total			Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2015	77,395	$ 773,950	$ 1,134,840	$ 7,908	$ -	$ 126,124	$ 1,268,872	$ 53,030	$ 1,322,882	$ 1,375,912	$ 223,707	$ (130,925)	$ 92,782	$ -	$ 3,511,516
Appropriation of the 2014 earnings															
Legal reserve	-	-	-	-	-	-	-	80,073	(80,073)	-	-	-	-	-	-
Cash dividends distributed by Silergy Corp.	-	-	-	-	-	-	-	-	(305,180)	(305,180)	-	-	-	-	(305,180)
Recognition of employee share options by Silergy Corp.	-	-	-	33,203	-	-	33,203	-	-	-	-	-	-	-	33,203
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	6	6
Net profit for the year ended December 31, 2015	-	-	-	-	-	-	-	-	1,201,247	1,201,247	-	-	-	(6)	1,201,241
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	-	-	-	402	402	64,310	-	64,310	-	64,712
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	-	-	-	1,201,649	1,201,649	64,310	-	64,310	(6)	1,265,953
Issue of common shares under employee share options	638	6,374	6,574	(2,925)	-	-	3,649	-	-	-	-	-	-	-	10,023
Recognition of restricted employee shares issued by Silergy Corp.	188	1,882	20,684	-	-	30,082	50,766	-	-	-	-	39,683	39,683	-	92,331
BALANCE AT DECEMBER 31, 2015	78,221	782,206	1,162,098	38,186	-	156,206	1,356,490	133,103	2,139,278	2,272,381	288,017	(91,242)	196,775	-	4,607,852
Appropriation of the 2015 earnings															
Legal reserve	-	-	-	-	-	-	-	120,125	(120,125)	-	-	-	-	-	-
Cash dividends distributed by Silergy Corp.	-	-	-	-	-	-	-	-	(156,510)	(156,510)	-	-	-	-	(156,510)
Recognition of employee share options by Silergy Corp.	-	-	-	104,728	-	-	104,728	-	-	-	-	-	-	-	104,728
Equity component of convertible bonds issued by Silergy Corp.	-	-	-	-	310,870	-	310,870	-	-	-	-	-	-	-	310,870
Convertible bonds converted to common shares	5,000	50,006	2,016,107	-	(162,896)	-	1,853,211	-	-	-	-	-	-	-	1,903,217
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	-	-	1,469,656	1,469,656	-	-	-	-	1,469,656
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	-	-	(17)	(17)	(196,069)	-	(196,069)	-	(196,086)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	-	-	-	1,469,639	1,469,639	(196,069)	-	(196,069)	-	1,273,570
Issue of common shares under employee share options	488	4,884	10,504	(3,509)	-	-	6,995	-	-	-	-	-	-	-	11,879
Recognition of restricted employee shares issued by Silergy Corp.	314	3,136	96,499	-	-	34,949	131,448	-	-	-	-	4,570	4,570	-	139,154
BALANCE AT DECEMBER 31, 2016	84,023	$ 840,232	$ 3,285,208	$ 139,405	$ 147,974	$ 191,155	$ 3,763,742	$ 253,228	$ 3,332,282	$ 3,585,510	$ 91,948	$ (86,672)	$ 5,276	$ -	$ 8,194,760

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

SILERGY CORP.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,498,242	$ 1,261,637
Adjustments for:		
Impairment loss recognized (reversed) on accounts receivable	(150)	1,272
Net loss on fair value change of financial liabilities designated as at fair value through profit or loss	618	-
Depreciation expenses	26,818	18,987
Amortization expenses	199,617	19,317
Interest income	(16,825)	(16,095)
Interest expenses	61,765	-
Compensation cost of employee share options	104,728	33,203
Compensation cost of restricted employee shares	139,154	92,331
Share of loss of associates	17,513	12
Write-down of inventories	55,806	41,027
Loss on disposal of property, plant and equipment	31	171
Property, plant and equipment transferred to expenses	306	-
Gains on disposal of intangible assets	(18,774)	(312,747)
Unrealized gain on foreign currency exchange	(514)	(502)
Gains on sale of investments	-	(2,239)
Impairment loss of goodwill	16,232	121,401
Impairment loss recognized on financial assets measured at cost	-	23,649
Changes in operating assets and liabilities		
Increase in accounts receivable	(253,430)	(66,569)
Increase in other receivables	(7,430)	(9,769)
Increase in inventories	(192,176)	(547,368)
Decrease (increase) in prepayments	(21,039)	9,401
Increase in defined benefit assets - non-current	(188)	(180)
Decrease in notes payable	-	(2,105)
Increase in accounts payable	104,183	128,811
Increase in other payables	59,285	74,814
Increase (decrease) in other current liabilities	(956)	2,512
Cash generated from operations	1,772,816	870,971
Interest received	17,407	9,843
Interest paid	(37,715)	-
Income tax paid	(90,251)	(26,152)
Net cash generated from operating activities	1,662,257	854,662
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of debt investments with no active market	(32,250)	(96,230)
Proceeds from sale of debt investments with no active market	265,363	-
Purchase of financial assets measured at cost	-	(56,030)

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

	2016	2015
Acquisition of investments accounted for using equity method	$ -	$ (373,442)
Net cash outflow on business combinations (Note 28)	(4,098,925)	(86,512)
Acquisition of property, plant and equipment	(287,177)	(30,831)
Proceeds from disposal of property, plant and equipment	-	1,719
Payments for intangible assets	(21,647)	(117)
Decrease (increase) in other financial assets	36,108	(36,108)
Decrease (increase) in long-term prepayments	1,087	(110,644)
Increase in refundable deposits	(1,945)	(4,533)
Increase in guarantee deposits	9,001	-
Net cash used in investing activities	(4,130,385)	(792,728)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	3,379,425	-
Decrease in short-term borrowings	(3,379,425)	(15,000)
Proceeds from issue of common shares	3,925,262	-
Cash dividends paid	(153,638)	(321,628)
Proceeds from exercise of employee share options	11,879	10,023
Decrease in other receivables	9,786	-
Net cash generated from (used in) financing activities	3,793,289	(326,605)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(66,320)	63,601
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,258,841	(201,070)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,420,685	1,621,755
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,679,526	$ 1,420,685

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Silergy Corp. ("Silergy") was incorporated as a limited company under the Company Law of the Cayman Islands on February 7, 2008. Silergy Corp. and its subsidiaries (collectively, the "Company") mainly design, develop, and sell various integrated circuit products and provide related technical services.

Silergy's shares have been listed in the Republic of China (ROC) on the Taiwan Stock Exchange since December 2013.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements as of and for the years ended December 31, 2016 and 2015 were approved by the Board of Directors on March 15, 2017.

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

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

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

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016

(Continued)

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

(Concluded)

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

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

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

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

1) Amendment to IFRS 2 "Share-Based Payment"

   IFRS 2 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to change the definitions of "vesting condition" and "market condition" and add definitions of "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Company or another entity in the same group or the market price of the equity instruments of the Company or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Company as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Company, but also of other entities outside the Company. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

2) Amendment to IFRS 3 "Business Combinations"

   IFRS 3 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combination with acquisition date on or after January 1, 2017.

IFRS 3 was also amended by the Annual Improvements to IFRSs: 2011-2013 Cycle to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself. The amendment will be applied prospectively starting from January 1, 2017.

3) Amendment to IFRS 8 “Operating Segments”

IFRS 8 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to require disclosure of the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

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

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

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

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

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

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

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

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

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

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

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

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

Impairment of financial assets

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

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

Transition

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

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

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

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

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

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

3) IFRS 16 “Leases”

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement 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.

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

d. Basis of consolidation

Principles for preparing consolidated financial statements

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

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

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

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

See Note 12 and Tables 4 and 5 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if that interest were directly disposed of by the Company.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

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

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of Silergy are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

g. Inventories

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

h. Investment in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes its share in the changes in the equity of associates attributable to the Company.

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

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

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

i. Property, plant and equipment

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

Properties, plant and equipment in the course of construction are carried at cost. Cost includes professional fees. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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

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

j. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

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

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

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

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

ii. Loans and receivables

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

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

b) Impairment of financial assets

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

Financial assets carried at amortized cost, such as accounts receivable and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 45 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of Silergy's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

<u>Financial liabilities at fair value through profit or loss</u>

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

b) Derecognition of financial liabilities

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

4) Convertible bonds

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

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

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

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

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

a) The Company has transferred to the buyer the significant risks and rewards of ownership of goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2) Interest income

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

o. Leasing

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

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

p. Government grants

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Share-based payment arrangements

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

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

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

s. Taxation

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

1) Current tax

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. A deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred tax are also recognized in other comprehensive income.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of goodwill

   Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from a cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Income taxes

   As of December 31, 2016 and 2015, the carrying amount of the deferred tax assets in relation to unused tax losses was $0 and $131 thousand, respectively. As of December 31, 2016 and 2015, no deferred tax assets had been recognized on the tax loss of $63,515 thousand and $47,980 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

c. Estimated impairment of accounts receivable

   When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Write-down of inventory

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	$ 624	$ 599
Checking accounts and demand deposits	2,220,592	1,404,690
Cash equivalents (investments with original maturities less than three months)		
Time deposits	458,310	15,396
	$ 2,679,526	$ 1,420,685

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

	December 31	
	2016	2015
Deposits	0.00%-1.54%	0.00%-1.35%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (DECEMBER 31, 2015: NONE)

	December 31, 2016
Financial liabilities at FVTPL - current	
Financial liabilities held for trading	
Derivative financial liabilities (not under hedge accounting)	
Convertible options (Note 19)	$ 10,170

8. FINANCIAL ASSETS MEASURED AT COST - NONCURRENT

	December 31	
	2016	2015
Overseas unlisted common shares		
Sage Microelectronics, Corp. (“Sage”)	$ 32,543	$ 35,385
Calterah Semiconductor (“Calterah”)	18,596	20,220
Jiangsu CAS-IGBT Technology Co., Ltd. (“Jiangsu”)	15,620	16,985
Overseas unlisted preferred shares		
Vango Technologies, Inc. (“Vango”)	64,500	65,650
	$ 131,259	$ 138,240
Financial assets by measurement category		
Available-for-sale financial assets	$ 131,259	$ 138,240

In February 2015, Silergy Semiconductor Technology (Hangzhou) (“Hangzhou Silergy”) signed an investment agreement with Sage and made an investment prepayment of RMB7,000 thousand. In March 2015, Hangzhou Silergy signed a capital increase agreement to acquire equity interest in Sage at RMB6 per share in March 2015. The procedures for share transfer and registration were completed in April 2015.

In July 2015, Hangzhou Silergy signed an investment agreement with Calterah to acquire a 10% equity interest in Calterah for RMB4,000 thousand. The procedures for share transfer and registration were completed in November 2015.

The Company recognized an impairment loss on Jiangsu of NT$23,649 thousand (RMB4,640 thousand) in 2015.

Management believed that the above unlisted equity investments held by the Company had fair values that could not be reliably measured because the range of reasonable fair value estimates was so significant; thus, these investments were measured at cost less impairment at the end of the reporting period.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2016	2015
Current		
Time deposits with original maturity of more than 3 months	$ 667,849	$ 933,212
Interest rate	0.95%-4.125%	0.71%-3.30%
Non-current		
Corporate bonds - Vango Technologies, Inc.	$ 32,250	$ -

In December 2016, the Company bought a 3-year corporate convertible bond issued by Vango Technologies, Inc. with a coupon rate of 3% and an effective interest rate of 3.79%, at a par value of US$1,000 thousand.

10. ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2016	2015
Accounts receivable		
Accounts receivable	$ 584,067	$ 331,567
Less: Allowance for impairment loss	1,595	3,342
	$ 582,472	$ 328,225
Other receivables		
Tax refund receivables - value added tax	$ 15,763	$ 11,327
Interest receivables	9,285	9,867
Tax refund receivables - income tax	1,755	15
Restricted assets (Note 33)	-	9,786
Others	9,169	6,175
	$ 35,972	$ 37,170

Accounts Receivable

The average credit period on sales of goods was 45 days. In determining the recoverability of accounts receivables, the Company considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of reporting period. The Company recognized an allowance for impairment loss of 100% against all receivables over 180 days because historical experience had been that receivables that are past due beyond 180 days were not recoverable. Allowance for impairment loss were recognized against accounts receivable between 1 day and 180 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

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

The aging of receivables was as follows:

	December 31	
	2016	**2015**
Not past due	$ 512,670	$ 295,504
1-60 days	70,268	32,423
61-90 days	135	39
91-180 days	433	791
More than 180 days	561	2,810
	$ 584,067	$ 331,567

The above aging schedule was based on the past-due date.

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

	December 31	
	2016	**2015**
1-60 days	$ 62,438	$ 31,154

The above aging schedule was based on the past-due date.

The movements of the allowance for doubtful accounts were as follows:

	Collectively Assessed for Impairment	
	2016	**2015**
Balance at January 1	$ 3,342	$ 2,208
Plus: Impairment losses recognized on receivables	-	1,272
Less: Impairment losses reversed	(150)	-
Effect through business combinations	-	4
Less: Amount written off during the year as uncollectible	(1,487)	(160)
Effect of foreign currency exchange differences	(110)	18
Balance at December 31	$ 1,595	$ 3,342

11. INVENTORIES

	December 31 2016	December 31 2015
Finished goods	$ 518,666	$ 455,943
Work in progress	563,804	265,365
Raw materials	229,723	305,371
	$ 1,312,193	$ 1,026,679

The cost of goods sold for the years ended December 31, 2016 and 2015 was $3,738,293 thousand and $2,520,278 thousand, respectively. The cost of goods sold included inventory write-downs of $55,806 thousand and $41,027 thousand for the years ended December 31, 2016 and 2015, respectively.

12. SUBSIDIARIES

Entities included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership December 31 2015	2016	Remark
Silergy Corp. (“Silergy”)	Silergy Technology (“TECH”)	Development and design of power management ICs	100%	100%	a
	Silergy Semiconductor Technology (Hangzhou) (“Hangzhou Silergy”)	Development, design and sales of electronic components, and related technical services	100%	100%	b
	Silergy Semiconductor (Samoa) Limited (“Silergy Samoa”)	Holding company	100%	100%	c
	Silergy Semiconductor (Hong Kong) Limited (“HK Silergy”)	Holding company	100%	100%	d
Hangzhou Silergy	Nanjing Silergy Semiconductor Technology (“Nanjing Silergy”)	Development, design and sales of electronic components	100%	100%	e
	Hangzhou Innvolt Technology (“Innvolt”)	Development, design and sales of electronic components, and related technical services	100%	100%	f
	Xian Silergy Semiconductor Technology (“Xian Silergy”)	Development, design and sales of electronic components	100%	100%	g
	Shanghai Pengxi Semiconductor Technology (“Shanghai Pengxi”)	Development and design of electronic components	100%	-	h
	Chengdu Silergy Semiconductor Technology (“Chengdu Silergy”)	Development and design of electronic components	100%	-	i
Silergy Samoa	Taiwan Silergy Co., LTD (“TW Silergy”)	Development and design of electronic components	100%	100%	j
	Integrated Crystal Technology Inc. (“Crystal”)	Development, design and sales of electronic components	100%	100%	k
	Silergy Technologies Private Limited	Development, design and sales of electronic components	100%	-	l
Crystal	Omni Tek Design Service (Xi’an) Inc. (“Omni”)	Development and design of electronic components	-	-	m
TECH	Gazelle Semiconductor Inc. (“Gazelle”)	Development and design of electronic components	100%	100%	n

Remarks:

a. In May 2008, Silergy set up TECH, which mainly develops and designs power management integrated circuits (ICs). For investment in Gazelle through TECH, Silergy injected US$2,000 thousand as TECH’s additional paid-in capital in December 2015. The Company’s board of directors agreed to inject US$2,947 thousand by asset pricing into TECH in August 2016, and the capital was injected in December 2016. As of December 31, 2016, the capital of TECH was US$3,122 thousand.

b. In May 2008, Silergy set up Hangzhou Silergy, which develops, designs, and sells electronic components (e.g., ICs), electronic products, communications products and computer software, and provides related technical services. To meet the needs of Hangzhou Silergy for more working capital and to purchase properties, the Board of Directors of Silergy approved a capital increase in this investee of US$5,000 thousand and US$11,300 thousand in April 2015 and April 2016, respectively. As of December 31, 2016, the capital of Hangzhou Silergy was US$29,820 thousand.

c. In December 2012, Silergy set up Silergy Samoa, a holding company, and injected capital at US$2,000 thousand in this subsidiary in February 2013. In June 2014, for the establishment of TW Silergy through Silergy Samoa, the Board of Directors of Silergy agreed to inject capital at US$3,000 thousand in Silergy Samoa. When Silergy Samoa needed to invest in Taiwan and obtain working capital for its Taiwan branch, the Board of Directors of Silergy agreed to inject capital at US$10,000 thousand into Silergy Samoa in September 2014. It injected capital at US$4,700 thousand in July 2016. As of December 31, 2016, the capital of Silergy Samoa was US$19,700 thousand. In March 2013, Silergy Samoa set up a Taiwan branch of Silergy Semiconductor (Samoa TW) Limited; as of December 31, 2016, a total capital of NT$229,219 thousand had been injected into this branch. Silergy Samoa set up a Japan branch in April 2016, and injected working capital in July 2016. As of December 31, 2016, a total capital of US$437 thousand had been injected into the Japan branch.

d. In October 2015, Silergy set up HK Silergy, a holding company. In December 2015, Silergy injected capital at US$11,365 thousand into this investee. As of December 31, 2016, the capital of HK Silergy was US$11,365 thousand.

e. In August 2012, Hangzhou Silergy set up Nanjing Silergy, which mainly develops, designs, and sells electronic components (e.g., ICs), electronic products, communications products and computer software. The Board of Directors of Silergy agreed to inject capital at RMB10,000 thousand, RMB6,000 thousand and RMB5,000 thousand in August 2013, October 2014 and September 2015, respectively. As of December 31, 2016, the capital of Nanjing Silergy was RMB31,000 thousand.

f. In March 2014, Hangzhou Silergy set up Innvolt, which develops, designs, and sells electronic components (e.g., ICs) and semiconductor electronic products and provides related technical services. As of December 31, 2016, the capital of Innvolt was RMB3,000 thousand.

g. In April 2015, Hangzhou Silergy set up Xian Silergy, which develops and designs electronic components (e.g., ICs) and semiconductors and other electronic products and provides related technical services. Hangzhou Silergy injected capital into Xian Silergy at RMB11,000 thousand in March 2016. As of December 31, 2016, the capital of Xian Silergy was RMB26,000 thousand.

h. In April 2016, Hangzhou Silergy set up Shanghai Pengxi, which develops and designs electronic components (e.g., ICs) and semiconductors and other electronic products and provides related technical services. As of December 31, 2016, the capital of Shanghai Pengxi was RMB10,000 thousand.

i. In November 2016, Hangzhou Silergy set up Chengdu Silergy, which develops and designs electronic components (e.g., ICs) and semiconductors and other electronic products and provides related technical services. As of December 31, 2016, the capital of Chengdu Silergy was RMB20,000 thousand.

j. In June 2014, Silergy Samoa set up TW Silergy and obtained investment approval by the Export Processing Zone Administration under the Ministry of Economic Affairs in July 2014. As of December 31, 2016, the capital of TW Silergy was NT$60,000 thousand.

k. In September 2014, Silergy Samoa acquired a 42.59% equity interest in Crystal, consisting of 7,028 thousand common shares, at NT$71,685 thousand. Crystal mainly develops, designs, and sells electronic components. In January 2015, Silergy Samoa bought 9,472 thousand common shares of Crystal at NT$99,579 thousand and thus acquired a 100% equity interest in Crystal. Since January 29, 2015, Crystal and its subsidiary, Omni, became consolidated entities when the Company acquired controlling interests over these investees; see Note 28. In April 2015, to meet Crystal's need for more working capital, the Board of Directors of Silergy agreed to inject capital at NT$36,000 thousand in this investee, and another NT$36,000 thousand and NT$30,000 thousand in August 2016 and December 2016, respectively. As of December 31, 2016, Crystal's capital was NT$267,000 thousand. Additionally, concerning the efficiency and effectiveness of management, in order to improve the usage of resources and the plan for taxation in regard of the Company, in November 2016, the Board of Directors of Silergy Samoa agreed to reorganize the investees in Taiwan. Crystal obtained capital from Silergy Samoa to purchase all the assets from Samoa TW and TW Silergy on the book, while remaining a sole entity. Samoa TW and TW Silergy will dismiss and terminate the registration after all the assets are sold to Crystal.

l. In May 2016, Silergy Samoa set up Silergy Technologies Private Limited in India, which develops, designs and sells electronic components, and injected capital at US$38 thousand in August 2016. As of December 31, 2016, the capital of Silergy Technologies Private Limited was US$2 thousand.

m. Crystal set up Omni and acquired 99% equity interest in 2013. Omni develops and designs electronic components. However, in October 2015, under a restructuring strategy of the Company, Omni ended its operation and its registration was terminated.

n. In December 2015, TECH acquired a 100% equity interest in Gazelle for US$2,000 thousand. Gazelle mainly develops and designs electronic components and other products. As of December 31, 2016, Gazelle's capital was US$5 thousand.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2016	**2015**
Investments in associates		
Material associate		
Hefei SMAT Technology Co., Ltd. ("SMAT")	$ 629,921	$ 683,620

a. Material associates

In December 2015, SMAT was set up by Hangzhou Silergy, HK Silergy and unrelated third parties. The Company acquired, through Hangzhou Silergy, a 22.22% equity interest in SMAT using a patent worth RMB100,000, and, through HK Silergy, a 16.42% equity interest for RMB73,876 thousand. The fair value of the patent was determined by an independent third party. Accordingly, in 2016 a gain of RMB61,361 thousand resulting from the patent-related transaction with SMAT was recognized only to the extent of the interests in this associate that were not related to the Company. To the extent of the investment related to the Company, Hangzhou Silergy recognized an unrealized gain of RMB38,639 thousand, which would be amortized along the economic life of the patent. As of the end of year 2016, the total realized gain was NT$18,774 thousand.

Refer to Table 5 "Information on Investments in Mainland China" for the nature of activities, principal place of business and country of incorporation of the associates.

The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

SMAT

	December 31	
	2016	**2015**
Current assets	$ 1,666,922	$ 1,769,242
Non-current assets	512,375	505,498
Total assets	$ 2,179,297	$ 2,274,740

(Continued)

	December 31	
	2016	2015
Current liabilities	$ 130,623	$ -
Equity	$ 2,048,674	$ 2,274,740
Proportion of the Company's ownership	38.64%	38.64%
Equity attributable to the Company	$ 791,590	$ 878,940
Unrealized gain on disposal of intangible assets with associates	(161,669)	(195,320)
Carrying amount	$ 629,921	$ 683,620

(Concluded)

	For the Year Ended December 31	
	2016	2015
Net loss for the year	$ (45,326)	$ -

b. Aggregate information of associates that are not individually material (for the year ended December 31, 2016: None)

	For the Year Ended December 31, 2015
The Company's share of:	
Net loss for the year	$ (12)
Other comprehensive income	-
Total comprehensive loss for the year	$ (12)

In September 2014, the Company acquired a 42.59% equity interest in Crystal, which consisted of 7,028 thousand common shares, at $71,685 thousand. This acquisition included goodwill amounting to $53,812 thousand.

In January 2015, the Company bought an additional 9,472 thousand common shares of Crystal at NT$99,579 thousand and thus acquired a 100% equity interest in this investee. Goodwill arising from the acquisition amounted to NT$139,506 thousand; see Note 28. In addition, the fair value of the Company's previously held equity interest in Crystal was remeasured at the acquisition date. As a result, a difference of NT$2,072 thousand between the investment fair value of NT$63,252 thousand and the investment carrying amount of NT$61,180 thousand was recognized as gain on disposal of investment.

The investments accounted for using equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the associates' audited financial statements for the same years.

14. OTHER FINANCIAL ASSETS - CURRENT (DECEMBER 31, 2016: NONE)

	December 31, 2015
Repurchase of coupon notes	$ 36,108

In October 2015, the Company purchased a principal-guaranteed and interest-guaranteed coupon notes of US$1,100 thousand; relevant information is as follows:

	December 31, 2015
Maturity	April 2016
Annual earnings rate	0.57%

15. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2016					
	Buildings	Machinery and Equipment	Office Equipment	Leasehold Improvements	Construction in Progress	Total
Cost						
Balance, beginning of year	$ 61,890	$ 53,198	$ 30,560	$ 19,866	$ 15,389	$ 180,903
Acquisitions through business combinations (see Note 28)	-	28,564	3,532	4,410	-	36,506
Additions	-	15,207	7,180	2,800	261,990	287,177
Disposals	-	(581)	(48)	-	-	(629)
Reclassification	-	(3,634)	(1,193)	(2,828)	-	(7,655)
Effect of foreign currency exchange differences	(3,161)	(4,173)	(1,717)	(1,171)	(12,550)	(22,772)
Balance, end of year	58,729	88,581	38,314	23,077	264,829	473,530
Accumulated depreciation						
Balance, beginning of year	2,865	37,003	22,046	9,501	-	71,415
Depreciation expense	1,296	15,517	5,064	4,941	-	26,818
Disposals	-	(553)	(45)	-	-	(598)
Reclassification	-	(3,557)	(964)	(2,828)	-	(7,349)
Effect of foreign currency exchange differences	(219)	(2,221)	(1,067)	(605)	-	(4,112)
Balance, end of year	3,942	46,189	25,034	11,009	-	86,174
Net book value, end of year	$ 54,787	$ 42,392	$ 13,280	$ 12,068	$ 264,829	$ 387,356

	For the Year Ended December 31, 2015					
	Buildings	Machinery and Equipment	Office Equipment	Leasehold Improvements	Construction in Progress	Total
Cost						
Balance, beginning of year	$ 62,804	$ 37,164	$ 19,862	$ 15,440	$ 21	$ 135,291
Acquisitions through business combinations (see Note 28)	-	16,732	9,547	2,682	-	28,961
Additions	-	9,772	3,521	2,022	15,516	30,831
Disposals	-	(9,801)	(2,057)	-	-	(11,858)
Reclassification	-	-	-	20	(20)	-
Effect of foreign currency exchange differences	(914)	(669)	(313)	(298)	(128)	(2,322)
Balance, end of year	61,890	53,198	30,560	19,866	15,389	180,903
Accumulated depreciation						
Balance, beginning of year	1,565	20,129	10,565	5,388	-	37,647
Acquisitions through business combinations (see Note 28)	-	16,579	8,460	431	-	25,470
Depreciation expense	1,339	9,368	4,462	3,818	-	18,987
Disposals	-	(8,732)	(1,236)	-	-	(9,968)
Effect of foreign currency exchange differences	(39)	(341)	(205)	(136)	-	(721)
Balance, end of year	2,865	37,003	22,046	9,501	-	71,415
Net book value, end of year	$ 59,025	$ 16,195	$ 8,514	$ 10,365	$ 15,389	$ 109,488

The Company planned to build a headquarters in Hangzhou. The total estimated amount to complete this plan is RMB350 million, and the construction will be done in 2018 according to the plan.

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

Buildings	44-50 years
Machinery and equipment	3-7 years
Office equipment	3-7 years
Leasehold improvements	3-5 years

16. GOODWILL

	December 31	
	2016	2015 (Audited after Restated)
Cost		
Balance at January 1	$ 401,424	$ 208,968
Acquisitions through business combinations (see Note 28)	2,297,077	184,698
Effect of foreign currency exchange differences	(13,165)	7,758
Balance at December 31	$ 2,685,336	$ 401,424
Accumulated impairment losses		
Balance at January 1	$ (124,922)	$ -
Impairment losses recognized	(16,232)	(121,401)
Effect of foreign currency exchange differences	1,870	(3,521)
Balance at December 31	$ (139,284)	$ (124,922)
Net book value at December 31	$ 2,546,052	$ 276,502

For the year ended December 31, 2016, the Company recognized an impairment loss of US$503 thousand (NT$16,232 thousand) for goodwill relating to CitrusCom Corporation (CitrusCom). The recoverable amount of CitrusCom of US$5,333 thousand which was determined based on a value in use calculation and a discount rate of 16.6%.

For the year ended December 31, 2015, the Company recognized an impairment loss of US$3,242 thousand (NT$102,919 thousand) and US$589 thousand (NT$18,482 thousand), respectively, for goodwill relating to CitrusCom and Crystal. The recoverable amount of CitrusCom and Crystal was US$6,457 thousand and US$4,490 thousand, respectively, which was determined based on a value in use calculation and a discount rate of 15.8% and 15.0%, respectively. This impairment was mainly due to lower than expected profit from certain products.

After the Company evaluated and acquired Gazelle, more related information which had already existed at the acquisition date came to light. Therefore, the current liabilities and goodwill from Gazelle were revaluated (see Note 28). The Company has adjusted the original version since the acquisition date and restated the comparison.

The adjustment of related items from the consolidated balance sheets are shown below:

	December 31, 2015
Adjustment of goodwill	$ (7,977)
Other payables	$ (7,977)

17. OTHER INTANGIBLE ASSETS

	For the Year Ended December 31, 2016				
	Computer Software	Technical Know-how	Customer Relationships	Back Orders	Total
Cost					
Balance, beginning of year	$ 15,817	$ 131,326	$ 16,508	$ -	$ 163,651
Additions	17,995	95,565	-	-	113,560
Acquisitions through business combinations (see Note 28)	-	243,846	1,254,383	62,652	1,560,881
Disposals	(343)	-	-	-	(343)
Effect of foreign currency exchange differences	(444)	(1,714)	(4,973)	(280)	(7,411)
Balance, end of year	33,025	469,023	1,265,918	62,372	1,830,338
Accumulated amortization					
Balance, beginning of year	7,692	21,163	4,559	-	33,414
Amortization expenses	18,344	42,152	91,869	47,252	199,617
Disposals	(343)	-	-	-	(343)
Effect of foreign currency exchange differences	(210)	(344)	(100)	(19)	(673)
Balance, end of year	25,483	62,971	96,328	47,233	232,015
Net book value, end of year	$ 7,542	$ 406,052	$ 1,169,590	$ 15,139	$ 1,598,323

	For the Year Ended December 31, 2015			
	Computer Software	Technical Know-how	Customer Relationships	Total
Cost				
Balance, beginning of year	$ 15,293	$ 92,987	$ 9,958	$ 118,238
Additions	117	-	-	117
Acquisitions through business combinations (see Note 28)	-	34,887	6,180	41,067
Effect of foreign currency exchange differences	407	3,452	370	4,229
Balance, end of year	15,817	131,326	16,508	163,651
Accumulated amortization				
Balance, beginning of year	3,883	7,749	1,494	13,126
Amortization expenses	3,604	12,772	2,941	19,317
Effect of foreign currency exchange differences	205	642	124	971
Balance, end of year	7,692	21,163	4,559	33,414
Net book value, end of year	$ 8,125	$ 110,163	$ 11,949	$ 130,237

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

Computer software	3-10 years
Technical know-how	6-10 years
Customer relationships	5-12 years
Back orders	1 year

18. PREPAYMENTS

	December 31	
	2016	2015
Current		
Prepayments to suppliers	$ 46,613	$ 30,054
Prepaid expenses	6,785	2,209
Prepayments for equipment	-	96
	$ 53,398	$ 32,359
Non-current		
Prepayments for property	$ 55,088	$ 59,899
Prepayments for leases	48,884	50,745
	$ 103,972	$ 110,644

Prepayment for leases refers to the right to use land in China, which was acquired by Hangzhou Silergy for the expansion of its operations. The useful life of the land use rights is 50 years. The transfer of the land use rights was confirmed by Hangzhou's Bureau of Land and Resources on June 30, 2015.

Xian Silergy had made a prepayment for a certain property to be used for the expansion of its operations in July 2015.

19. BONDS PAYABLE (DECEMBER 31, 2015: NONE)

	December 31, 2016
Overseas convertible bonds	$ 1,918,875
Less: Discount on overseas convertible bonds	(160,117)
	$ 1,758,758

For the purpose of a business combination and diversity of fund raising, the board of directors of the Company approved to issue global zero-coupon overseas convertible bonds with a face value of US$125,000 thousand on March 11, 2016. This proposal was approved by the FSC in August, and total of 1,250 shares were issued in August 4, 2016, with total value of US$125,000 thousand. Approval-in-principal has been obtained for the listing of the bonds on the Singapore Exchange Securities Trading Limited ("SGX-ST"), with a duration of 5 years. According to IFRSs, the Company has bifurcated the bonds into a liability component and an equity component.

The bonds may be converted into common shares of the Company at any time on or after September 4, 2016 and up to July 25, 2021, and except during the book closure periods. The initial conversion price for the bonds is NT$420 per convertible share, with a fixed exchange rate of NT$32.065 per U.S. dollar will be applied when converting the U.S. dollar-denominated principal amount of the bonds to an N.T. dollar equivalent.

The conversion price will be subject to adjustment in the manner provided upon the occurrence of the following events, and will be based on the extent provided in article 13 of the Company's Prospectus on "Description of the Bonds - Conversion":

a. Distribution of stock dividends of common shares or other types of dividends.

b. Warrants or options issued to shareholders entitling them to subscribe for or purchase shares at less than the current market price per share.

c. Other issues of shares other than shares issued upon the conversion or exchange of any convertible or exchangeable security.

d. Adjustment upon capital reduction, excluding a decrease in capital resulting from the cancellation of treasury shares purchased.

e. Analogous events and modifications stated in the policy.

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each bond at 100.0% of its principal amount in cash on August 4, 2021 (the "Maturity Date").

According to the aforementioned "Description of the Bonds - Conversion", holders of the bonds will have the right to require the Company to repurchase the bonds for cash at 100.0% of the principal amount after August 4, 2018 if an 'Event of Delisting' or a 'Change of Control' occurs.

The Company has the option to redeem the bonds at a redemption amount equal to the early redemption amount, in whole or in part, at any time on or after August 4, 2018 and prior to the Maturity Date, (i) if the closing price of shares listed on the Taiwan Stock Exchange for 20 trading days in any consecutive 30-trading-day period, the last day of which occurs not more than five days prior to the date on which notice of such redemption is given, reaches 130% of the early redemption amount divided by the conversion ratio, (ii) where 90% or more in principal amount of the bonds issued have been redeemed, repurchased, cancelled or converted or (iii) the change in tax law and regulation of the Republic of China or Cayman Islands leads to additional tax liabilities, interest expenses and operating costs due to the issuance of convertible bonds.

Movements of host liability instruments and conversion option derivative instruments from August 4 to December 31, 2016 were as follows:

	Host Liability Instruments	
	US$	**NT$**
Issued date (deducting transaction cost of US$1,014 thousand)	$ 123,986	$ 3,925,262
Conversion option derivative instruments	(525)	(16,621)
Equity portions	(9,819)	(310,870)
Liability portions at issued date	113,642	3,597,771
Interest expenses	745	24,050
Converted parts	(59,852)	(1,895,946)
Translation adjustments	-	32,883
Balance at December 31, 2016	$ 54,535	$ 1,758,758

	The Conversion Option Derivative Instrument	
	US$	NT$
Issued date	$ 525	$ 16,621
Loss from fair value changes	19	618
Converted parts	(229)	(7,271)
Translation adjustments	-	202
Balance at December 31, 2016	$ 315	$ 10,170

Movements of the equity portion of conversions were as follows:

	From August 4 to December 31, 2016
Issued date	$ 310,870
Converted parts	(162,896)
Balance at December 31, 2016	$ 147,974

As of December 31, 2016, bondholders requested the Company to convert the bonds with face values of US$65,500 thousand into common shares totaling 5,000 thousand shares, and the additional paid-in capital increased by NT$2,016,107 thousand. The total face value of the remaining outstanding convertible bonds was US$59,500 thousand.

20. ACCOUNTS PAYABLE

	December 31	
	2016	2015
Accounts payable - operating	$ 460,318	$ 356,092

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

21. OTHER PAYABLES AND LIABILITIES

	December 31	
	2016	2015 (Audited after Restated, See Note 16)
Current		
Other payables		
Payables for salaries and bonus	$ 243,589	$ 183,384
Payables for royalties	19,350	-
Payables for dividends	11,306	8,432
Payables for mask fees	5,603	4,016

(Continued)

	December 31	
	2016	2015 (Audited after Restated, See Note 16)
Payables for remuneration of directors and supervisors	$ 3,600	$ 3,600
Payables for investments	-	65,650
Others	33,784	34,402
	$ 317,232	$ 299,484
Other liabilities		
Advance on sales	$ 3,376	$ 4,903
Others	1,833	1,262
	$ 5,209	$ 6,165
Non-current		
Other payables		
Payable for royalty	$ 72,563	$ -

(Concluded)

In December 2016, the Company signed a cross-licensing agreement with Monolithic Power Systems, Inc. regarding particular patents. The agreement stated that the Company has to pay US$150 thousand each quarter, for 5 years, totaling US$3,000 thousand. As of December 31, 2016, the payables for royalties is US$2,850 thousand.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Samoa TW, TW Silergy and Crystal have pension plans under the Labor Pension Act in Taiwan (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of Silergy's subsidiaries in China are members of retirement benefit plans operated by their respective governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions.

Silergy's subsidiaries, branches and offices in other areas are required to contribute to the retirement benefit according to the respective policies.

b. Defined benefit plans

Silergy Samoa acquired a 42.59% equity interest of Crystal in September 2014 and then acquired the remaining equity interest in January 2015, resulting in Crystal's becoming wholly owned by the Company. Crystal adopted the defined benefit plan under the Labor Standards Act of Taiwan (LSA), under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Crystal contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year, starting in March 2016, according to an amendment to LSA validated in February 2015. The pension fund is managed by the Bureau of Labor Funds (“the Bureau”) under Taiwan’s Ministry of Labor; the Company has no right to influence the Bureau’s investment policy and strategy.

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

	December 31	
	2016	**2015**
Present value of defined benefit obligation	$ 958	$ 932
Fair value of plan assets	(1,787)	(1,587)
Net defined benefit asset	$ (829)	$ (655)

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2016	$ 932	$ (1,587)	$ (655)
Net interest expense (income)	10	(17)	(7)
Recognized in profit or loss	10	(17)	(7)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	5	5
Actuarial loss - experience adjustments	(22)	-	(22)
Actuarial gain - changes in financial assumptions	38	-	38
Recognized in other comprehensive income	16	5	21
Contributions from the employer	-	(188)	(188)
Balance at December 31, 2016	$ 958	$ (1,787)	$ (829)
Balance at January 29, 2015	$ 1,375	$ (1,344)	$ 31
Net interest expense (income)	23	(22)	1
Recognized in profit or loss	23	(22)	1
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(18)	(18)
Actuarial loss - experience adjustments	(695)	-	(695)
Actuarial loss - changes in demographic assumptions	29	-	29
Actuarial gain - changes in financial assumptions	200	-	200
Recognized in other comprehensive income	(466)	(18)	(484)
Contributions from the employer	-	(203)	(203)
Balance at December 31, 2015	$ 932	$ (1,587)	$ (655)

Through the defined benefit plans under the Labor Standards Act in Taiwan, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

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

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

	December 31	
	2016	**2015**
Discount rate	1.12%	1.08%
Expected rate of salary increase	2.50%	2.00%

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

	December 31	
	2016	**2015**
Discount rate		
0.5% increase	$ (65)	$ (72)
0.5% decrease	$ 71	$ 80
Expected rate of salary increase		
0.5% increase	$ 69	$ 78
0.5% decrease	$ (63)	$ (72)

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

	December 31	
	2016	**2015**
The expected contributions to the plan for the next year	$ 193	$ 205
The average duration of the defined benefit obligation	14 years	15 years

23. EQUITY

a. Common shares

	December 31	
	2016	**2015**
Number of shares authorized (in thousands)	200,000	200,000
Shares authorized	$ 2,000,000	$ 2,000,000
Number of shares issued and fully paid (in thousands)	84,023	78,221
Shares issued	$ 840,232	$ 782,206

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

For the year ended December 31, 2016, Silergy's shares increased by 5,000 thousand because of the bondholders' exercise of their conversion rights.

For the years ended December 31, 2016 and 2015, Silergy's shares increased by 802 thousand and 826 thousand because of the employees' exercise of their employee share options and the issuance of restricted shares to employees, respectively.

b. Capital surplus

Capital surplus arising from issuance of common shares may be used to offset a deficit; in addition, when Silergy has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of Silergy's capital surplus and once a year).

Capital surplus arising from convertible bonds options, employee share options and restricted shares for employees should not be used for any purpose.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 2, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, please refer to (4) Employee benefits expense in Note 24.

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

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

The appropriations from the 2015 and 2014 earnings that were approved in the annual shareholders' meetings on June 2, 2016 and June 24, 2015, respectively. The appropriations and remuneration of directors and supervisors were as follows:

	Appropriation of Earnings		**Dividends Per Share**	
	2015 (In Thousands of NT Dollars)	**2014 (In Thousands of NT Dollars)**	**2015 (NT Dollars)**	**2014 (NT Dollars)**
Legal reserve	$ 120,125	$ 80,073	$ -	$ -
Cash dividend	156,510	305,180	2.0136	3.9692

The appropriations of earnings for 2016 were proposed by Silergy's Board of Directors on March 15, 2017. The appropriation and dividends per share were as follows:

	Appropriations of Earnings (In Thousands of N.T. Dollars)	**Dividends Per Share (In N.T. Dollars)**
Legal reserve	$ 146,966	$ -
Cash dividends	420,116	5

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held on June 2, 2017.

d. Others equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2016	**2015**
Balance at January 1	$ 288,017	$ 223,707
Exchange differences on translating foreign operations	(118,321)	(84,329)
Share of other comprehensive income of associates accounted for using equity method	(43,002)	-
Exchange differences arising on translation to the presentation currency	(34,746)	148,639
Balance at December 31	$ 91,948	$ 288,017

2) Unearned employee benefits

In the meetings of shareholders on June 2, 2016 and June 24, 2015, the shareholders approved a restricted share plan for employees (see Note 27).

	For the Year Ended December 31	
	2016	**2015**
Balance at January 1	$ (91,242)	$ (130,925)
Shares granted	(134,584)	(52,648)
Share-based payment expenses recognized	139,154	92,331
Balance at December 31	$ (86,672)	$ (91,242)

24. NET PROFIT

a. Other operating income and expenses

	For the Year Ended December 31	
	2016	**2015**
Gain on disposal of intangible assets	$ 18,774	$ 312,747
Impairment loss on goodwill	(16,232)	(121,401)
Loss on disposal of property, plant and equipment	(31)	(171)
	$ 2,511	$ 191,175

b. Other income

	For the Year Ended December 31	
	2016	**2015**
Government grants	$ 103,785	$ 54,938
Others	3,469	5,571
	$ 107,254	$ 60,509

c. Depreciation and amortization

	For the Year Ended December 31	
	2016	**2015**
Other intangible assets	$ 199,617	$ 19,317
Property, plant and equipment	26,818	18,987
	$ 226,435	$ 38,304
An analysis of depreciation by function		
Operating costs	$ -	$ 2
Operating expenses	26,818	18,985
	$ 26,818	$ 18,987
An analysis of amortization by function		
Operating expense	$ 199,617	$ 19,317

d. Employee benefits expense

	For the Year Ended December 31	
	2016	2015
Post-employment benefits (see Note 22)		
Defined contribution plans	$ 48,637	$ 40,996
Share-based payments		
Equity-settled	243,882	125,534
Short-term employee benefits		
Salary	802,338	491,679
Labor and health insurance	52,309	32,384
Others	48,170	46,179
	902,817	570,242
Total employee benefit expense	$ 1,195,336	$ 736,772
An analysis of employee benefit expense by function		
Operating cost	$ -	$ 265
Operating expenses	1,195,336	736,507
	$ 1,195,336	$ 736,772

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

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting in June 2016, the Company accrued employees' compensation and remuneration of directors and supervisors at the rates of 8% to 20% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Company's board of directors on March 15, 2017 and March 11, 2016, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	8.71%	8.07%
Remuneration of directors and supervisors	0.22%	0.26%

Amount

	For the Year Ended December 31	
	2016	2015
Employees' compensation	$ 143,260	$ 111,129
Remuneration of directors and supervisors	3,600	3,600

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2015.

Information on the employees' compensation and remuneration of directors and supervisors resolved by Silergy's board of directors for 2017 and 2016 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

2) Employees' compensation and remuneration of directors and supervisors for 2014

The Articles of Incorporation of Silergy stipulates the distribution of bonus to employees and remuneration of directors and supervisors at the rates of 8% to 20% and at no higher than 2%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees and the remuneration of directors and supervisors, which were approved by the shareholders in their meeting on June 24, 2015, were $63,480 thousand and $3,000 thousand, respectively.

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

Information on the employees' compensation and remuneration of directors and supervisors resolved by Silergy's shareholders' meeting for 2015 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax income (expense) were as follows:

	For the Year Ended December 31	
	2016	**2015**
Current tax		
In respect of the current period	$ (51,020)	$ (84,259)
In respect of prior periods	17,967	-
Deferred tax		
In respect of the current period	4,467	19,368
In respect of prior periods	-	4,495
Income tax income (expense) recognized in profit or loss	$ (28,586)	$ (60,396)

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

	For the Year Ended December 31	
	2016	**2015**
Profit before tax	$ 1,498,242	$ 1,261,637
Income tax expense calculated at the statutory rate	$ (32,289)	$ (52,803)
Nondeductible expenses in determining taxable income	(650)	(826)
Tax-exempt income	16,880	19,598
Adjustments for prior years' deferred tax	-	4,495
Unrecognized loss carryforwards	$ (31,427)	$ (20,054)
Adjustments for prior year's current tax expense	17,967	-
Others	933	(10,806)
Income tax income (expense) recognized in profit or loss	$ (28,586)	$ (60,396)

Silergy and Silergy Samoa are exempt from business income tax in accordance with local laws and regulations.

The applicable tax rate for Silergy TW, TW Silergy and Crystal in the ROC is the corporate tax rate of 17%, while the applicable tax rate used by Hangzhou Silergy, Nanjing Silergy, Innvolt, Xian Silergy, Omni and Shanghai Pengxi in China is 25%. Hangzhou Silergy and Nanjing Silergy obtained approval from local tax authorities to have tax credits on its IC design business. Thus, the applicable tax rate for Hangzhou Silergy was nil in 2013 and 2014, and will be 12.5% from 2015 to 2017. Hangzhou Silergy applied for an additional tax-deduction, and got approval from the authorities; the applicable tax rate for 2015 decreased to 10%. The applicable tax rate for Nanjing Silergy will be nil in 2016 and 2017, and will be 12.5% from 2018 to 2020. The tax return amount of other subsidiaries from different areas is based on the respective applicable tax rates.

The tax returns of Silergy TW, TW Silergy and Crystal through 2014 have been assessed by the tax authorities.

b. Income tax recognized in other comprehensive income)

	For the Year Ended December 31	
	2016	**2015**
Deferred tax		
In respect of the current year		
Remeasurement on defined benefit plan	$ 4	$ (82)

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquisitions through Business Combination	Exchange Difference	Closing Balance
Deferred tax assets						
Temporary differences						
Write-downs of inventory	$ 9,907	$ 2,110	$ -	$ -	$ (886)	$ 11,131
Property, plant and equipment	-	809	-	-	-	809
Intangible assets	-	151	-	-	-	151
Allowance for uncollectible amount	-	20	-	-	(1)	19
Tax losses	131	(126)	-	-	(5)	-
Financial assets measured at cost	2,932	564	-	-	(261)	3,235
Unrealized gain on disposal of intangible assets	24,415	939	-	-	(2,002)	23,352
	$ 37,385	$ 4,467	$ -	$ -	$ (3,155)	$ 38,697
Deferred tax liabilities						
Temporary differences						
Prepaid pension	$ 63	$ -	$ (4)	$ -	$ -	$ 59

For the year ended December 31, 2015

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Acquisitions through Business Combination	Exchange Difference	Closing Balance
Temporary differences						
Write-downs of inventory	$ 6,657	$ 3,430	$ -	$ -	$ (180)	$ 9,907
Tax losses	7,380	(7,140)	-	-	(109)	131
Financial assets measured at cost	-	2,956	-	-	(24)	2,932
Unrealized gain on disposal of intangible assets	-	24,617	-	-	(202)	24,415
	$ 14,037	$ 23,863	$ -	$ -	$ (515)	$ 37,385
Deferred tax liabilities						
Temporary differences						
Prepaid pension	$ -	$ -	$ 82	$ (19)	$ -	$ 63

d. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	For the Year Ended December 31	
	2016	2015
Loss carryforwards		
Expiry in 2019	$ 25,038	$ 25,038
Expiry in 2020	23,432	24,491
Expiry in 2021	43,579	-
Expiry in 2023	38,709	38,709
Expiry in 2024	85,691	85,691
Expiry in 2025	92,376	102,098
Expiry in 2026	120,506	-
	$ 429,331	$ 276,027

26. EARNINGS PER SHARE

Unit: Dollars Per Share

	For the Year Ended December 31	
	2016	2015
Basic earnings per share	$ 18.72	$ 15.66
Diluted earnings per share	$ 17.68	$ 15.03

The earnings and weighted average number of common shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2016	2015
Earnings used in the computation of basic earnings per share	$ 1,469,656	$ 1,201,247
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds	17,805	-
Earnings used in the computation of diluted earnings per share	$ 1,487,461	$ 1,201,247

Weighted Average Number of Common Shares Outstanding

(In Thousand Shares)

	For the Year Ended December 31	
	2016	**2015**
Weighted average number of common shares in computation of basic earnings per share	78,514	76,720
Effect of potentially dilutive common shares:		
Convertible bonds	2,107	-
Employee share options	2,098	1,797
Restricted shares for employees	438	431
Restricted employee stock awards	957	967
Weighted average number of common shares used in the computation of diluted earnings per share	84,114	79,915

If the Company offered to settle bonuses paid to employees in cash or shares, the Company assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in shareholders' meeting in the following year.

27. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Company

Qualified employees of the Company were granted 639,000 options, 317,500 options, 188,000 options, 2,532,000 options and 150,000 options in March 2016, April 2016, December 2016 and August 2015, November 2015, respectively. Each option entitles the holder to subscribe for one common share of Silergy. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant dates.

The Board of Directors of Silergy agreed to issue 1,500,000 options on March 15, 2017. Each option entitles the holder to subscribe for one common share of the Silergy. Options will be issued when registration of this issuance with the Financial Supervisory Commission is completed.

Information about employee share options was as follows:

	For the Year Ended December 31			
Employee Share Options	**Units of Option**	**Weighted-average Exercise Price**	**Units of Option**	**Weighted-average Exercise Price**
Balance, beginning of year	4,416,448	$ 180	2,371,328	$ 39
Options granted	505,500	427	2,682,500	266
Options exercised	(488,406)	25	(637,380)	23
Balance, end of year	4,433,542	217	4,416,448	180

(Continued)

Employee Share Options	For the Year Ended December 31			
	Units of Option	Weighted-average Exercise Price	Units of Option	Weighted-average Exercise Price
Options exercisable, end of year	658,794		651,162	
Weighted-average fair value of options granted ($)	$ 148		$ 95	

(Concluded)

For any subsequent changes in Silergy's capital surplus, the exercise price or the number of shares corresponding to each option unit is adjusted in accordance with the rules for each plan.

For the years ended December 31, 2016 and 2015, the weighted-average share prices at the date of exercise were NT$381 and NT$275, respectively.

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

	December 31	
	2016	2015
Range of exercise price	$22-$449	$8-$337
Weighted-average remaining contractual life (years)	5.42-9.95	5.23-9.87

Options granted from 2012 to 2016 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Issue Date	Fair Value Per Option- Grant Date	Exercise Price	Expected Volatility	Expected Life	Expected Dividend Yield	Risk-free Interest
June 2, 2012	US$0.1526	US$0.69	45.35%	10 years	-	1.47%
December 28, 2012	US$0.4716	US$1.56	44.47%	10 years	-	1.79%
August 24, 2015	93	262	47.49%	10 years	-	0.84%-0.93%
November 12, 2015	117	337	46.76%	10 years	-	1.19%
April 6, 2016	145	415	46.55%	10 years	-	0.825%
December 13, 2016	152	449	44.43%	10 years	-	1.16%

Compensation cost recognized was $104,728 thousand and $33,203 thousand for the years ended December 31, 2016 and 2015, respectively.

b. Restricted shares for employees

In their meeting on June 2, 2016, the shareholders approved the issuance of 300 thousand shares under a restricted share plan, and the registration of this issuance with the Financial Supervisory Commission (FSC) was completed on July 12, 2016. Silergy issued to employees 169,950 restricted shares in August 2016, 81,800 restricted shares in December 2016, and 31,800 restricted shares in March 2017. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

1) The employees should not sell, pledge, transfer, donate or in any other way dispose of these shares.

2) The employees holding these shares are entitled for receive stock dividends but not cash dividends, but are not entitled to subscribe for new common shares issued for cash.

3) The employees holding these shares have no voting rights.

In their meeting on June 24, 2015, the shareholders approved the issuance of 250 thousand shares under a restricted share plan for employees, and the registration of this issuance with the FSC was completed on July 9, 2015. Silergy issued to employees 143,150 restricted shares in August 2015, 45,000 restricted shares in November 2015 and 61,850 restricted shares in April 2016. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

1) The employees should not sell, pledge, transfer, donate or in any other way dispose of these shares.

2) The employees holding these shares are entitled to receive stock dividends but not cash dividends, but are not entitled to subscribe for new common shares issued for cash.

3) The employees holding these shares have no voting rights.

On March 15, 2017, the Board of Directors of Silergy proposed the issuance of 300 thousand shares, and this proposal will be presented to the shareholders for their approval in their meeting on June 2, 2017.

If an employee fails to meet the vesting conditions, Silergy will recall and cancel the restricted shares without any reimbursement.

Information on the restricted shares for employees is as follows:

	For the Year Ended December 31	
Restricted Shares for Employees	**2016**	**2015**
Balance, beginning of year	1,128,150	1,100,000
Shares issued	313,600	188,150
Shares vested	(410,000)	(160,000)
Balance, end of year	1,031,750	1,128,150

As of December 31, 2016, information on the outstanding restricted employee shares is as follows:

Grant Date	Fair Value Per Share - Grant Date	Shares Granted (Thousand Shares)	Vesting Periods	Expected Cash Dividend	Expected Stock Dividend Rate	Cash Dividend Discount Rate
November 7, 2014	$ 136	233	1-5 years	$ 2	20.00%	1.47%
November 7, 2014	86	300	5 years	2	20.00%	1.47%
December 9, 2014	141	407	1-5 years	2	20.00%	1.47%
August 11, 2016	425	170	0.5 year	-	-	-
December 13, 2016	449	82	0.5 year	-	-	-

The fair value of restricted shares for employees was based on the fair values on the grant dates less the expected value of the restricted rights.

Compensation cost recognized was $139,154 thousand and $92,331 thousand for the years ended December 31, 2016 and 2015, respectively.

28. BUSINESS COMBINATIONS

a. Acquisition of subsidiaries, assets and operations

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
NXP B.V., LED lighting business	Development and design of electronic components.	April 5, 2016	100.00	$ 633,068
Maxim Integrated Products, Inc., department of smart meters and energy monitoring	Development and design of electronic components.	March 2016	100.00	$ 3,401,475
Gazelle (Note 16)	Development and design of electronic components.	December 31, 2015	100.00	$ 65,650
Crystal	Development, design and sales of electronic components.	January 29, 2015	57.41	$ 99,579

Crystal was acquired in order to increase product lines. The Company acquired 42.59% equity interest in September 2014, and acquired the remaining 57.41% equity interest for NT$99,579 thousand in January 2015.

Gazelle was wholly acquired in December 2015 to increase product lines.

The net assets and business of the department of smart meters and energy monitoring of Maxim Integrated Products, Inc. (“Maxim”) were wholly acquired in March 2016 to increase product lines.

The net assets and business of NXP B.V., LED lighting business (“NXP”) were wholly acquired in April 2016 to increase product lines.

b. Considerations transferred

Acquisitions of NXP, Maxim, Gazelle and Crystal were made under cash consideration arrangement of US$19,630 thousand, US$105,000 thousand and US$2,000 thousand, respectively.

Acquisition-related costs were excluded from the consideration transferred and recognized as an expense in the year of acquisition.

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

	NXP	Maxim	Gazelle (Note 16)	Crystal
Current assets				
Cash	$ -	$ -	$ 1,891	$ 13,067
Accounts receivable and other receivables	-	-	-	17,497
Inventories	10,907	129,159	-	7,921
Other current assets	13	-	-	1,484
Non-current assets				
Property, plant and equipment	9,167	27,339	-	3,491
Other intangible asset	232,200	1,328,681	19,104	21,963
Deferred tax asset	-	-	-	18
Refundable deposits	-	-	-	805
Current liabilities				
Short-term borrowings	-	-	-	(15,000)
Notes payables, accounts payables and other payables	-	-	(537)	(27,735)
Other current liabilities	-	-	-	(171)
Non-current liabilities				
Net defined benefit liabilities	-	-	-	(9)
	$ 252,287	$ 1,485,179	$ 20,458	$ 23,331

d. Goodwill arising on acquisition

	NXP	Maxim	Gazelle (Note 16)	Crystal
Consideration transferred	$ 633,068	$ 3,401,475	$ 65,650	$ 99,579
Plus: Fair value of equity interest held previously	-	-	-	63,252
Plus: Non-controlling interests (1% equity interest in Omni)	-	-	-	6
Less: Fair value of identifiable net assets acquired	(252,287)	(1,485,179)	(20,458)	(23,331)
Goodwill arising on acquisition	$ 380,781	$ 1,916,296	$ 45,192	$ 139,506

Goodwill arose in the acquisition of NXP, Maxim, Gazelle and Crystal because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on acquisition of subsidiaries, assets and operations

	NXP	Maxim	Gazelle (Note 16)	Crystal
Consideration paid in cash	$ 633,068	$ 3,401,475	$ 65,650	$ 99,579
Less: Cash balances acquired	-	-	(1,891)	(13,067)
Net cash outflow	$ 633,068	$ 3,401,475	$ 63,759	$ 86,512

f. Impact of acquisitions on the results of the Company

From the acquisition date to December 31, 2015, operating revenue and net loss for the year from Crystal are $43,869 thousand and $6,364 thousand, respectively. From the acquisition date to December 31, 2016, operating revenue and gross profit from NXP and Maxim are $1,441,535 thousand and $798,649 thousand, respectively. Because the operating expenses incurred since the acquisition date cannot be allocated clearly to NXP and Maxim, the net gain for the year would not be disclosed.

Had these business combinations been in effect at the beginning of the annual reporting period for the years ended December 31, 2015, the Company's pro-forma revenue from continuing operations would have been $4,720,140 thousand, and the profit would have been $1,201,447 thousand, respectively. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Company that would have been actually achieved had the acquisition been completed at the beginning of the year of acquisition, nor is it intended to be a projection of future results.

However, the results of operations from the acquisition of NXP and Maxim at the year of acquisition could not be estimated well, so the Company's pro-forma financial information would not be disclosed.

In determining the pro-forma revenue and profit of the Company assuming NXP, Maxim, Gazelle and Crystal had been acquired at the beginning of the year of acquisition, management calculated net assets acquired on the basis of the fair values determined at the initial accounting for the business combination rather than the carrying amounts recognized in these subsidiaries' pre-acquisition financial statements.

29. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

Operating leases relate to leases of land, office facilities and parking lots with lease terms between 1 and 10 years. The Company does not have a bargain purchase option to acquire the lease office at the expiration of the lease periods.

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

	December 31	
	2016	2015
Not later than 1 year	$ 24,677	$ 33,534
Later than 1 year and not later than 2 years	8,846	9,971
Later than 2 years and not later than 5 years	4,313	1,574
Later than 5 years	254	220
	$ 38,090	$ 45,299

30. CAPITAL MANAGEMENT

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

The Company's capital structure management strategy is based on (a) its scale of operations and expected growth and product development - an appropriate market share target is determined, and the capital expenditures required to meet this target are estimated; (b) industry developments - the Company calculates the required working capital under an overall plan for long-term asset development; and (c) the Company's competitiveness - estimates are made of marginal contribution, operating profit rate and cash flows of possible products, taking into consideration the risk factors of industrial cyclical fluctuations and product life cycles to determine the Company's appropriate capital structure.

Management regularly reviews the Company's capital structure and considers the costs and risks of different capital structures, and balances the Company's capital structure by raising debt and issuing convertible bonds. In general, the Company has a prudent risk management strategy.

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Management believed the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximated their fair values.

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

1) Fair value hierarchy (December 31, 2015: None)

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivatives	$ -	$ -	$ 10,170	$ 10,170

2) Reconciliation of Level 3 fair value measurements of financial instruments (December 31, 2015: None)

For the year ended December 31, 2016

	Financial Liabilities at Fair Value Through Profit or Loss	
	Derivatives	
	US$	NT$
Financial liabilities		
Balance at January 1, 2016	$ -	$ -
Additions	525	16,621
Recognized in profit or loss		
Realized	(70)	(2,246)
Unrealized	89	2,864
Transfers	(229	(7,271)
Net exchange differences	-	202
Balance at December 31, 2016	$ 315	$ 10,170

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

The fair values of financial asset and liability components of convertible bonds were determined using the binomial tree modeling. The significant factors used are listed in the table below.

	December 31, 2016
Fluctuation	40.65%
Risk-free rate	1.9241%
Risk discount rate	2.6126%
Liquidity risk	7.09%

c. Categories of financial instruments

	December 31	
	2016	2015
Financial assets		
Loans and receivables (1)	$ 4,008,557	$ 2,770,119
Available-for-sale financial assets (2)	131,259	138,240
Financial liabilities		
Fair value through profit or loss held for trading	10,170	-
Amortized costs (3)	2,617,872	655,576

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, accounts receivable, other receivables (including those from related parties but excluding tax receivable), other financial assets - current and refundable deposits.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances included financial liabilities measured at amortized cost, which comprise accounts payable, other payables, bonds payable, guarantee deposits and other long-term liabilities.

d. Financial risk management objectives and policies

The Company’s major financial instruments included equity and debt investments, accounts receivable, other receivables (including related parties), other financial assets - current, refundable deposits, accounts payable, other payables, bonds payable, guarantee deposits and other long-term liabilities. The Company’s Corporate Treasury function provides services to the business departments, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company’s activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Company had foreign currency-denominated sales and purchases, which exposed the Company to foreign currency risk. The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 34.

Sensitivity analysis

The Company was mainly exposed to the U.S. dollar.

The following table details the Company's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency-denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the U.S. dollar strengthen 5% against the relevant currency. For a 5% weakening of the U.S. dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	U.S. Dollar Impact For the Year Ended December 31	
	2016	**2015**
Profit or loss and equity*	$ 15,156	$ 13,718

* This was mainly attributable to the exposure outstanding on U.S. dollar-denominated deposits, receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

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

	December 31	
	2016	**2015**
Interest rate risk on fair value		
Financial assets	$ 1,126,159	$ 984,715
Financial liabilities	1,758,758	-
Interest rate risk on cash flow		
Financial assets	2,062,847	1,255,597

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's financial assets and financial liabilities belong to floating rate at the end of the reporting period.

Had interest rates been 50 basis points higher and all other variables held constant, the Company's pretax profit for the years ended December 31, 2016 and 2015 would have increased by $10,314 thousand and $6,278 thousand, respectively, which was mainly attributable to the Company's exposure to interest rate changes on its variable-rate bank deposits.

2) Credit risk

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

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses publicly or non-publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Accounts receivable balance of single customers, which were each more than 10% of total amounts as of December 31, 2016 and 2015, were as follows:

	December 31	
	2016	**2015**
Customer A	$ 165,797	$ 188,197
Customer B	83,805	-
Customer C	66,884	16,949
Customer D	59,196	-
Customer E	47,318	35,196
Customer F	43,868	42,226
	$ 466,868	$ 282,568

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

As of December 31, 2016, the Company's working capital was sufficient and there was no liquidity risk due to lack of funds needed to meet contractual obligations.

32. TRANSACTIONS WITH RELATED PARTIES

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

Compensation of Key Management Personnel

	December 31	
	2016	**2015**
Salaries	$ 61,105	$ 48,571
Share-based payments	2,562	2,868
	$ 63,667	$ 51,439

33. ASSET PLEDGED AS COLLATERAL OR FOR SECURITY (DECEMBER 31, 2016: NONE)

The following assets were provided as collateral for bank borrowings:

	December 31, 2015
Pledge deposits (classified as other receivables)	$ 9,786

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2016

	Foreign Currencies	Exchange Rate	NT$
Financial assets			
Monetary items			
USD	$ 567	32.250 (USD:NTD)	$ 18,294
USD	9,052	6.9370 (USD:RMB)	291,914
USD	40	117.0174 (USD:JPY)	1,290
GBP	15	1.228217 (GPB:JPY)	596
NTD	779	0.0310 (NTD:USD)	779
KRW	159,763	0.000838 (KRW:USD)	4,315
			$ 317,188
Financial liabilities			
Monetary items			
USD	6	32.250 (USD:NTD)	$ 196
USD	254	6.9370 (USD:RMB)	8,178
NTD	14,906	0.0310 (NTD:USD)	14,906
KRW	389,904	0.000838 (KRW:USD)	10,531
			$ 33,811

December 31, 2015

	Foreign Currencies	Exchange Rate	NT$
Financial assets			
Monetary items			
USD	$ 1,690	32.825 (USD:NTD)	$ 55,488
USD	6,680	6.4936 (USD:RMB)	219,274
NTD	1,425	0.0305 (NTD:USD)	1,425
KRW	101,247	0.000856 (KRW:USD)	2,846
			$ 279,033
Financial liabilities			
Monetary items			
USD	12	6.4936 (USD:RMB)	$ 397
KRW	279,580	0.000856 (KRW:USD)	7,859
			$ 8,256

For the years ended December 31, 2016 and 2015, (realized and unrealized) net foreign exchange gains (losses) were NT$17,959 thousand and NT$37,104 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (None)

3) Marketable securities held (excluding investment in subsidiaries and associates). (Table 1)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (Table 2)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

9) Trading in derivative instruments. (Notes 7 and 19)

10) Intercompany relationships and significant intercompany transactions. (Table 3)

11) Information on investees. (Table 4)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: (Table 5)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)

c) The amount of property transactions and the amount of the resultant gains or losses. (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)

36. SEGMENT INFORMATION

a. Segment information

Information reported to the chief operating decision maker is for the purposes of resource allocation and assessment of segment performance. Under IFRS 8 “Operating Segments,” if the operating revenue of an operating segment accounts for up to 90% of the Company’s total revenue, the Company is considered as having only one reportable segment.

b. Revenue from major products and services

The Company mainly develops, designs, and sells electronic products, which are the major source of revenue.

c. Geographical information

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

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2016	2015	2016	2015
China (including Hong Kong)	$ 3,353,710	$ 2,070,780	$ 4,338,015	$ 410,295
Others	3,785,193	2,630,201	325,694	242,637
	$ 7,138,903	$ 4,700,981	$ 4,663,709	$ 652,932

Non-current assets included property, plant and equipment, goodwill, other intangible assets, refundable deposits and long-term prepayments.

d. Information about major customers

Single customer contributed 10% or more to the Company's revenue were as follows:

	For the Year Ended December 31			
	2016		2015	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue
Customer A	$ 1,001,613	14.03	$ 1,211,193	25.76

SILERGY CORP.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	Bonds							
Silergy Corp.	Vango Technologies, Inc.	-	Debt investment with no active market - noncurrent	-	$ 32,250 (US$ 1,000,000)	-	$ -	
	Shares							
Silergy	Vango Technologies, Inc.	-	Financial assets measured at cost - noncurrent	2,666,667	64,500 (US$ 2,000,000)	7.08 (Note 1)	-	
Hangzhou Silergy	Jiangsu	-	Financial assets measured at cost - noncurrent	-	15,620 (RMB 3,360,000)	3.824	-	
	Sage	-	Financial assets measured at cost - noncurrent	1,166,700	32,543 (RMB7,000,000)	1.95	-	
	Calterah	-	Financial assets measured at cost - noncurrent	-	18,596 (RMB 4,000,000)	10.00	-	

Note 1: Percentage of ownership refers to preferred shares - series C.

Note 2: Please refer to Tables 4 and 5 for information about subsidiaries and associates.

TABLE 2

SILERGY CORP.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Hangzhou Silergy	Business building	January 12, 2016 - December 31, 2016	$ 261,990 (RMB53,921)	Paid by progress	Zhejiang Mineral Resources Construction Co., Ltd.	-	N/A	N/A	N/A	N/A	Bidding	For business	-

Note 1: The results of appraisal of the acquired assets, according to regulations, are to be disclosed in the field "Pricing Reference".

Note 2: The paid-in capital represents the paid-in capital of the parent company, which is the portion from the share equity of the parent company divided by $10.

Note 3: The event date means the date when the contract was signed, the payment was made, the deal was done, the right was transferred, the board of directors agreed on, or any other information was released to confirm the details of the transaction.

SILERGY CORP.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 4)	Terms (Note 5)	Percentage to Consolidated Total Gross Sales or Total Assets (Note 3)
0	Silergy	TECH	1	Prepayments	$ 53,961	-	0.50
		Hangzhou Silergy	1	Other payables - related parties	29,528	-	0.27
		Silergy Samoa	1	Other payables - related parties	5,260	-	0.05
		TECH	1	Operating expenses	249,053	-	3.49
		Gazelle	1	Operating expenses	14,399	-	0.20
		Gazelle	1	Other payables - related parties	14,393	-	0.13
		HK Silergy	1	Other receivables - related parties	56	-	-
1	Hangzhou Silergy	Silergy	2	Sales	19,792	-	0.28
		Nanjin Silergy	3	Sales	1,102	-	0.02
		Nanjin Silergy	3	Other payables - related parties	2,737	-	0.03
		Xian Silergy	3	Other receivables - related parties	185	-	-
		Xian Silergy	3	Operating expenses	2,979	-	0.04
		Shanghai Pengxi	3	Other receivables - related parties	1,805	-	0.02
2	Crystal	Silergy	2	Sales	22,187	-	0.31
		Silergy	2	Accounts receivable - related parties	3,670	-	0.03
		Silergy Samoa	3	Other receivables - related parties	1,684	-	0.02
		TW Silergy	3	Prepayments	10,762	-	0.10
3	TW Silergy	Silergy Samoa	3	Other payables - related parties	618	-	0.01
4	Nanjin Silergy	Silergy Corp.	2	Sales	27,083	-	0.38
		Hangzhou Silergy	3	Sales	614	-	0.01
5	TECH	Gazelle	3	Other receivables - related parties	12,344	-	0.11
6	Silergy Technologies Private Limited	Silergy Samoa	3	Other payables - related parties	5,334	-	0.05

Note 1: No. 0 represents parent company; other numbers represent subsidiaries.

Note 2: No. 1 represents the transactions from parent company to subsidiary.
No. 2 represents the transactions from subsidiary to parent company.
No. 3 represents the transaction between subsidiaries.

(Continued)

Note 3: The accounts in the balance sheets and those in the statements of comprehensive income were based on consolidated total assets and total gross sales, respectively.

Note 4: Intercompany balances and transactions were eliminated upon consolidation.

Note 5: The selling prices and payment terms for intercompany sales and purchases were not significantly different from those for unrelated parties. For other intercompany transactions, prices and terms were based on mutual agreements.

(Concluded)

SILERGY CORP.
(Incorporated in the Cayman Islands)
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INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2016			Net Income (Loss) of the Investee (Notes 3 and 4)	Share of Profit (Loss) (Notes 1, 3 and 4)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Amount (Note 2)			
Silergy Corp.	TECH	Suite 215, 2F 1309 S. Mary Ave. Sunnyvale City, Santa Clara County, California State, U.S.A.	Development and design of power management IC	US$ 5,201,902	US$ 2,175,000	-	100.00	$ 185,064	$ 4,087 (US$ 126,684)	$ 4,087 (US$ 126,684)	Subsidiary
	Silergy Samoa	Portcullis Trust Net chambers, P.O. Box 1225, Apia, Samoa	Holding Company	US$ 19,700,000	US$ 15,000,000	-	100.00	282,365	(138,516) (US$ -4,293,350)	(138,516) (US$ -4,293,350)	Subsidiary
	HK Silergy	Suite 2302-6, 23/F Great Eagle CTR 23 Harbour Rd., WanChai, HK	Holding Company	US$ 11,365,000	US$ 11,365,000	-	100.00	336,582	(7,503) (US$ -232,571)	(7,503) (US$ -232,571)	Subsidiary
Silergy Samoa	TW Silergy	8F.-5, No. 2, Fuxing 4th Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan	Development and design of electronic components	60,000	60,000	-	100.00	21,962	(19,326)	(19,326)	Subsidiary
	Crystal	7F.-8, No. 38, Taiyuan St., Zhubei City, Hsinchu County 302, Taiwan	Development, design and sales of electronic components	264,831 (Note 6)	198,831	26,700,000	100.00	208,973	(16,764)	(20,525)	Subsidiary
	Silergy Technologies Private Limited	No 41, Patalamma Temple Street, Near South End Circle, Basavanagudi, Bangalore, Karnataka, India, 560004	Development, design and sales of electronic components	US$ 38,200	-	-	100.00	(3,033)	(4,266) (US$ -132,238)	(4,266) (US$ -132,238)	Subsidiary
TECH	Gazelle	3500 South Dupont Highway, Dover City, Kent County, Delaware, U.S.A.	Development and design of electronic components	US$ 2,000,000	US$ 2,000,000	-	100.00	63,300	678 (US$ 21,003)	(1,200) (US$ -37,197)	Subsidiary

Note 1: The carrying amount of the investment and share of profit or loss was eliminated upon consolidation, except for Silergy Samoa's share of Crystal's loss of NT$12 thousand recognized for the period of January 1, 2015 to January 29, 2015, during which Crystal was not yet a subsidiary of Silergy Samoa.

Note 2: Translation was based on the exchange rate of December 31, 2016.

Note 3: Translation was based on the average exchange rate for 2016.

Note 4: Information was based on the current year's audited financial statements.

Note 5: Please refer to Table 5 for information on investments in mainland China.

Note 6: Silergy Samoa acquired 9,472 thousand shares of Crystal at NT$99,579 thousand in January 2015, resulting in Crystal's becoming a wholly owned subsidiary of Silergy Samoa. The fair value of the equity interest held previously was NT$63,252 thousand. Silergy Samoa injected more capital at NT$36,000 thousand, NT$36,000 thousand and NT$30,000 thousand in Cystal in April 2015, August 2016 and December 2016, respectively. Thus, Silergy Samoa's investment in Crystal increased to NT$264,831 thousand.

SILERGY CORP.
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INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee (Note 2)	Percentage of Ownership (%)	Investment Income (Loss) Recognized (Notes 2, 3 and 4)	Carrying Amount as of December 31, 2016 (Notes 1 and 4)	Accumulated Repatriation of Investment Income as of December 31, 2016
					Outward	Inward						
Hangzhou Silergy	Development, design and sales of electronic components, and related technical service.	US$ 29,820,270 (RMB 206,863,213)	Through Silergy	$ -	$ -	$ -	$ -	$ 623,518 (RMB 128,327,148)	100.00	$ 623,518 (RMB 128,327,148)	$ 2,250,540	$ -
Nangjing Silergy	Development, design and sales of electronic components	RMB 31,000,000	Through Hangzhou Silergy	-	-	-	-	174,601 (RMB 35,934,926)	100.00	174,601 (RMB 35,934,926)	324,616	-
Innvolt	Development, design and sales of electronic components, and related technical service.	RMB 3,000,000	Through Hangzhou Silergy	-	-	-	-	178 (RMB 36,551)	100.00	178 (RMB 36,551)	14,421	-
Xian Silergy	Development, design, and sales of electronic components	RMB 26,000,000	Through Hangzhou Silergy	-	-	-	-	(45,546) (RMB -9,373,970)	100.00	(45,546) (RMB -9,373,970)	65,162	-
Shanghai Pengxi	Development and design of electronic components	RMB 10,000,000	Through Hangzhou Silergy	-	-	-	-	(23,277) (RMB -4,790,694)	100.00	(23,277) (RMB -4,790,694)	24,218	-
Chengdu Silergy	Development and design of electronic components	RMB 20,000,000	Through Hangzhou Silergy	-	-	-	-	(6) (RMB -1,268)	100.00	(6) (RMB -1,268)	92,974	-
SMAT	Development and manufacturing of vehicle and IOT	RMB 450,000,000	Through Hangzhou Silergy	-	-	-	-	(45,326) (RMB -9,328,557)	22.22	(10,072) (RMB -2,072,937)	293,592 (Note 6)	-
		RMB 450,000,000	Through HK Silergy	-	-	-	-	(45,326) (US$ -1,404,882)	16.42	(7,441) (US$ -230,638)	336,329	-

Accumulated Outward Remittance for Investment from Taiwan in Mainland China as of December 31, 2016	Investment Amount Authorized by the Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ - (Note 5)	$ - (Note 5)	$ - (Note 5)

Note 1: Translation was based on the exchange rate of December 31, 2016.

Note 2: Translation was based on the average exchange rate for the year ended December 31, 2016.

Note 3: Information was based on the current year's audited financial statements.

Note 4: The carrying amount of the investment and share of profit or loss was eliminated upon consolidation.

Note 5: This limit stipulated by the Investment under the MOEA does not apply to foreign security issuers.

Note 6: Information was reduced by net profit from disposal of unrealized intangible assets.