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Silergy Corp.

2016 Annual Report

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Notice to Readers:

The reader is advised that 2016 Annual Report has been prepared originally in Chinese. The English version is directly translated from Chinese version.

Contents

I. Letter to Shareholders

Rapid developments and advancesmade in industries around the world meant that industrial competition now requires proper positioning and strategic planning on a global platform and integration of industrial resources in addition to traditional aspects of speed, quality, technology, flexibility and production cost. Power management has recently become a leading market in the sector of semiconductors, and power-management IC (PMIC) is a crucial component to all electronic products. Due to growing concerns for environmental protection and energy conservation issues, energy-saving technologies have currently become an important area of development. PMIC therefore plays a critical and indispensable role in this field. Low power consumption, ultra-low passive power usage, and other requirements became key features needed to meet green concepts such as environmental protection and energy efficiency. PMIC manufacturers must therefore consider restrictions imposed by environmental protection laws. Compliance with these laws and green energy requirements will therefore be a major direction of development for PMIC designs. Silergywill continue to develop the PMIC sector and focus on global positioning to achieve long-term corporate development, enhance globalization efforts, and create additional value for our shareholders.

Our revenue has continued to grow in recent years, and the scale of Silergy was further expanded in 2016 as we attain new records in corporate growth and income. In 2016, consolidated operating revenue was NT$7,138,903,000, an increase of 51.86% when compared to NT$4,700,981,000 of the previous year. Meanwhile, net operating profit reached NT$1,440,826,000, an increase of NT$265,649,000 (about 22.61%) compared to NT$1,175,177,000 of 2015. This increase could be mainly attributed to stable growth of various product series as well as continuous release of new products that include newly acquired products such as smart meters.

Total operating expense in 2016 amounted to NT$1,962,295,000 which was an increase of NT$765,594,000 (about 63.98%) compared to NT$1,196,701,000 of 2015. This increase is mainly attributed to continuous corporate expansion, HR investments, and proportional increase to relevant R&D and sales expenses. In 2016, Silergy acquired the smart-meter and energy-monitoring business unit of Maxim Integrated as well as the LED lighting business unit of NXP Semiconductors. Acquisition expenses, salary for new staff, establishment of new business locations, and amortized expenses of intangible assets related to these mergers increased the expenses of 2016 compared to 2015. Once the aforementioned non-cash related expenses are excluded, total cash-related expenses of 2016 are comparable to that of 2015.

Net income after taxes (NIAT) amounted to NT$1,469,656,000 for a net profit of 21.59%. When calculated according to the capital stock at the end of the period of NT$840,231,000, the basic earnings per share (EPS) amount to NT$18.72.

Stable growth was achieved for the four main categories of end-user products as well as existing product markets. Silergy also actively developed new product lines to increase the growth of business revenue. Primary products currently offered by Silergy include DC/DC converters, battery-management chip, AC/DC converter, PMU, LED lighting, LED backlight driver, solid-state protection switch, ESD protection device, and smart-meter ICs, providing a wide range of applications and over 1,000 product items. Major markets are Mainland China, Taiwan, and Korea. In 2016, the share of overall revenue of consumer, industrial, computer, and communication products was about 42%, 39%, 14%, and 5%, respectively.

In 2017, Silergy will continue to conduct research and develop high-performance, highly-integrated, and creative applications, deployed product-applicable designs, and continued to achieve innovations in end-user applications and products to upgrade existing product specifications while releasing new product series. Silergywill also continue to employ the virtual vertically-integrated device manufacturer (Virtual IDM) model. Proprietary processes which offer long-term technical advantages will be used and we shall continue investing in the R&D of advanced technologies to enhance these advantages. We shall adopt energy-saving and smart devices are our goals to: upgrade existing products; develop new technologies; release new analog ICs with better performance, smaller sizes, and fewer peripherals; strengthen sensor and smart functions; and provide customers with a comprehensive selection of product applications and technical services with high added value. We hope that these efforts will maintain our technological edge and leadership, meet more high-performance requirements, offer more diverse and extensive application solutions in the end-user market, and continue to strengthen key competitiveness of Silergy to secure its leading position. We shall continue to achieve growth for our customers, shareholders, and employees.

General Manager WEI CHEN WEI CHEN

II. Company Introduction

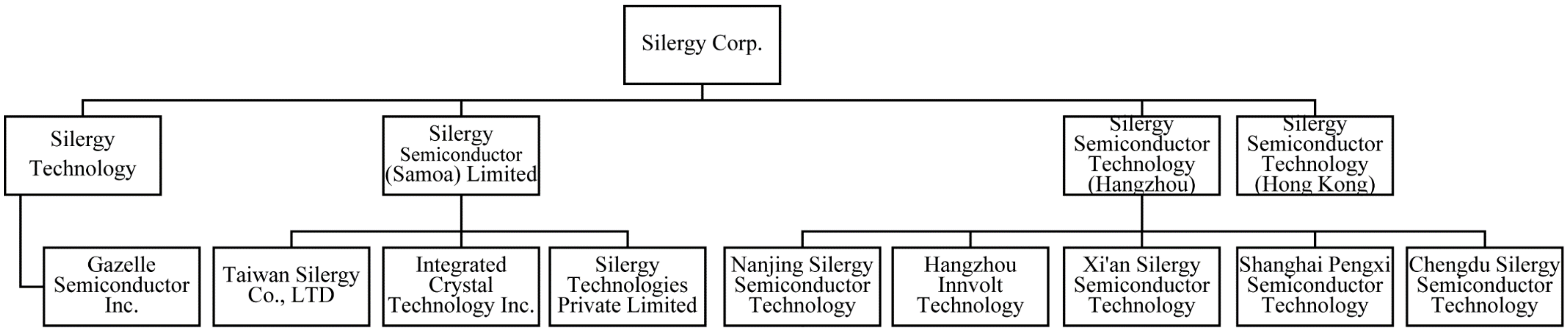
1. Date of Founding and Summary

Silergy Corp. was founded on February 7, 2008, as a holding company in the British Cayman Islands (hereinafter referred to as “Cayman Islands”). The subsidiary of this Corporation, Silergy Semiconductor Technology (Hangzhou) (hereinafter referred to as “Hangzhou Silergy”) is the main site of operations. Silergy Corp. is mainly engaged in research and development, design, and sales of power- management IC (PMIC). Its American subsidiary,Silergy Technology, is mainly tasked with gathering advanced technologies in the related market. This Corporation also provides technical services to nearby Taiwanese customers, and established the Silergy Semiconductor (Samoa) Limited and Taiwan Silergy Co., Ltd. in Taiwan. Silergy Corp. and its subsidiaries (hereinafter referred to as “Silergy”, “this Corporation”, or “this Group”) is a professional analog IC design house, and is one of the few IC design houses in the world capable of producing high-voltage, high-current IC in small packages. Silergy has IC design technology and systems technology R&D teams as well as wafer fabrication and packaging technology design capabilities that are wellahead of its competitors in the same industry, allowing Silergy to provide customers with highly integrated products which offer great performance and quality. By providing a comprehensive product catalog and a niche advantage of offering Total Solution packages, Silergy is able to successfully enter the market for tablet computers, LED lighting, solid-state drive (SSD), LED TV, notebook computers, security and surveillance equipment, and smart phones for the supply chain of branded companies or ODM/OEM subcontractors. IC distributors are also used to develop customers in various product applications and sectors.

The Silergy business team has years of industrial experience and is wellaware of future directions of product technology developments. With first-rate teams in developing key technologies, Silergy is able to quickly respond to the latest specifications of computer products and provide customers with a development platform that includes an exhaustive selection of specifications, designs, and prompt customer-end services during product development phases. These features make Silergy a professional IC design house armed with competitive advantages in a world with rapid developments in computer products.

2. Corporate Structure

December 31, 2016



3. Company History

Date	Important event
2008	February: Founded Silergy Corp., the primary business was power-management IC (PMIC) design. May: Successfully established Silergy Technology, an American subsidiary, primarily engaged in collecting advanced technologies from the market. April 22: Founded Hangzhou Silergy, a subsidiary mainly responsible in receiving orders, design, operations, and technical support.
2009	Released the industry's first 6V/2A, 1 MHz synchronous step-down IC in an SOT23 package that was then transferred to mass production; developed the industry's first 6V/3.5A, 1 MHz synchronous step-down IC in a DFN3x3 package that was then transferred for mass production.
2010	Released the world’s smallest dual-channel 6A smart-load switch IC in a DFN2x2 package. Also released the industry's first 30V/2A, 1 MHz buck-boost MR16 LED driver IC in an SOT23 package. Passed ISO9001 certification and formally recognized as a high-tech industry and integrated circuit (IC) design house in Mainland China.
2011	Released the world’s smallest 6V/6A, 1 MHz synchronous step-down IC in a DFN2x2 package; released the industry’s first PFC/QRC/PSR isolated LED driver IC in an SOT23 package.
2012	Founded Nanjing Silergy Semiconductor Technology. Released the industry's first MOS built-in PFC/QRC/PSR isolated LED driver IC in an SO8 package. Also released the industry's smallest 18V/5A synchronous step-down IC in an SOT23-6 package.
2013	Released the industry's first MOS built-in LED driver IC in an SOT23 package; and released the industry's first input current 6A step-up smart charging IC in a QFN3x3 package.
2014	Founded Hangzhou Innvolt Technology and Taiwan Silergy Co., Ltd. Released the industry's first silicon-controlled light-modulating MR16 driver IC. Released the industry's first 30V/15A synchronous step-up IC in a DFN4x4 package.
2015	Released the industry's first motor-driver IC in an SOT23 package. Released the industry's first high-performance MOS built-in 6.78 MHz wireless charging emitter IC.
2016	Acquired the smart-meter and energy-monitoring business unit of Maxim Integrated and the LED lighting business unit of NXP Semiconductors. Released the smallest 500V MOS with PFC silicon-controlled light-modulating LED driver IC in an SOT23 package in the industry. Released the first dual-output DC/DC IC in the industry.

4. Risks

(1) Risk factors

1. Changes in interest rates, currency exchange fluctuations, and inflation and how these may impact this Corporation's gain or loss as well as future response measures:

(1) Interest rate changes

In 2016, interest expenses of Silergy amounted to NT$37,715,000, and are mainly attributed to a bank loan used for short-term payments for recent mergers. The loan has been paid completely in September 2016.

As this Corporation increases its scale of operations and profitability and garners more equity funds, reliance on loans from financial institutions will decrease. Hence, even if Mainland China increases interest rates in the future, Silergy will not be exposed to risks of significant increase in interest expenses owing to increased interest rates, and will not face material impact caused by interest rate changes.

(2) Fluctuation in exchange

Major purchases and sales of Silergy are mainly conducted in US Dollars. Receivables and payables will therefore offset each other during purchasing and sales, resulting in a natural hedging effect. Net profit on exchange of Silergy amounted to NT$37,104,000 in 2015 and NT$17,959,000 in 2016, which respectively amounted to 1% and 0.3% of the annual net operating revenue of the year, showing limited impact on gains and losses to the Corporation.

The main functional currency of Silergy is the US Dollar. To date, there is no major risk of currency fluctuation. To reduce impact to corporate gains or losses as a result of fluctuation in exchange, Silergywill constantly collect currency exchange information, use an Internet-based real-time exchange rate monitoring system, and maintain improved communication with financial institutions to determine trends in exchange fluctuations that can then be used as a reference to settle currency exchange. Where possible, Silergy strives to balance foreign currency assets and liabilities to achieve natural hedging and lower the impact caused by exchange fluctuations. In the future, Silergy shall continue to monitor the state of fluctuations in forex market and foreign-exchange capital requirements, and employ financial derivatives for hedging to avoid relevant forex risks.

(3) Inflation

Silergy has continued to monitor market price fluctuations and maintains a positive, interactive relationship with both suppliers and customers. There has been no significant impact caused by inflation in recent years.

2. Policies on high-risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives trading, main reasons for profits or losses generated thereby, and future response measures to be undertaken:

Silergy has formulated regulations that include Procedure for Acquisition and Disposition of Assets, Procedure for Loaning Capital to Other Parties, and Procedure for Endorsements and Guarantees. These regulations are used by Silergy and its subsidiaries as the basis for compliance when pursuing relevant activities. Up to the publication date of this report, Silergy has not made high-risk or highly leveraged investments, nor provided any capital loan to other parties, made no endorsements or guarantees to other parties, nor engaged in derivatives trading. Silergy practices a stable and conservative business strategy and adopts a principle of focusing on its primary sector. Therefore, this Corporation avoids engagement with high-risk industries, adopts a stable and conservative financial policy, and does not engage in highly leveraged investments. Risks in this area are therefore limited.

3. Future R&D plans and anticipated investments in R&D

(1) Future R&D plans

A. Develop high-voltage IC manufacturing processes that are highly efficient and reliable to create control units, driver units, and highlyintegrated single-chip units.

B. Develop novel digital-analog mixed control technologies, optimize system architecture, and promote smart PMIC developments.

C. Digitally controlled PMIC.

D. Develop sensor and detector IC for future Internet of Things (IoT) applications.

(2) Expected R&D investments

Anticipated R&D investments of Silergywill be based on progress achieved in the development of new products and new technologies. As business revenue grows in the future, Silergywill gradually increase annual R&D expenses, with plans to invest at least NT$1 billion in 2017 to support R&D projects for future and novel products, improve the performance of existing products, and enhance market competitiveness of theCorporation.

4. Changes to local and overseas policies and laws that impact the company’s financial operations, and response measures:

Daily operations in Silergy are compliant to both local and overseas laws.Until now, financial operations of Silergy have not been affected by major changes in local or overseas policies and laws. Silergy is also constantly monitoring trends and developments in local and overseas policies to collect relevant information as reference for the management to develop suitable response strategies.

5. Changes to technology and industry that impact the company’s financial operations, and response measures

Silergy has significant depth in its R&D operations, and its products are well received by its customers. The business management unit of Silergycontinuously monitors developments in the market as well as technological trends and changes to assess risks and how the risks could affect the product positioning of Silergy; the company explores to reduce all risk factors and generate the maximum possible benefits for its shareholders. Silergywill also continue to invest in new-product R&D projects, monitor product development cycles, and formulate responses for financial stability and capital allocation flexibility to respond to future market developments. Over the past year up to the date of printing of the annual report, changes in technology and in the industry did not haveany material impact on the financial operations of Silergy.

6. Changes to corporate image that impact the company's risk management, and response measures

Silergy upholds the spirit of ethical corporate management and stability, and is wholly focused on improving quality, efficiency, and internal management, thereby establishing an excellent reputation and corporate image in the industry. There is no change to corporate image that necessitates risk management efforts in Silergy. Silergywill continue to focus on maintaining proper corporate governance, maintain operational transparency, and focus on the shareholders' rights to strengthen the image of corporate excellence.

7. Expected benefits and possible risks of mergers and response measures

To expand its product series, Silergy acquired the smart-meter business unit of MAXIM and the LED lighting business unit of NXP in 2016. The acquisition will expand the product portfolio of Silergy, and combined benefits will be realized after optimizing resource allocation. Possible risk: The acquisitions amount to about US$125 million. Evaluations did not reveal any significant risks. Response measures: Not applicable.

8. Expected benefits and possible risks of expanding factory buildings and response risks

Silergy is an IC design house and adopts a fabless operation model. There is no plan to expand factory buildings.

9. Risks resulting from consolidation of purchasing or sales operations and response measures

(1) Risks resulting from consolidation of purchasing operations and response measures

The semiconductor sector follows vertical differentiation business model. After Silergy completes a design, the rest of the manufacturing process, including photomask production, wafer fabrication, singulation, packaging, and backend testing are outsourced to other specialized companies. In this production process, wafer will be the primary material. Key factors of consideration for IC design houses include process technology, quality, yield, production capacity and supply, and delivery date. Hence, one or two wafer fabs are often selected as the suppliers. Silergy therefore selected wafer fabs of Company R and Company S as its suppliers. To avoid risks of supply shortage or interruptions, Silergy has also established a backup supply, maintains a constant supply proportion, and has built a positive relationship with its suppliers. Product technical specifications are also used to adjust supply proportions. Although purchasing tends to be extremely consolidated, Silergy will continue to monitor the state of production orders and maintain close contact to avoid risks of over-consolidation of production.

(2) Risks resulting from consolidation of sales operations and response measures

Sales to the largest customer of Silergy accounted for about 14% of total sales, while those to other customers accounted for less than 10% of total sales. In general, there is no risk of over-consolidation of sales. Silergy also constantly monitors the customer’s financial status, makes credit assessments, and sets aside an allowance for doubtful accounts according to the collection and aging of delinquent accounts. In addition to establishing a positive and stable partnership with its customers, Silergy also continues to expand its customer base.

10. Impacts, risks, and response measures resulting from major equity transfer or replacement of directors, supervisors, or shareholders holding more than 10% of the company's shares:

Elections for the second Board of Directors of Silergy wereheld at the 2016 annual shareholders’ meeting. A total of seven directors were elected, including three independent directors. The term of the new directors isthree years, starting from the date of election. Refer to the inner cover of the annual report for information of the second Board of Directors. For the past fiscal year up to the publication date of this report, changes to members of the Board of Directors, directors, and major shareholders holding at least ten percent (10%) of the shares did not result in operation risks or material impact to the finances and operations of Silergy.

11. Impact, risk, and response measures related to any change in governance rights in the company

Over the past fiscal year up to the publication date of this report, there is no change in governance rights in Silergy. Silergy has enhanced various corporate governance measures and introduced independent directors to safeguarding the rights and interests of its shareholders. Silergy also relies on professional managerial officers for routine operations, and its current professional management team is both effective and made significant contributions to the operational performances of Silergy. The management team is likely to enjoy continued support from the shareholders. Even if there is a change in managementrights, there will be no material and negative impact given the management and operational advantages of Silergy.

12. Any litigious or non-litigious matters or administrative disputes up to the publication date of this report where the company and company directors, supervisors, general managers, and persons with actual responsibility in the company, and major shareholders holding more than 10% of the company's shares and affiliated companies who have been concluded through final judgment or still under litigation, to be a party thereof, and where the results thereof could materially affect the shareholders’ equity or prices of the

company’s securities, as well as the facts of the dispute, amount of money at stake, date of litigation commencement, and main parties to the litigation:

Monolithic Power Systems, Inc. (hereinafter referred to as “MPS”) has charged Silergy for patent infringement and submitted the case to the United States District Court for the Northern District of California in November 2013. Both parties attempted to resolve the matter prior to the official litigation in February 2015, and are yet to arrive at an agreement. Silergyhas submitted to the United States Patent and Trademark Office (USPTO) in February 2015 that the MPS patent right is invalid. The USPTO has accepted to review the declaration for invalidation made by Silergy in September 2015. The United States District Court for the Northern District of California therefore decided to suspend all proceedings related to the patent infringement trial in October 2015 and await the decision from the USPTO before continuing the trial. In September 2016, the Patent Trial and Appeal Board (PTAB) of the USPTO decided on the declaration for invalidation, and determined that the entirety of patent rights being reviewed in the trial to be invalid. In December 2016, MPS and Silergy reached an agreement. Both parties agreed to rescind all cases and engage in mutual patent licensing. Operational and financial impacts as well as developments of relevant matters were used as a reference to evaluate potential patent infringement cases in the merged company. The possibility of the merged company losing the case, after evaluations, was very low. The litigation results in no material impact to the operations, finances, and businesses of the merged company.

13. Other material risks and response measures

(1) Safeguarding shareholder rights and interests

There are a number of differences in the provisions of the Cayman Islands Companies Law and the Company Act of the Republic of China (ROC). Although Silergy has revised its Articles of Incorporation according to the Checklist for the Protection of Shareholder Rights and Interests in the Registration Site of a Foreign Issuer, there are still a number of differences related to corporate operations in the laws of both countries. An investor is unable to adopt the concept of legal rights protection for investments in Taiwanese companies when investing in a Cayman Islands company. I Investor should have proper understanding and acquire professional advice to ensure that investments made in a company incorporated in the Cayman Islands are subject to shareholders’ rights protection.

(2) Risks of overall economy, political environment, foreign exchange, and laws

Silergy is registered in the Cayman Islands while major business operations take place in Mainland China. The macro economy, changes in political and economic environments as well as foreign exchange fluctuations of the country where Silergy was incorporated and countries where it has its main operation activities will affect the operations of Silergy.

(3) Allocation of cash dividends and taxes and liabilities

According to relevant laws of Mainland China, when a subsidiary in Mainland China allocates profit, at least ten percent (10%) of net income after taxes (NIAT) every year must be first set aside as the legal surplus (regarded as a legal reserve that cannot be distributed as dividend on shares until it reaches 50% of the registered capital of the company). A tax on any share dividend, bonus, interest, and other income earned in and from Mainland China by a non-resident company of a country or territory that has signed a tax agreement with Mainland China shall be, according to the provisions of the relevant tax agreement, less than 10%. After the company's applications are reviewed and approved by a competent tax authority, the company may be eligible to the agreed upon tax rate. With the exception of the aforementioned scenarios, and when the Mainland China subsidiary remits the share dividends to places outside Mainland China, an income tax of 10% shall be deducted on behalf of the shareholder. These provisions may potentially reduce the ability of Silergy to distribute share dividends to its shareholders. A subsidiary in Mainland China must comply with local laws for overseas remittance of shares dividend. If Mainland China changes laws related to the aforementioned activities and to dividend remittance so that a subsidiary of Silergy in Mainland China is unable to comply with the relevant laws or must acquire permission or submit files related to the activities, there may be a risk of failure to remit share dividends.

(4) Rapid changes to market scale of the product

Demand for consumer electronics depend on the consumer's taste, preference, and government policies of various countries. End-user product suppliers, including Silergy customers, and our market share is constantly and rapidly changing. Incorporation of Silergy products by the manufacturer as well as growth in final market share of Silergy products are, during the past and for the foreseeable future, dependent on the ability of the end-user product to predict customer tastes and preferences and on the ability of Silergy to provide designs, manufacturing processes, and product sales to ultimate customers who successfully dominate the market.

Silergywill continue to monitor the market demand and maintain close communication and association with end-product brand manufacturers forappreciation of the market opportunities, research and develop products that are more innovative and advanced, and become the first to release new products that meet the customer's tastes and preferences to reduce risks caused by fluctuations in the demand for consumer electronics.

(5) Risks of reduced average sales prices

ICs developed and sold by Silergyfindapplicationin various types of consumer electronics. Prices of consumer products with potential price pressure, high levels of competition, and price sensitivity on the part of the customers may rapidly drop in the future, leading to reduced gross earnings for Silergy. If pressure from competitorsincreases, Silergy may have to lower average sales price of its products in the future. If Silergy is unable to improve sales volume or reduce production cost, or promptly develop products that are more innovative, or provide greater added value to compensate for reductions in average sales price, it may experience reduction in gross earnings and face negative consequences in its finances.

Silergywill therefore continue to monitor customer demands, research and develop products that are more innovative and offer greater added value to create new markets. It will also continue to use flexible and low-cost business models to raise profitability to reduce the risks of falling average sales prices of consumer electronics.

(6) Risks for violating intellectual property laws and patent rights

Silergy or the customers of Silergy may receive, as often seen in the semiconductor sector, charges of intellectual property (IP) infringements every now and then or find that relevant patent rights or other IP rights claimed by other parties include technologies, products, or services offered by Silergy or its end customers. The unique characteristic of the semiconductor sector is that many companies own a large number of patents and other IPs, actively seek to secure more IPs, and defend them vigorously to exercise their IP rights.

Silergy is an IC design house. R&D professionals and intangible IP developed by these professionals are therefore an extremely important asset of this Corporation. Infringement of Silergy IP by a third party not only affects the products and revenue of Silergy, significant time and costs may be required to pursue legal proceedings to safeguard corporate rights and interests, resulting in an adverse effect on the business operations of Silergy.

Charges of IP infringement are not uncommon in the technology sector. Silergy may also be accused by other parties for IP infringement. Regardless of the sufficiency of evidence provided by the plaintiff, any such accusation may negativelyimpact the reputation, finances, business, and revenue of Silergy. Silergy may also be required to pay for significant litigation costs, thereby adversely affecting corporate operations.

(2) During the past fiscal period or the fiscal year when the issuer applies to be listed, where an overseas business location or subsidiary meets the specifications of a key subsidiary, the risks of overseas business location or subsidiary shall be described:

The subsidiaries Silergy Semiconductor Technology (Hangzhou), Silergy Semiconductor (Samoa) Limited, and Silergy Semiconductor (Hong Kong) Limited have met the requirements of a key subsidiary. Silergy Semiconductor (Samoa) Limited and Silergy Semiconductor (Hong Kong) Limited are professional investment companies. Silergy

Semiconductor Technology (Hangzhou), on the other hand, is located in Mainland China. For details on the macro economy, changes in political and economic environments, foreign exchange control, taxes and relevant legal requirements of the region, whether Mainland China recognizes the conclusive civil judgment issued by an R.O.C. court, and other risks, refer to section (3) on countries of primary business operations.

(3) Macro economy, changes in political and economic environment, foreign exchange control, taxes and relevant legal requirements in the jurisdiction of the country where a foreign issuer was incorporated and countries where it has its main operations, and whether or not a final and conclusive civil judgment issued by an ROC court will be considered there and other risks, and explanations of the response measures adopted by the foreign issuer.

1. Country of incorporation: The Cayman Islands

(1) Macro economy and changes in political and economic environments

The Cayman Islands is a British Overseas Territory in the Caribbean and its capital is George Town. The primary source of economic income of the Cayman Islands is financial services. The country has a large number of legal, accounting, and professional service agencies, providing rapid and convenient services.

The Cayman Islands has enjoyed a stable economy. English is the official language. Companies incorporated in the Cayman Islands can be divided into five categories: Ordinary Company, Ordinary Non-Resident Company, Exempted Company, Exempted Limited Duration Company, and Foreign Company, wherein an Exempted Company is primarily used by various companies and individuals around the world for financing purposes, but cannot operate in the country. Recently, the government of the Cayman Islands has been actively strengthening its reputation in overseas financial operations. In 1986, the country signed a Mutual Legal Assistance Treaty with the United States and the UK to jointly prevent international criminal organizations from using the financial system of the Cayman Islands for illegal money laundering operations.

After considering the above, Silergy is a registered company in the Cayman Islands as an Exempted Company, and does not engage in any actual business activities in the country. The Cayman Islands has been politically stable for many years, and is the fifth largest financial center after Hong Kong, London, New York, and Tokyo. Therefore, Silergy will not experience material impacts to its overall operations as a result of the macro economy and changes to the political and economic environments.

(2) Foreign exchange control, taxes and relevant legal requirements

The Cayman Islands does not have any foreign exchange control. With the exception of an annual license fee, the country does not levy any tax on corporate income or appreciated values of an Exempted Company. Additionally, any laws stipulated for taxing profits, income, gains, or appreciations do not apply to Silergy. Silergy does not need to pay profit taxes, income taxes, gains taxes, or appreciated value taxes on shares, bonds, or other liabilities it owns, nor is it required to pay any fee related to tax bonus laws. The following lists the legal specifications of the Cayman Islands for an Exempted Company:

A. Unless the business directly supports a company's overseas business activities; the company may not engage in business activities within the borders of the Cayman Islands.

B. Unless the corporate shares are publicly listed on a stock exchange in the Cayman Islands, an Exempted Company may not invite members of the public from the Cayman Islands to subscribe to its shares or bonds, and may not hold land within the borders of the Cayman Islands.

C. The Cayman Islands Companies Law does not specify that a company must hold annual shareholders' meeting. The company should refer to the details of its articles of incorporation to convene board meetings and annual shareholders' meetings. The venue of the meetings is not restricted to the Cayman Islands. However, the *Articles of Incorporation* of Silergy (hereinafter referred to as "Silergy Articles of Incorporation") stipulate that Silergy must convene a shareholders' meeting within six (6) months after the end of every fiscal year. The Silergy Articles of Incorporation also stipulate that all shareholders' meetings of Silergy must be convened within the borders of the ROC, unless the law states otherwise. When Silergy intends to convene a shareholders' meeting outside the borders of the ROC, the motion must be first approved at a board meeting or of the shareholders, and then officially approved by the Ministry of Economic Affairs (MOEA), the Financial Supervisory Commission (FSC), and Taipei Exchange (TPEx) or Taiwan Stock Exchange (TWSE). The motion must then be submitted to the TWSE within two days after official approval. A professional shareholder services agent must also be commissioned to handle administrative affairs related to the shareholders' meeting (including but not limited to handling matters related to shareholders' voting).

D. According to the Silergy Articles of Incorporation, issuance of new shares must be passed by a majority vote at a board meeting attended by at least two-thirds of the directors of the Board of Directors. Issuance of new shares shall be within the capital sum authorized but not yet issued.

E. An Exempted Company is not required to submit or declare detailed information of its shareholders to the Cayman Islands registration office. However, according to the provisions of the Silergy Articles of Incorporation, the Board of Directors shall provide a list of shareholders at the office of a shareholders' agency located within the borders of the ROC, and a list of all shareholders shall also be provided at a suitable premise within or outside the borders of the Cayman Islands. The list shall include details of the shareholders, the number of shares held, and other details required by the *Cayman Islands Companies Law*.

F. An Exempted Company is not required to disclose its list of shareholders to the public.

G. An Exempted Company may apply to terminate its registration and transfer its site of incorporation to another country.

H. An Exempted Company can be registered as an Exempted Limited Duration Company. An Exempted Limited Duration Company needs at least two shareholders. The effective duration is up to 30 years.

I. There are some differences between the laws of the Cayman Islands and the jurisdiction of the ROC and other territories in matters related to the protection of minority shareholders' interests. Silergy has referred to the *Securities and Exchange Act*, the *Company Act*, and other laws of the ROC as well as requirements of the competent authorities. Changes were made to the Articles of Incorporation within the restrictions imposed by the Cayman Islands laws to protect shareholders' interests of Taiwanese investors.

In summary, since the Cayman Islands adopt an open policy in matters related to foreign exchange and has not imposed relevant controls or restrictions, there is no material impact to capital utilization in Silergy. The local government also has preferential tax policies for an Exempted Company. With the exception of restrictions on pursuing business activities within the borders of the country, inviting members of the public of the country to subscribe to its shares or bonds, purchasing land, and company names as stated in the relevant laws, there is no other material restriction on the operations of the Exempted Company. Silergy is a locally registered company in the Cayman Islands and does not pursue business activities in the country. The taxes and relevant laws of the site of incorporation (Cayman Islands) of Silergy therefore have no material impact on the overall operations of Silergy.

(3) Recognition of a final and conclusive civil judgment issued by an ROC court

A. Risk of litigations

The Silergy Articles of Incorporation clearly state that a shareholder who holds 3% or more of issued shares of Silergy continuously for a period of one (1) year or more may request any independent director in the audit committee to initiate a litigation at a court of jurisdiction to seek adequate aid against an impropriety of the shareholders' meeting procedure or an improperly resolved motion. In addition to relevant legal restrictions, the Taiwan Taipei District Court shall serve as the court of first instance for handling disputes arising from the aforementioned matters. Silergy shall also appoint, according to the rules of TWSE, a litigation and non-litigation representative.

Since Silergy is an Exempted Company incorporated in the Cayman Islands and has not yet applied for recognition from the Ministry of Economic Affairs (MOEA) according to the *Company Act* of the ROC, when an investor initiates a litigation against Silergy or its person-in-charge, the court may refer to the state and nature of the case to determine whether there is sufficient jurisdiction and the nature of delivery thereof. The court may also require the investor to describe overseas laws that relate to the case. Hence, an actual judgment from an ROC court cannot be guaranteed for every type of case.

B. Risks related to recognition of judgment and enforcement thereof

Laws of the Cayman Islands do not clearly state that a conclusive civil judgment made by an ROC court (hereinafter referred to as "ROC court judgment") may be enforced in the Cayman Islands. However, according to the Common Law of the Cayman Islands, the ROC court judgment must meet the following criteria before a Cayman Islands court decides to review the judgment and determine whether the judgment is to be considered:

a. An overseas court making the judgment has jurisdiction.

b. Whether or not the judgment clearly states that a liquidated sum a debtor is obliged to pay is not related to a fine, tax, penalty, or other similar financial payments, or whether the sum is related to non-money relief obligation to a specified party.

c. The judgment is conclusive.

d. The judgment is not related to taxes, fines, or penalties.

e. The judgment is obtained without violating the principles of justice and fairness or public policy of the Cayman Islands, and that a recognition and execution of the judgment do not violate the principles of justice and fairness or public policy of the Cayman Islands.

If the Cayman Islands court does not recognize an ROC court judgment, a conclusive judgment obtained by an investor in the ROC will not be enforced. Hence, an investor may be exposed to a risk where an overseas claim for damages cannot be successfully acquired. The investor shall therefore be aware of the legal risks involved while purchasing securities issued by a foreign issuer.

(4) Whether the ROC is able to extradite an accused to stand trial in the ROC

The securities supervisory agency of the Cayman Islands, the site of incorporation of Silergy, is a signatory to the Multilateral Memorandum of Understanding (MMOU) of the International Organization of Securities

Commissions (IOSCO). The Financial Supervisory Commission (FSC) of ROC has acquired this MMOU and requested the securities supervisory agency of the Cayman Islands to provide relevant information or files that include but are not limited to: information sufficient for reconstructing current records of transactions related to securities and financial derivatives (including all transaction records between banks and transaction counterparty accounts for capital and asset transfers). However, the MMOU does not include rules related to extradition. The ROC therefore does not have the right to request, according to the MMOU, the Cayman Islands to extradite an accused to the ROC. Furthermore, the ROC also did not sign a mutual legal assistance treaty (MLAT) with the Cayman Islands. As a result, there may be a risk where the ROC is unable to request the Cayman Islands to extradite an accused to stand trial in the ROC.

(5) Risks resulting from differences between the laws of the Cayman Islands and laws of the ROC

A. Silergy is a company incorporated according to the laws of the Cayman Islands and is publicly listed on the TWSE. Silergy has revised its Articles of Incorporation in accordance with relevant laws of the ROC to safeguard the shareholders' interests. For matters not covered by the Articles of Incorporation, Silergy shall comply with the relevant laws of the Cayman Islands and applicable ROC laws related to foreign issuers. There are a number of differences in matters of company operations and specifications between the laws of the Cayman Islands and those of the ROC. An investor with investments in a Taiwanese company will not be able to seek legalprotection when it is registered in Cayman Islands. The investor shall be fully aware of this fact and, where necessary, seek professional advice whether shareholders' interests are protected for an investment made in a company incorporated in the Cayman Islands.

B. Differences in matters of securities trading between the laws of the Cayman Islands and those of the ROC may result in conflict of legal applicability or doubtful interpretation. Matters related to disputes in legal applicability or doubtful interpretation can only be resolved by a court judgment. Hence, an investor intending to request a court of the Cayman Islands to enforce a judgment made by the ROC, may initiate litigation in the court of the Cayman Islands, or enforce relevant rights; the investor should be cognizant that the court of the Cayman Islands will not automatically consider the laws or transaction practices of the ROC (including but not limited to methods of shares transaction or records of shareholders). As a result, the investor may experience risks related to exercising rights and privileges of a foreign company.

(6) An investor shall, before trading securities or emerging stocks of a foreign company, carefully evaluate personal finances and economic position to ensure that he or she is fit for making the investment, and pay particular attention to the following matters:

A. Silergy is a company incorporated in the Cayman Islands and is subject to the local laws andregulations. Corporate governance, accounting standards, tax, and relevant laws may differ from those specified in the ROC. There are also differences between standards related to public listing, auditing, information disclosure, protection of the shareholders' interests, and supervision of local companies. An investor should therefore be aware of these differences and potential investment risks.

B. Company laws at the site of incorporation of Silergy may differ with laws of the ROC in matters related to the enforcement and protection of the shareholders' interests. An investor shouldtherefore carefully peruse the prospectus and Articles of Incorporation of Silergy to understand procedures for capital increase or decrease, procedures for acquiring company shares, restrictions on share transfer, notification deadlines for shareholders' meetings, attendance and exercise of voting power at the shareholders' meetings, proportion and calculation formulas for dividend payouts, methods for electing and discharging directors, rights of the directors, responsibilities of the independent directors and the audit committee, remuneration of the directors and managerial officers, rights to request compensation from the company by the directors and managerial officers, and other important matters related to corporate governance and shareholders' interests applicable to Silergy. Where necessary, the investor should acquire expert opinion from an attorney, accountant, or other professionals holding a local license.

C. Before investing, an investor should understand the nature and risks of Silergy, including: liquidity risks when trading in an ROC market, financial risks of Silergy, and risks related to areas such as local politics, economy, social changes, cyclical movements in industrial activities, and legal compliance of the site of incorporation and areas of main operation activities.

D. Risks related to investing in foreign securities and factors influencing market performance cannot be completely described. Before entering into a transaction, an investor shall carefully peruse the prospectus and other announced information, carefully evaluate factors that may influence an investment decision, establish a working financial plan, and evaluate risks to avoid unbearable losses as a result of the transaction.

2. Country with main operation activities: Mainland China

(1) Macro economy and political and economic changes

In terms of product technology and applications, Silergy is considered an emerging industry in Mainland China. Silergy products are largely employed by end-product manufacturers in China (such as automobiles, robots, smart phones, and PC). Additionally, corporate development strategies of Silergy focus on the Mainland Chinese market as its main business location. Therefore, the financial conditions, business outcomes, and prospects of Silergy will be influenced by political and economic conditions as well as legal developments in Mainland China. Mainland China has the highest demand for IC chips. Data of the industry shows that Mainland China manufactures 1.18 billion units of cellphones, 350 million units of computers, and 130 million sets of color televisions, making it the world's biggest producer of these products by far while creating a market demand that consumes one-third (1/3) of the global IC supply. However, domestic IC production in Mainland China has yet to achieve a self-sufficiency ratio of 30%, and the country must rely on imports for more than 90% of its ICs. Last year, the market for imported ICs amounted to US$227.1 billion, and itexceeded US$200 billion for four consecutive years. The IC has therefore become one of the largest imported products together with crude oil. The Guidelines for Promoting National Integrated Circuit Industry Development states a growth rate of at least 20% for the semiconductor sector in China. Made in China 2025 has also set a goal at least 40% self-sufficiency in ICs by 2020, and further raise it to 50% by 2025. The Ministry of Industry and Information Technology (MIIT) has set new goals: Guarantee 70% IC self-sufficiency within 10 years and reach leading global standards in a number of related areas. In summary, despite uncertainties in the Mainland Chinese economy, developmental advantages and opportunities are in favor of Silergy and other similar emerging industries, providing added benefits and positive potential for Silergy while helping it maintain its rapid growth over the next few years.

Although the Chinese legal system is still under development, the system is not yet complete. Even if China has an adequate set of laws, legal enforcement of current laws or contracts is still unreliable and spontaneous. Receiving prompt and fair legal enforcement or enforcing judgments of courts of other jurisdiction may be difficult in China. The Chinese legal system is based on statutory laws and interpretations thereof. A judicial precedent may be used as a supporting reference, but is not legally binding. The Chinese legal system is also relatively inexperienced in handling many cases, and many litigation outcomes may therefore be uncertain. Additionally, interpretations of legal orders may be subject to restrictions imposed by government policies and reflect changes in local politics. Given the development of the Chinese legal system, changes to future laws or interpretations may lead to uncertainties in businesses, operational outcomes, financial conditions, and prospects of Silergy.

(2) Foreign exchange control, taxes and relevant legal requirements

A. Foreign exchange control

Prior to its market reforms, the Chinese foreign exchange management system was subject to a highly centralized foreign-exchange management under a planned economic system. Any foreign-exchange transaction was subject to centralized management and control. Foreign exchange began to shift towards market-based management after the 1978 reforms and liberalization. Since 1994, China embarked on a new reform for its foreign- exchange management system to further leverage the functions of a market-based system. The first item in the reform is to merge and align foreign- exchange rates and realize a managed floating exchange rate system based on market demand and supply. The second item is to implement a banking- exchange system. Foreign exchange income in current accounts of institutions within the borders of China must be promptly returned to China and the foreign currency must be sold to a specified bank for foreign currency at nominal rates of the bank. Nevertheless, a sum of the foreign currency may be set aside, according to the regulations of the Chinese government, to open a foreign currency account in an appointed bank for foreign currency. Meanwhile, funds in current account in Renminbi (RMB) can be conditionally exchanged. A company may hold an effective pass and purchase foreign currency at a specified range at an appointed bank of the foreign currency, thereby gradually achieving free trading in RMB for current items. The final reform was to establish a foreign exchange market between banks to improve upon the exchange rate formation mechanism and maintain a reasonable and relatively stable RMB exchange rate. RMB and foreign currency exchange rates are influenced by Chinese politics as well as international politics and economy. Since July 21, 2005, the Mainland Chinese government has adopted a floating exchange rate policy, officially unpegged the RMB exchange rate from the US Dollar, and instead began adjustments according to the currency basket. This policy allowed small fluctuations to the RMB exchange rate, but the Chinese government enacted strong measures to prevent appreciation of the RMB to safeguard national export competitiveness. As a result, the currency exchange rate of RMB is often undervalued. Other major powers around the world therefore pressured the Chinese government to adopt liberal policies to facilitate a floating exchange rate system, forcing the RMB to appreciate relative to USD. Fluctuations in exchange rates between RMB and USD may pose a certain degree of uncertainty for cash flow, profitability, earnings distribution, and financial position of Silergy. Foreign exchange control measures may also cause inconvenience in overall capital allocation of Silergy.

The Chinese government has also set in placenumerous rules, provisions, and notices for controlling foreign exchange, and provides only limited RMB exchange. Therefore, a foreign company may exchange RMB in a settlement account for a foreign currency at a specified bank. The State Administration of Foreign Exchange (SAFE) has always imposed strict rules for foreign exchange control of capital items. Mainland Chinese subsidiaries of Silergy are legally registered and incorporated, and all capital increases have been approved and filed by the relevant local departments.

B. Special laws governing land and real estate

There is no private land ownership in China. With the exception of land legally stipulated to belong to the state, all land in China is collectively owned by the working people. According to the Urban Real Estate Administration Law of the People's Republic of China (hereinafter referred to as the “Real Estate Administration Law”) stipulated by the National People’s Congress, the land ownership in China specifically belongs to the state and the collective. Land ownership is therefore divided into state-owned land and collectivelyowned land. The state is also permitted, by law, to appropriate collectivelyowned land.

According to the provisions of the Real Estate Administration Law, and the Administrative Measure for Commodity House promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010, and entered into force on February 1, 2011, parties engaging in a housing lease shall sign a printed lease agreement. Housing leases are entered into a registration and filing system. According to relevant provisions, laws, and administrative rules of the Contract Law of the People's Republic of China and The Interpretations of Supreme People's Court's on Certain Issues Concerning the Application of the Contract Law of the People's Republic of China (One), a contract must be registered. However, for a contract not clearly specified to enter into force after registration, failure to implement registration by the parties will not affect the effectiveness of the contract. For laws such as the Real Estate Administration Law and the Administrative Measures for Commodity House Leasing, administrative laws have yet to specify that lease contracts are enforceable after registration. Hence, failure to register the lease will not affect the effectiveness of the lease contract.

C. Corporate income tax and appreciated value tax

According to the Enterprise Income Tax Law of the People's Republic of China and the Regulation on the Implementation of the Enterprise Income Tax Law (jointly referred to as the “New Tax Laws”) that entered into force on January 1, 2008, a flat 25% income tax will be levied on domestic enterprises and foreign enterprises. The New Tax Laws also removed a large number of tax deductions and preferences for foreign enterprises. Original tax preferences may be gradually increased to 25% within 5 years after enforcing the new Enterprise Income Tax (EIT) Law. A non-resident enterprise (referring to a company not incorporated in accordance with the laws of Mainland China, but the actual management rests within the borders of China, and where the company has established an institution or location in China, or has generated an income in China but not established any institution or location in China) must pay an EIT based on the amount of income generated within the borders of Mainland China. The Notice of the State Council on the Implementation of the Transitional Preferential Policies released on December 26, 2007, in respect of Enterprise Income Tax (hereinafter referred to as “Notice No. 39”) released by the State Council of the People’s Republic of China stipulated that an enterprise previously satisfying the criteria for tax preferences or exemptions may continue to enjoy, if previously entitled to a preferential taxation of “2-year exemption and 3-year half payment”, for the entire duration of the specified preferential period. However, an enterprise that has not enjoyed the preferential taxation due to not earning profit prior to the enforcement of the new EIT Law, may start enjoying the preferential taxation for the specified period starting from the date of enforcement of the new law. Hangzhou Silergy, the Mainland China subsidiary of Silergy, has acquired a high-tech enterprise certification, effective for three years, in July 2010. It had been incurring losses from 2010 to 2012 and thus paid no EIT during this period, and became eligible for the 2-year exemption and 3-year half payment preference policy only in 2013.

For appreciation tax, the Interim Regulation of the People's Republic of China on Value Added Tax was promulgated in Mainland China on January 1, 2009. According to the regulation, a company or individual selling goods or providing processing, repair and maintenance services, and importing goods shall be considered a taxpayer of a value added tax (VAT). With the exception of goods exporting tax, set at 0%, the VAT rate for selling or importing goods is 17%. Where a trading counterparty of Hangzhou Silergy is a local Chinese company, a 17% VAT will apply.

D. Labor Contract Law

China began enforcing the new Labor Contract Law on January 1, 2008,according to which both an employer and an employee must conclude, within one month after the date when the employee begins to work, a printed labor contract. Where the employer fails to conclude a printed labor contract with the employee for a period of more than one month but less than one year, the employer must double the monthly salary of the employee. If the employer fails to sign a written labor contract with an employee after the lapse of one full year from the date when the employee begins to work, it shall be deemed that the employer and the employee have concluded a labor contract without a fixed term. Also, to prevent an employer from arbitrarily dismissing an employee, the *Labor Contract Law* has clearly stipulated conditions and proportions for mandatory economic compensations. For example, an employee has the right to a compensation equal to one-month salary for each additional year worked for the employer, or compensation equal to half of a monthly salary if the employee has worked for a period of less than 6 months only. Where no printed labor contract is available, if a resolution or judgment of an arbitration determines the existence of an employment relationship of more than one month but less than one year, the employer shall pay the employee twice the monthly salary, and on termination of employment following the expiration of the period, the employee shall be provided with a compensation, the amount of compensation calculated using the aforementioned methods. The employer is also required to pay a monetary compensation when dissolving a labor contract without a fixed term. The employer must also pay a monetary compensation when dissolving a labor contract with an employee who is unable to work or meet job expectations after a medical treatment period (depending on area, generally from three months to two years) for a general illness. Additionally, the Labor Contract Law states that if an employee works on an official holiday, the overtime pay must be at least three times that of the standard pay. When 20 or more employees are retrenched, or when the number is less than 20, but constitutes more than 10% of the total employees in the enterprise, the employer shall first seek the opinion of the union or employees and submit an employee retrenchment plan to the labor affairs administration agency. An employer who violates contractual terms for employee retrenchment or contract termination has to compensatewith twice the amount of economic compensation. The employer may not unilaterally dissolve the labor contract of an employee with a service of at least 15 years at the same company and is fewer than five years away from the legally stipulated age of retirement, if he has not committed any legally considered errors.

To summarize, the enforcement of the *Labor Contract Law* increases uncertainty to labor costs and financial position of Silergy. However, the Law provides a clear legal path that helps to gradually buildharmony inemployee-employer relationships.

E. Social Insurance and Housing Accumulation Fund

a. Payment of social insurance

The Social Insurance Law of China is a legal specification on social insurance established by the central government of China, and primarily comprises the Provisional Regulations on Collection and Payment of Social Insurance Premia, the Social Insurance Law of the People’s Republic of China, and the Regulations on Work-Related Injury Insurance. Detailed specifications on various insurance categories are stipulated in various regions. Silergy has complied with relevant laws and participated in retirement insurance, medical insurance, unemployment insurance, work-related injury insurance, and childbirth insurance programs. As of December 31, 2016, Silergy has employed a total of 436 official employees in China, and paid social insurance for each of them. This includes standard social insurance payments for 228 employeesincluding two foreign employees in the Hangzhou region.Silergyhas also commissioned external service companies to be in charge of payment of local social insurance premia for 92 employees working overseas. Silergy also pays social insurance for 51 employees in Nanjing through Nanjing Silergy, 54 employees in Xi’an through Xi’an Silergy, and 11 employees in Shanghai through Shanghai Pengxi Semiconductor Technology.

b. Housing Accumulation Fund payments

Provisions in the Guiding Opinions Concerning Several Issues for the Management of the Housing Accumulation Fund promulgated in Mainland China on January 10, 2005, stipulate that organizations from every level from state agencies to individual enterprises, social groups, and employed workers shall make payments for the Housing Accumulation Fund in accordance with the Regulation on the Administration of Housing Accumulation Funds. However, the Housing Provident Fund system of China is still undergoing gradual modifications and improvements, resulting in differences in actual practice between various regions. Every province and city therefore refers to the actual social conditions in its local region and stipulates either independently the actual rules related to the collection and withdrawal of the Housing Accumulation Fund or revise policies every year regarding the contribution base and proportion of the Housing Accumulation Fund to realize its territorial management in compliance with basic principles of Regulation on Administration of Housing Accumulation Funds. The Housing Accumulation Fund can be used only in the region where the Fund was paid for and only for the purposes of house purchase or house repairs and maintenance. The Fund cannot be utilized to purchase housing in other areas. A participating employee must also set aside an equal proportion of his or her salary as a deposit in the Housing Accumulation Fund account. As of December 31, 2016, Silergy has a total of 436 official employees in China, makes regular payments to the Housing

Accumulation Fund for 226 employees in Hangzhou, and has no record of administrative penalties at the Hangzhou Housing Accumulation Fund Management Center as a result of violating laws or rules related to the Fund. Silergyhas hired external service companies to make local Housing Accumulation Fund payments for 92 employees in other areas. Silergy also provides Housing Accumulation Fund deposits for 51 employees in Nanjing through Nanjing Silergy, 54 employees in Xi'an through Xi’an Silergy, and 11 employees in Shanghai through Shanghai Pengxi Semiconductor Technology. Since China does not require foreign employees to make Housing Accumulation Fund payments, the two foreign employees are not required to make payments to theFund in Hangzhou.

c. Risks that Silergy may face and response measures

Article 84 of the Social Insurance Law of the People’s Republic of China states: “Where an employer fails to handle social insurance registration, the social insurance administrative department shall order it to make correction within a prescribed time limit; and if it fails to do so within the prescribed time limit, impose a fine of 1-3 times the amount of the social insurance premiums payable upon it, and impose a fine of not less than 500 Yuan but not more than 3,000 Yuan upon the directly liable person in charge and other directly liable persons.” Article 86 therein states: “Where an employer fails to pay social insurance premiums on time or in full amount, the collection agency of social insurance premiums shall order the employer to pay or make up the deficit of premiums within a prescribed time limit, and impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; and if it still fails to pay the premiums within the prescribed time limit, the relevant administrative department shall impose a fine of 1-3 times the outstanding amount upon it.”

An employer who fails to pay Housing Accumulation Fund shall, according to Article 37 of the Regulation on the Administration of Housing Accumulation Funds, be ordered by a Housing Accumulation Fund management center to make the payment within a prescribed time limit; and ifnecessary action is not taken after the expiration of the time limit, the employer shall be subject to a fine of 10,000 to 50,000 RMB. Article 38 therein further states that an employer overdue in the payment and deposit of, or underpays, the Housing Accumulation Fund, the Housing Accumulation Fund management center shall order the employer to make the payment and deposit within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

Silergy makes social insurance and Housing Accumulation Fund payments regularly for enterprise employees in the China region, and should therefore not be subject to potential risks related to these matters.

F. Environmental protection laws

Currently enforced environmental protection laws and regulations in China as well as implementation of state-wide environmental protection efforts are subject to centralized supervision and management by the Ministry of Environmental Protection of the People's Republic of China (MEP). Environmental protection administration and supervisory departments of a regional people’s government at county level or higher shall implement centralized supervision and management of environmental protection efforts within its area of jurisdiction. Currently enforced environmental protection laws and regulations in China include Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Appraising of Environment Impacts, the Water Pollution Prevention and Control Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes. A company generating environmental pollution and other public hazards must: incorporate environmental protection in its plans and establish a system of responsibility for environmental protection; adopt effective measures for preventing and treating waste gas, wastewater, waste solids, particles and dust, malodorous gases, radioactive substances, signal interference, vibrations, electromagnetic radiation, and other environmental pollution and hazards generated during production, construction, or other activities. Since Silergy subsidiaries in Mainland China are mainly engaged in research, development, and sales of IC designs and outsources its production and manufacturing activities to other packaging and testing companies, there should be no incident of environmental pollution. Also, Silergy subsidiaries in Mainland China have all acquired a certificate of compliance from the environmental protection department proving that there has been no incident of environmental pollution since the incorporation of the subsidiaries.

G.Silergy subsidiaries in Mainland China are subject to the administration and jurisdiction of Chinese government departments, including but not limited to economic affairs departments, industrial and commercial departments, foreign exchange administration departments, environmental protection departments, safety administration department, press and publication department, and drug administration department. The aforementioned government administrative departments have the right to promulgate and/or enforce, on the basis of statutory regulations, statutory regulations and rules related to the operations of the subsidiaries in Mainland China. Operations of Silergy subsidiaries in Mainland China must get relevant approvals and permits by government administrative departments. If a subsidiary in Mainland China is unable to obtain or continue to holdrelevant approvals or permits from various government administrative departments, the subsidiary may be subject to a penalty that includes fines, termination, or restrictions on its operations. Any of the aforementioned scenarios will impact Silergy's operations. Silergy shall continue to monitor and understand trends in policy development and changes to laws of the Chinese government and strive to ensure legal compliance.

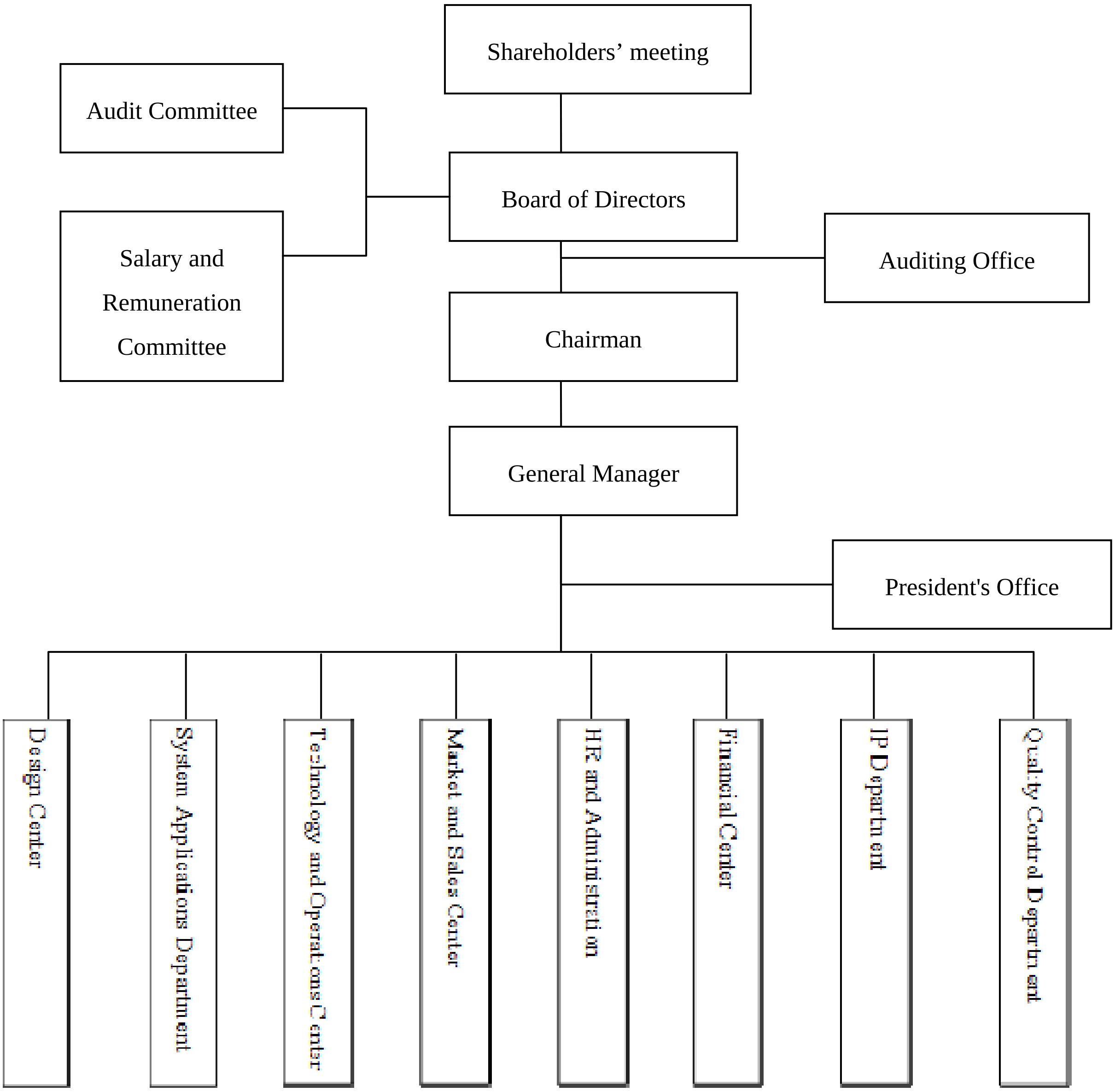
(3) Risks related to recognition of conclusive civil judgment of an ROC court

Matters related to a conclusive civil judgment made by an ROC court shall be determined according to the rules stipulated by the Provisions of the Supreme People's Court on the People's Courts' Recognition of Civil Judgments of the Relevant Courts of the Taiwan Region, the Supplementary Provisions of the Supreme People's Court on the People's Courts' Recognition of Civil Judgments of the Relevant Courts of the Taiwan Region, and the Notice of the Supreme People's Court Regarding Diligent and Thorough Implementation of Provisions thereof on the People's Court Recognition of Civil Judgments of the Relevant Courts of the Taiwan Region. After obtaining the recognition of a Chinese court, a conclusive civil judgment made by an ROC court shall be deemed as equal as an effective judgment of a people's court of China.

III. Corporate Governance Report

1. Organization

(1) Organizational structure



(2) Responsibilities and functions of major departments

Department	Work responsibility
Audit Committee	1. Stipulate or revise the internal control system (ICS). 2. Evaluate the effectiveness of the ICS. 3. Stipulate or amend procedures for acquiring or disposing of assets, derivatives trading, provision of capital loans to other parties, the provision of endorsements or guarantees to other parties, and other major financial activities. 4. Resolve issues related to the key interests of the directors. 5. Approve major transactions of assets or derivatives. 6. Review and approve major capital loans, endorsements, or guarantees. 7. Offering, issuance or financing of equity-based securities. 8. Appoint, discharge, or fix remuneration of independent auditors. 9. Appoint or discharge financial, accounting, or internal audit supervisors. 10. Audit annual financial report and semiannual financial reports. 11. Other major matters stipulated by other companies or competent authorities.
Remuneration Committee	1. Formulate and regularly review the policy, system, standards, and structure of the performance assessment, salary, and remuneration of directors and managerial officers. 2. Regularly review and fix remuneration of directors and managerial officers.
Auditing Office	1. Establish, amend, evaluate, and approve the ICS of the company. 2. Implement auditing and independent assessment of the activities of central or branch units. 3. Research, improve, and recommend matters related to legal regulations and auditing techniques.
Chairperson of the Board	Decides on the major businesses and administrative activities of the company.
General Manager	Jointly implements the resolution of the shareholders' meeting and the board of directors, manage all enterprise matters and outline the directions and objectives of corporate business management.
General Manager's Office	Responsible for internal and external coordination for corporate management, and for appointing personnel for managing investor relationship and stocks-related matters.
Design Center	1. New product and technology research and development (R&D). 2. Review, implementation, and evaluation of research plans.
Technology and Operations Center	1. Manage production and subcontracted processing of the company to achieve the goals of annual production plans and cost control. 2. Responsible for product testing, verification, maintenance, and quality improvement.

Department	Work responsibility
System Applications Department	1. Define, R&D, and verification of product architecture and application systems. 2. Evaluate customer requirements and support customer service activities for field application departments.
Market and Sales Center	1. Responsible for product sales, customer service, and expand the sales market. 2. Collect overseas and domestic market information, investigate and analyze industrial trends, and investigate information related to competitors.
Financial Center	Provide accurate and effective financial accounting information, and use investment or financing activities to generate value for the company.
Human Resources and Administration (including IT department)	1. Responsible for human resources (HR) management, administration and general affairs, environmental protection public security, and occupational safety and health activities. 2. Responsible for computer and computer product purchase, maintenance, and safety.
Intellectual Property Department	Responsible for product intellectual property (IP) development and design (D&D), product circuit layouts, and verification.
Quality Control Department	Responsible for product quality and reliability planning, implementation, and evaluation, establishing of quality assurance organization and system, and quality-related training.

2. Information on the directors and Main Managerial Officers

(1) Director information (Silergy has yet to appoint a supervisor):

March 31, 2017, Unit: Thousand shares; %

Title	Nationality or site of registration	Name	Gender	Date of election (appointment)	Length of term	Date of first election	Shares held when elected		Shares currently held		Shares held by spouse or minor children		Major experience/ academic background	Positions currently assumed in Silergy or other companies
							Number of shares	Percentage of shares	Number of shares	Percentage of shares ratio	Number of shares	Percentage of shares ratio		
Chairperson and General Manager	USA	Wei Chen	Male	2016/6/2	3 years	2008/02/07	6,733	8.59	7,059	8.21	-	-	PhD, Department of Electrical Engineering, Virginia Polytechnic Institute and State University, USA, Technical Manager, Linear Technology Deputy Chief System and Applications Technology Officer, Monolithic Power Systems, Inc.	Director, Silergy Semiconductor Technology (Hangzhou) Director, Nanjing Silergy Semiconductor Technology Director, Hangzhou Innvolt Technology, Director, Xian Silergy Semiconductor Technology, Director, Silergy Semiconductor (SAMOA), Director, Integrated Crystal Technology
Director and Chief Technology Officer	USA	Budong You	Male	2016/6/2	3 years	2008/02/22	3,725	4.75	3,671	4.37	-	-	PhD, Department of Electrical Engineering, Virginia Polytechnic Institute and State University, USA Deputy Technology Manager, Volterra Semiconductor	Supervisor, Silergy Semiconductor Technology (Hangzhou) Supervisor, Nanjing, Silergy Semiconductor Technology Supervisor, Hangzhou Innvolt Technology Supervisor, Xian Silergy Semiconductor Technology

Title	Nationality or site of registration	Name	Gender	Date of election (appointment)	Length of term	Date of first election	Shares held when elected		Shares currently held		Shares held by spouse or minor children		Major experience/ academic background	Positions currently assumed in Silergy or other companies
							Number of shares	Percentage of shares	Number of shares	Percentage of shares ratio	Number of shares	Percentage of shares ratio		
Director	Republic of China	Jiun-huei Shih	Male	2016/6/2	3 years	2016/6/2	-	-	-	-	-	-	J.D., Stanford University Director, CMC Medical Group Director and General Manager, J.P. Morgan Private Equity Group Vice President, Investment Department, Merrill Lynch Attorney, International Finance, Global Law Office, US	Partner, Cinaport Capital, Inc. Senior Board Consultant, Sim2Travel, Inc. Instructor, International Private Funds, Taiwan Academic of Banking and Finance
Director	Republic of China	Kwan-chu Yang	Male	2016/6/2	3 years	2016/6/2	-	-	-	-	-	-	J.D. degree from Cornell University Partner, The CID Group Attorney, Tsar & Tsai Law Firm	Supervisor, INFINITY Logistics International Co., Ltd.
Independent director	Republic of China	Shun-hsiung Ko	Male	2016/6/2	3 years	2013/3/29	-	-	-	-	-	-	Masters, Finance, National Taiwan University (NTU) CPA, Jianda Lianhe Accounting Firm	CPA, Jianda Lianhe Accounting Firm Independent director, Nishoku Technology Inc Independent director, Ruentex Development Co. Ltd. Supervisor, Huachen Touzi Gufen Youxian Gongsi Supervisor, Yongchuan Touzi Gufen Youxian Gongsi

Title	Nationality or site of registration	Name	Gender	Date of election (appointment)	Length of term	Date of first election	Shares held when elected		Shares currently held		Shares held by spouse or minor children		Major experience/ academic background	Positions currently assumed in Silergy or other companies
							Number of shares	Percentage of shares	Number of shares	Percentage of shares ratio	Number of shares	Percentage of shares ratio		
Independent Director	Republic of China	Yong-Song Tsai	Male	2016/6/2	3 years	2014/6/24	-	-	-	-	-	-	Masters, International Business, National Taiwan University (NTU) Partner, APP Capital Limited Deputy General Manager, Walden International Taiwan Co., Ltd.	Independent director, WAFER WORKS Corporation Independent director, Dynacard Co., Ltd.
Independent Director	Republic of China	Hung-chi Lee	Male	2016/6/2	3 years	2016/6/2	-	-	-	-	-	-	MBA, George Washington University Founder and CEO, Quantum International Company Independent director, CANDO CORPORATION Consultant, Yuanta Securities General Manager, Yuanta Securities Director and General Manager, Deutsche Bank Securities Taipei Branch Office Director and General Manager, Credit Suisse First Boston Taipei Branch Office General Manager, Barclays Securities Taipei Branch Office Supervisor, Foreign Investment Trade Department, Yuanta Securities Convener, Overseas Management Strategy Committee, Taiwan Securities Association	Founder and CEO, Quantum International Company

Silergy shares held by directors in the name of other persons: None.
Any managerial officer, director, or supervisor who is a spouse or relative within the second degree of kinship: None.

Professional qualifications and independence of the directors:

March 31, 2017

Condition / Name	Does the individual have more than 5 years of professional experience and the following qualifications?			Compliant to the requirements of independence (Note)										Currently serving as an independent director of other public companies
	Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the company.	1	2	3	4	5	6	7	8	9	10	
Wei Chen	-	-	V	-	-	-	V	V	-	V	V	V	V	-
Budong You	-	-	V	-	-	-	V	V	-	V	V	V	V	-
Jiun-huei Shih	-	-	V	V	V	V	V	V	V	V	V	V	V	-
Kwan-chu Yang	-	-	V	V	V	V	V	-	V	V	V	V	V	-
Yong-Song Tsai	-	-	V	V	V	V	V	V	V	V	V	V	V	2
Shun-hsiung Ko	-	V	V	V	V	V	V	V	V	V	V	V	V	2
Hung-chi Lee	-	-	V	V	V	V	V	V	V	V	V	V	V	0

Note: For any director or supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [✓] sign in the field next to the corresponding conditions.

(1) Not employed by the company or an affiliated business.

(2) Not a director or supervisor of the company or an affiliated business (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

(3) Not a natural person shareholder who holds more than one percent (1%) of issued shares or is ranked top ten in terms of the total quantity of shares held, including the shares held in the name of the person’s spouse, minor children, or in the name of others.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held.

(6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than five percent (5%) of shares of a specified company or institution that has a financial or business relationship with the company.

(7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliated business. This restriction, however, does not apply to any member of the salary and remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Stock Exchange or traded over the counter.

(8) Not a spouse or a relative within the second degree of kinship with any director.

(9) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

(10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

(2) Information of the main managerial officers:

March 31, 2017. Shares unit: Thousand shares; %

Title	Nationality	Name	Gender	Date of appointment	Shares held		Shares held by spouse or minor children		Major experience / academic background	Positions currently assumed in Silergy
					Number of shares	Percentage of shares ratio	Number of shares	Percentage of shares ratio		
General Manager	USA	Wei Chen	Male	2008/02/07	7,059	8.21	-	-	PhD, Department of Electrical Engineering, Virginia Polytechnic Institute and State University, USA; Technical Manager, Linear Technology; Deputy Chief System and Applications Technology Officer, Monolithic Power Systems, Inc.	Director, Silergy Semiconductor Technology (Hangzhou) Director, Nanjing Silergy Semiconductor Technology Director, Hangzhou Innvolt Technology Director, Xian Silergy Semiconductor Technology Director, Silergy Semiconductor (SAMOA) Director, Integrated Crystal Technology
Chief Technology Officer (CTO)	USA	Budong You	Male	2008/02/22	3,761	4.37	-	-	PhD, Department of Electrical Engineering, Virginia Polytechnic Institute and State University, USA; Deputy Technology Manager, Volterra Semiconductor	Supervisor, Silergy Semiconductor Technology (Hangzhou) Supervisor, Nanjing Silergy Semiconductor Technology Supervisor, Hangzhou Innvolt Technology Supervisor, Xian Silergy Semiconductor Technology
Construction Vice President	USA	Michael Grimm	Male	2008/05/19	1,799	2.09	-	-	Masters, Electrical Engineering, University of California, Berkeley General Manager, Notebook Computers Business Unit, Maxim Integrated	Director and General Manager, Silergy Technology
Executive Design director	USA	Jaime Tseng	Male	2008/05/28	2,219	2.58	-	-	Electrical Engineering, University of California, Berkeley; Design Manager, Linear Technology	-
Chief Financial Officer	Republic of China	Kuan-cheng Pan	Male	2012/02/13	71	0.08	-	-	Department of Finance and International Business, Fu Jen Catholic University; Director, Financial Affairs Division, ViewSil Microelectronics Limited; Manager, Financial Affairs, BenQ Materials Corporation; Deputy Manager, Investment Department, Harvest Capital Group	Director, Integrated Crystal Technology
Senior Business Deputy Manager	Republic of China	Chih-chung Lu	Male	2016/11/14	6	0.01	1	0.00	Deputy Marketing Manager, Magnachip Semiconductor Corp; General Manager of Taiwan Region, ON Semiconductor Marketing Manager of Taiwan Region, Fairchild Semiconductor	-

Silergy shares held by Managerial Officer in the name of other persons: None.
Any spouse or relative within the second degree of kinship with any managerial officer: None.

3. Remuneration paid out to directors, the General Manager, and Deputy General Managers

(1) Director's remuneration:

Unit: Thousand NTD; thousand shares; %

Title	Name	Director's remuneration								Proportion of NIAT after summing up the four items of A, B, C, and D		Employee remuneration for other activities								Proportion of NIAT after summing the seven items of A, B, C, D, E, and F		Whether or not the person receives remuneration from other non-subsidiary companies that Silergy has invested in
		Remuneration (A)		Retirement pension (B)		Director's Remuneration (C)		Business execution fees (D)				Salaries, bonuses, and special expenses (E) (Note 5)		Retirement pension (F)		Employee's compensation (G)						
																Silergy		All companies listed in this Financial Report				
		Silergy	All companies listed in this Financial Report	Silergy	All companies listed in this Financial Report	Silergy	All companies listed in this Financial Report	Silergy	All companies listed in this Financial Report	Silergy	All companies listed in this Financial Report	Silergy	All companies listed in this Financial Report	Silergy	All companies listed in this Financial Report	Value of cash payment	Value of share payment	Value of cash payment	Value of share payment	Silergy	All companies listed in this Financial Report	
Director	Wei Chen																					
Director	Budong You																					
Director	Wen-chun Huang (Note 2)																					
Director	Shanghai Walden Venture Capital Enterprise (Note 2)																					
	Representative: Hing Wong (Note 2)																					
Independent Director	Ming-tung Kuo (Note 2)	-	-	-	-	-	3,600	-	345	-	0.27	-	17,619	-	-	-	-	630	-	-	1.51	None
Independent Director	Shun-hsiung Ko																					
Independent Director	Yong-Song Tsai																					
Director	Jiun-huei Shih (Note 2)																					
Director	Kwan-chu Yang (Note 2)																					
Director	Hung-chi Lee (Note)																					
Remuneration provided to a director for providing services (such as serving as a non-employed consultant) to any company in the financial report in the most recent fiscal year: None.																						

Note 1: Salary expenses recognized under IFRS 2 - Share-based Payment, such as employee stock option certificates, new restricted employee shares, and participation in subscription of stocks in cash capital increase, shall be included in remuneration.

Note 2: Silergy re-elected its entire Board of Directors during the annual shareholders' meeting on June 2, 2016,in which directors Jiun-huei Shih and Kwan-chu Yang, and independent director Hung-chi Lee were elected; the incumbent directors Wen-chun Huang and representative Hing Wong of Shanghai Walden Venture Capital Enterprise, and independent director Ming-tung Kuo were discharged from their directorship after the elections.

Table of range of remuneration

Remuneration range for each director in Silergy	Name of director			
	Sum of the first four items (A+B+C+D)		Sum of the first seven items (A+B+C+D+E+F+G)	
	Silergy	All companies listed in this Financial Report H	Silergy	All companies listed in this Financial Report I
Less than NTD 2,000,000	-	Wei Chen, Budong You, Wen-chun Huang, Hing Wong, Ming-tung Kuo, Shun-hsiung Ko, Yong-Song Tsai, Kwan-chu Yang, Jiun-huei Shih, and Hung-chi Lee	-	Wen-chun Huang, Hing Wong, Ming-tung Kuo, Shun-hsiung Ko, Yong-Song Tsai, Kwan-chu Yang, Jiun-huei Shih, and Hung-chi Lee
NTD 2,000,000 (inclusive) to 5,000,000 (not inclusive)	-	-	-	-
NTD 5,000,000 (inclusive) to 10,000,000 (not inclusive)	-	-	-	Budong You
NTD 10,000,000 (inclusive) to 15,000,000 (not inclusive)	-	-	-	Wei Chen
NTD 15,000,000 (inclusive) to 30,000,000 (not inclusive)	-	-	-	-
NTD 30,000,000 (inclusive) to 50,000,000 (not inclusive)	-	-	-	-
NTD 50,000,000 (inclusive) to 100,000,000 (not inclusive)	-	-	-	-
More than NTD 100,000,000	-	-	-	-
Total	-	10 persons	-	10 persons

(2) Remuneration for the General Manager and Deputy General Manager:

Unit: Thousand NTD; thousand shares; %

Title	Name	Salary (A)		Retirement pension (B)		Bonuses and special expenses (C) (Note)		Employee's remuneration (D)				Proportion of NIAT after summing up items A, B, C, and D (%)		Whether or not the person receives remuneration from other non-subsidiary companies that this company has invested in
		Silergy	All companies listed in this Financial Report	Silergy	All companies listed in this Financial Report	Silergy	All companies listed in this Financial Report	Silergy		All companies listed in this Financial Report		Silergy	All companies listed in this Financial Report	
								Value of cash payment	Value of share payment	Value of cash payment	Value of share payment			
General Manager	Wei Chen	-	23,594	-	-	-	2,306	-	-	1,575	-	-	1.87	None
Chief Technology Officer (CTO)	Budong You													
Vice President of Engineering	Michael Grimm													

Note: Salary expenses recognized under IFRS 2 - Share-based Payment, such as employee stock option certificates, new restricted employee shares, and participation in subscription of stocks in cash capital increase, shall be included in remuneration.

Table of range of remuneration

Remuneration range for each General Manager and Deputy General Manager in Silergy	Name of the General Managers and Vice Presidents	
	Silergy	All companies listed in this Financial Report (A + B + C + D)
Less than NTD 2,000,000	-	-
NTD 2,000,000 (inclusive) to 5,000,000 (not inclusive)	-	-
NTD 5,000,000 (inclusive) to 10,000,000 (not inclusive)	-	Budong You, Michael Grimm
NTD 10,000,000 (inclusive) to 15,000,000 (not inclusive)	-	Wei Chen
NTD 15,000,000 (inclusive) to 30,000,000 (not inclusive)	-	-
NTD 30,000,000 (inclusive) to 50,000,000 (not inclusive)	-	-
NTD 50,000,000 (inclusive) to 100,000,000 (not inclusive)	-	-
More than NTD 100,000,000	-	-
Total	-	3 persons

(3) Names of managerial officers provided with employee's compensation and state of its allocations:

Units: Thousand NTD; %

	Title	Name	Value of share payment	Value of cash payment	Total	Total payment as a proportion of NIAT
Managerial officer	General Manager	Wei Chen	-	3,691	3,691	0.25
	Chief Technology Officer (CTO)	Budong You				
	Vice President of Engineering	Michael Grimm				
	Executive Design Director	Jaime Tseng				
	Senior Business Deputy Manager	Chih-chung Lv				
	Chief Financial Officer	Kuan-cheng Pan				

(4) Comparison and analysis of the total remuneration paid to each of Silergy Directors, Supervisors, General Managers, and Deputy General Managers over the past two years by Silergy and all companies listed in the consolidated financial statement as a percentage of total NIAT, and descriptions of the policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure:

1、Analysis of the total remuneration paid to each of the Silergy Directors, Supervisors, General Managers, and Deputy General Managers by Silergy and all companies listed in the consolidated financial statement as a percentage of NIAT:

Units: Thousand NTD; %

Item	2015		2016	
	Sum	As a proportion of NIAT	Sum	As a proportion of NIAT
NIAT	1,201,241	100.00	1,469,656	100.00
Analysis of the total remuneration paid to each of the Silergy Directors, Supervisors, General Managers, and Deputy General Managers by Silergy and all companies listed in the consolidated financial statement	28,279	2.35	31,420	2.14

2、Policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure:

(1) The remuneration paid to a director is approved and issued by the Silergy Salary and Remuneration Committee and the Board of Directors by referencing the Silergy Articles of Incorporation, assessing the director's level of participation and contribution to Silergy's business operations, and referencing the standards of peers of the same industry in Taiwan and other countries.

(2) The remuneration paid to a general manager and deputy general manager is determined by the Silergy Salary and Remuneration Committee, and the Board of Directors by referencing Silergy Employee's Code of Conduct, the position held by the manager, and the manager's contribution and performance for Silergy.

(3) To attract professionals, Silergy offers competitive remuneration relative to the market. Performance evaluation indicators for a managerial officer include contributions to the corporation according to the manager's position and consideration of future business risks and long-term business outcomes of Silergy.

4.Implementation of Corporate Governance

(1) Implementation of board meetings

In 2016, a total of eight board meetings were held in Silergy. The following outlines the attendance of the directors at these meetings:

Title	Name	Actual presence	Delegated presence	Rate of actual presence (%)	Remarks (Note)
Director	Wei Chen	8	0	100	Re-elected on June 2, 2016
Director	Budong You	7	1	87	Re-elected on June 2, 2016
Director	Wen-chun Huang	1	3	25	Discharged on June 2, 2016
Director	Shanghai Walden Venture Capital Enterprise Representative: Hing Wong	4	0	100	Discharged on June 2, 2016
Director	Kwan-chu Yang	4	0	100	Appointed on June 2, 2016
Director	Jiun-huei Shih	4	0	100	Appointed on June 2, 2016
Independent director	Shun-hsiung Ko	8	0	100	Re-elected on June 2, 2016
Independent Director	Ming-tung Kuo	4	0	100	Discharged on June 2, 2016
Independent Director	Yong-Song Tsai	8	0	100	Re-elected on June 2, 2016
Independent director	Hung-chi Lee	4	0	100	Appointed on June 2, 2016

Title	Name	Actual presence	Delegated presence	Rate of actual presence (%)	Remarks (Note)

1. Where the proceedings of the board meeting include one of the following circumstances, then describe the date, session, topic discussed, opinions of every independent director, and their handling by Silergy:

(1) Items listed under Article 14-3 of the Securities and Exchange Act:

Board of Directors	Motion	Dissenting or qualified opinion of the independent director	Silergy's handling of the opinions of the independent director	Resolution
22nd Meeting of the First Board of Directors, January 15, 2016	Proposal for Silergy to acquire the LED Lighting product series from NXP Semiconductors through asset acquisition	None	Not applicable	Original proposal unanimously approved by all directors present at the meeting
23rd Meeting of the First Board of Directors, Friday, March 11, 2016	Issuance of employee stock option certificates	None	Not applicable	Original proposal unanimously approved by all Directors present at the meeting
	Issuance of restricted employee shares	None	Not applicable	Original proposal unanimously approved by all Directors present in the meeting
	Commissioning an independent auditor to review the 2016 internal control system (ICS)	None	Not applicable	Original proposal unanimously approved by all directors present at the meeting
	Silergy proposal to implement the first overseas unsecured convertible corporate bonds	None	Not applicable	Original proposal unanimously approved by all directors present at the meeting
1st Meeting of the Second Board of Directors on June 2, 2016	Professional charge for independent auditor assessments and evaluation of auditor independence in 2016	None	Not applicable	Original proposal unanimously approved by all directors present at the meeting

(2) In addition to the aforementioned motions, other board meeting motions where an independent director expressed a dissenting or qualified opinion that have been recorded or stated by writ: No such incident.

1、 For the implementation and state of director’s recusal for conflict of interest, describe the director's name, contents of the motion, reasons for the required recusal, and participation in the voting process: No such incident.

(1) The March 11, 2016 board meeting proposed a motion on the candidates for the independent directors of the second Board of Directors of Silergy. Independent director Shun-hsiung Ko and Yong-Song Tsai recused themselves during discussion and voting of the motion on the candidates for independent directors of the second Board of Directors in compliance with Article 13 of the Board Meetings Rules. After inquiry by the Chairperson of the Board, the remaining directors agreed to nominate Mr. Shun-hsiung Ko, Mr. Yong-Song Tsai, and Mr. Hung-chi Lee as independent director

Title	Name	Actual presence	Delegated presence	Rate of actual presence (%)	Remarks (Note)
candidates for the second Board of Directors. (2) The March 11, 2016 board meeting proposed a motion discussing the directors' remuneration and bonus for managerial officers for 2015, and salary adjustments for managerial officers in 2016. Attending directors recused themselves during the discussion and voting on the motion governing remuneration for the directors', bonus for managerial officers, and salary adjustments for managerial officers in 2016. The original motion was passed by the attending directors. 2. Goals for enhancing the functions of the Board of Directors for the current and most recent fiscal period as well as assessments of the actions implemented: Silergy has established an Audit Committee and a Salary and Remuneration Committee. Refer to pages 29 and 37 for the activities of the committees.					

Note: Silergy completed re-election of its directors during the annual shareholders' meeting on June 2, 2016. A total of 7 directors and 3 independent directors were elected. The newly elected directors shall assume their directorship on the day of election. The leaving directors will be discharged on the day the new directors are elected.

(2) Audit Committee activities

In 2016, the Audit Committee of Silergy held a total of eight meetings. The following describes the attendance of the independence directors at these meetings:

Title	Name	Actual Attendance	Delegated attendance	Actual attendance (%)	Remarks (Note)
Independent director	Ming-tung Kuo	4	0	100	Discharged on June 2, 2016
Independent director	Shun-hsiung Ko	8	0	100	Re-elected on June 2, 2016
Independent director	Yong-Song Tsai	8	0	100	Appointed on June 2, 2016
Independent director	Hung-chi Lee	4	0	100	Re-elected on June 2, 2016

1. Where the proceedings of the Audit Committee meeting include one of the following circumstances, then describe the date, session, and motion of the board meeting, the relevant resolutions of the Audit committee, and Silergy's handling of the comments of the Audit Committee:
   (1) Items listed in Article 14-5 of the Securities and Exchange Act:

Board of Directors	Motion	Audit Committee resolutions	Silergy's response to the comments of the Audit Committee
22nd Meeting of the First Board of Directors, January 15, 2016	Proposal for Silergy to acquire the LED Lighting product series from NXP Semiconductors through asset acquisition	Original proposal unanimously approved by all Audit Committee members present at the meeting	Original proposal unanimously approved by all directors present at the meeting
23rd Meeting of the First Board of Directors, Friday, March 11, 2016	Issuance of employee stock option certificates	Original proposal unanimously approved by all Audit Committee members present at the meeting	Original proposal unanimously approved by all directors present at the meeting
	Issuance of restricted employee shares	Original proposal unanimously approved by every Audit Committee members present at the meeting	Original proposal unanimously approved by all directors present at the meeting
	Commissioning of an independent auditor to review the 2016 internal control system (ICS)	Original proposal unanimously approved by all Audit Committee members present at the meeting	Original proposal unanimously approved by all directors present at the meeting
	Silergy proposal to implement the first overseas unsecured convertible corporate bonds	Original proposal unanimously approved by all Audit Committee members present at the meeting	Original proposal unanimously approved by all directors present at the meeting
1st Meeting of the Second Board of Directors on June 2, 2016	Professional charge for independent auditor assessments and evaluation of auditor independence in 2016	Original proposal unanimously approved by all Audit Committee members present at the meeting	Original proposal unanimously approved by all directors present at the meeting

   (2) In addition to the aforementioned motions, other motions not passed by the Audit Committee but passed by at least two-thirds of the votes of the entirety of the Board of Directors: No such incident.

2. For the implementation and state of the independent director's recusal on conflict of interest, describe the director's name, contents of the motion, reasons for the required recusal, and participation in the voting process: No such incident.
3. Communication between the independent director and the internal audit manager or independent auditor (shall include material matters, methods, and results of communication on the finances and state of business of Silergy):
   (1) Silergy regularly convenes Audit Committee meetings every quarter. Where necessary, the independent auditor, audit manager, and relevant managers are invited to the meeting.
   (2) The internal audit manager regularly submits audit reports to various independent directors for

perusal. During the quarterly Audit Committee meeting, the manager presents a report on the implementation of internal audits and the operations of the internal control system (ICS) for the quarter. The manager may also convene a meeting where there is a major non-conformity. (3) Silergy convenes Audit Committee meetings regularly every quarter so that the independent auditor of Silergy can communicate and exchange information related to the review or assessment of various quarterly financial statements.

Note: Silergy conducted re-election of its directors during the annual shareholders' meeting on June 2, 2016. A total of 7 directors and 3 independent directors were elected. The newly elected directors assumed their directorship on the day of election. The leaving directors are discharged on the day the new directors are elected.

(3) State of corporate governance, gaps in Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons for the said gaps

Item	State of operations			Gaps in the Corporate Governance Best Practice Principles for TWSE/TPEx- Listed Companies, and the reasons for the said shortcomings
	Yes	No	Summary	
1. Did the company stipulate and disclose best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?		V	Silergy has not stipulated Corporate Governance Best Practice Principles. However, Silergy upholds key principles such as safeguarding the shareholders' rights, enhancing the functions of the Board of Directors, establishing the functions of an independent director, respecting the rights of stakeholders, and improving information transparency based on essential elements for corporate governance best practice principles of listed companies, and followed the following corporate governance rules: Board Meeting Rules, Organization Charter of the Salary and Remuneration Committee, Management Regulations for Handling Major Internal Information and Prevention of Insider Trading, Responsibilities and Rules for independent directors, and Procedures and Implementation Guidelines for Best Practice Principles for Ethical Corporate Management. Key information of Silergy is disclosed according to relevant rules, while financial information is disclosed regularly. The Board of Directors also refers to the responsibilities and authorities granted by the shareholders to guide corporate management strategies and supervise the management of the corporate governance organization.	No major gaps.

Item	State of operations			Gaps in the Corporate Governance Best Practice Principles for TWSE/TPEx- Listed Companies, and the reasons for the said shortcomings
	Yes	No	Summary	
2. Equity structure and shareholders' rights of the company				
(1) Did the company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?	V		(1) Silergy has established a spokesperson system and has appointed a spokesperson and a deputy spokesperson to handle shareholder recommendations, doubts, disputes, and litigations to safeguard the shareholders' rights.	No major gaps.
(2) Did the company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	V		(2) Silergy constantly monitors shareholding conditions of its directors, managerial officers, and major shareholders holding more than ten percent (10%) of the shares.	No major gaps.
(3) Did the company establish and enforce risk control and firewall systems with its affiliated businesses?	V		(3) Silergy has established relevant control measures in its internal control system (ICS) and Regulations for Financial Transactions with Related Parties, Specific Companies, and Groups according to relevant laws.	No major gaps.
(4) Did the company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	V		(4) Silergy has stipulated Regulations for Handling Major Internal Information and Prevention of Insider Trading, prohibiting company insiders from trading securities using information not disclosed to the market.	No major gaps.
3. Composition and responsibilities of the Board of Directors:				
(1) Has a policy of diversity been established and implemented for the composition of the board of directors?	V		(1) In consideration of future business directions, Silergy actively seeks business professionals within the industry as members of its directors, and has created positions for three independent directors currently held by Shun-hsiung Ko, Yong-Song Tsai, and Hung-chi Lee. Shun-hsiung Ko has professional background in financial affairs and accounting. All three independent directors also have household registration in the Republic of China (ROC).	No major gaps.
(2) In addition to salary and remuneration committee and audit committee established according to law, has the company voluntarily established other functional committees?		V	(2) Silergy has established a Salary and Remuneration Committee as well as an Audit Committee in accordance with relevant laws, and will form other functional committees according to actual requirements and legal requirements.	No major gaps.
(3) Did the company stipulate regulations for assessing the	V		(3) Silergy has established Regulations for Evaluating Board of Directors	No major gaps.

<table>
<tr><th rowspan="2">Item</th><th colspan="3">State of operations</th><th rowspan="2">Gaps in the Corporate Governance Best Practice Principles for TWSE/TPEx- Listed Companies, and the reasons for the said shortcomings</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>performance of the board of directors and the process of assessment? Are these performance assessments carried out regularly every year?</td><td></td><td></td><td>Performance, and implements performance evaluations of the Board of Directors at the end of every year. In addition to evaluating the overall operations of the Board of Directors, every director is also required to review their own performance. Evaluations for the entire Board of Directors include the following five dimensions:
1. Level of participation in corporate operations.
2. Improving Board of Directors decision-making.
3. Composition and structure of the Board of Directors.
4. Elections and continuous training of the directors.
5. Internal control.
Self-evaluation of director performance shall comprise at least the six following dimensions:
1. Knowledge of corporate objectives and mission.
2. Knowledge of the director’s responsibilities.
3. Level of participation in corporate operations.
4. Internal relationships and communications.
5. Director of professionalism and continuous training.
6. Internal control.
Results of overall Board of Directors evaluations and self-assessment of Board members in 2016 were reported at the board meeting convened on March 15, 2017. Recommendations were proposed for areas that can be further improved.</td><td></td></tr>
<tr><td>(4) Did the company regularly implement assessments on the independence of CPA?</td><td>V</td><td></td><td>(4) The financial department of Silergy implements a self-evaluation of the independence of independent auditors once every year. Evaluation results in 2016 were reported to the Audit Committee and Board of Directors on March 15, 2017 for their review and approved accordingly. The financial department of Silergy evaluated CPA Ming-yen Chien and Liang-fa Wei of Deloitte & Touche. Both CPAs conform to the standards of</td><td>No major gaps.</td></tr>
</table>

Item	State of operations			Gaps in the Corporate Governance Best Practice Principles for TWSE/TPEx- Listed Companies, and the reasons for the said shortcomings
	Yes	No	Summary	
			independence established by Silergy (Note 1) and are capable of serving as independent auditors of Silergy.	
Note 1: Evaluation standards for the independence of independent auditors(omitted)				
4. Did the listed company appoint an exclusively (or concurrently) responsible unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, and handling, in accordance with relevant laws, matters related to board meetings and shareholders' meetings, business registration and changes to the registration, and for preparing minutes of board meetings and shareholders' meetings)?		V	Silergy has yet to appoint an exclusively (or concurrently) responsible unit or personnel in charge of matters related to corporate governance. However, Silergy upholds key principles such as safeguarding the shareholders' rights, enhancing the functions of the Board of Directors, establishing the functions of an independent director, respecting the rights of stakeholders, and improving information transparency based on essential elements for corporate governance best practices principles of listed companies, and implemented the following corporate governance rules: Board Meeting Rules, Organization Charter of the Salary and Remuneration	No major gaps.

Item	State of operations			Gaps in the Corporate Governance Best Practice Principles for TWSE/TPEx- Listed Companies, and the reasons for the said shortcomings
	Yes	No	Summary	
			Committee, Management Regulations for Handling Major Internal Information and Prevention of Insider Trading, Responsibilities and Rules for independent directors, and Procedures and Implementation Guidelines for Best Practice Principles for Ethical Corporate Management. Key information of Silergy is disclosed in accordance with relevant rules, while financial information is disclosed on a regular basis. The Board of Directors also refers to the responsibilities and authoritygranted by the shareholders to guide corporate management strategies and supervise the management of the corporate governance organization. The personnel or unit will also be in charge of relevant matters as required in the future.	
5. Has the company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established in the company's website? Are major corporate social responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the company?	V		Silergy has appointed responsible personnel exclusively to handle matters related to stakeholders, including financial institutions and other creditors, employees, customers, suppliers, and related parties of corporate interest, and to maintain open communication channels. Silergy has also appointed a spokesperson and a deputy spokesperson as a contact window for communicating with external parties and provide appropriate responses to relevant matters.	No major gaps.
6. Has the company delegated a professional shareholder services agent to handle shareholders' meeting?	V		Silergy has delegated the responsibility of handling matters related to shareholders' meetings.to the shareholders affairs department of Yuanta Securities.	No major gaps.
7. Information disclosure (1) Did the company establish a website to disclose information on financial operations and corporate governance?	V		(1) Silergy has complied with relevant laws to disclose finance-related matters and material information on the Market Observation Post System (MOPS). Silergy has also established a special area for shareholders' interaction on its official Chinese and English website (http://www.silergy.com) to promptly disclose corporate information.	No major gaps.
(2) Did the company adopt other means of information disclosure (such as establishing an English language website, delegating a	V		(2) Silergy has also: appointed personnel in charge of collecting corporate information and disclosure of material events (email: IR@silergy.com); Also,	No major gaps.

Item	State of operations			Gaps in the Corporate Governance Best Practice Principles for TWSE/TPEx- Listed Companies, and the reasons for the said shortcomings
	Yes	No	Summary	
professional to collect and disclose company information, implement a spokesperson system, and disclosing the process of investor conferences on the company website)?			has appointed a spokesperson and deputy spokesperson system according to law; to upload, while holding investors' conference, information related to the conference to the corporate website and the MOPS; and promptly provide material information through MOPS.	
8. Has the company provided important information to enable better understanding of the state of corporate governance (including but not limited to employees' rights, employee care, investor relations, supplier relations, stakeholders' rights, progress of training of directors and supervisors, risk management policy and state of implementing risk impact standards, state of implementing customer policies, and the company's purchase of liability insurance for its directors and supervisors)?	V		(1) Employees' rights: To safeguard the employees' rights, Silergy has established an employees' manual and corporate welfare policy, clearly stating the employees' rights, obligations, and welfare. (2) Employee care: Silergy provides social insurance according to relevant laws of the local government to safeguard employees' interests. Silergy also holds meal gatherings, tours, and other activities every now and then to improve employees' physical and mental well-being. (3) Investor relations, supplier relations, and stakeholder relations: Silergy maintains an open communication channel with its investors, suppliers, and stakeholders to safeguard their legal rights and interests. (4) Supplier relations: Silergy has maintained a positive relationship with its suppliers. (5) Stakeholder relations: Stakeholders can communicate and make recommendations to Silergy to safeguard their legal rights. (6) Director training: directors of Silergy participate in various professional training courses (Note 2). (7) Director recusal onconflict of interest: For restrictions and recusals of directors in conflict of interest, Silergy has stipulated clear rules and incorporated them rules in the Board Meeting Rules. (8) Risk management policy and risk assessment standards, and implementation thereof: Silergy has established internal control systems (ICS) and internal management rules according to relevant laws, and implemented various risk management and assessment	No major gaps.

Item	State of operations			Gaps in the Corporate Governance Best Practice Principles for TWSE/TPEx- Listed Companies, and the reasons for the said shortcomings
	Yes	No	Summary	
			according to relevant systems and rules to reduce and prevent any possible risks. (9) Enforcement of customer-related policies: Departments have been identified tocontact the customer and provide information on relevant channels of appeal. (10) Liability insurance for the directors: Silergy has purchased liability insurance for every director. The status of payment for liability insurance premium for the directors has been reported atthe board meeting held on March 15, 2017.	

Note 2: Director training in Silergy during 2016:

Name	Training date	Organizer	Course title	Training hours
Wei Chen	2016.06.02	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	6
Budong You	2016.06.02	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	6
Kwan-chu Yang	2016.06.02	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	6
Jiun-huei Shih	2016.06.02	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	6
Shun-hsiung Ko	2016.06.02	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	6
Yong-Song Tsai	2016.06.02	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	6
Hung-chi Lee	2016.06.02	Taiwan Corporate Governance Association	Analysis of the practices and case studies of corporate mergers	6

IX. Describe improvements made according to the corporate governance assessment made in the latest fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide priority improvements and measures to be taken for improvements that have yet to be carried out (not required as Silergy is not an assessed company).

(1) Silergy will adopt the electronic voting system for the 2017 annual shareholders' meeting.

(2) The directors of Silergy will complete the training hours as specified in the Directions for the Implementation of Continuing Education for directors and Supervisors of TWSE- Listed and TPEx-Listed Companies for 2017.

(3) The independent directors of Silergy shall complete the training hours as specified in the Directions for the Implementation of Continuing Education for directors and Supervisors of TWSE-Listed and TPEx-Listed Companies.

(4) The Board of Directors of Silergy regularly (at least once a year) evaluates the independence of independent auditors and provides a detailed disclosure on the process of evaluation in its annual report.

(5) Silergy regularly (at least once a year) evaluates the performance of its Board of Directors and discloses its results in its annual report.

(4) Composition, duties, and operations of the Salary and Remuneration Committee of Silergy:

To enhance corporate governance and to establish a comprehensive salary and remuneration system for the directors and managerial officers, Silergy has established a Salary and Remuneration Committee on March 29, 2013, and appointed three independent directors to serve as the members of the first Committee, with the duration of a service term similar to that of a director on the Board of Directors.

1. Information onmembers of the current Salary and Remuneration Committee

March 31, 2017

Identity	Condition / Name	Does the individual have more than five years of professional experience and the following qualifications?			Compliant to the requirements of independence (Note)								Number of salary and remuneration committee memberships concurrently held in other public companies End of this section
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of a company	Currently serving as a judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license.	Has professional experience necessary for business administration, legal affairs, finance, accounting, or business sector of the company.	1	2	3	4	5	6	7	8	
Independent Director	Yong-Song Tsai	-	-	V	V	V	V	V	V	V	V	V	2
Independent Director	Shun-hsiung Ko	-	V	V	V	V	V	V	V	V	V	V	4
Independent Director	Hung-chi Lee	-	-	V	V	V	V	V	V	V	V	V	0

Note: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please provide the [✓] sign in the field next to the corresponding condition(s).

(1) Not employed by the company or an affiliated business.

(2) Not a director or supervisor of the company or an affiliated business. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person’s spouse, minor children, or in the name of others.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship in the three preceding items.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds more than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held.

(6) Not a director (member of the governing board), supervisor (member of the supervising board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the company.

(7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), or managerial officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliated business, or spouse thereof.

(8) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

2. Operations of the Salary and Remuneration Committee

(1) Silergy has a Salary and Remuneration Committee composed of three members.

(2) Service term for members of the current committee: June 2, 2016 to June 1, 2019. In 2016, the Salary and Remuneration Committee convened two meetings. The following outlines the qualifications of the committee members and attendance:

Title	Name	Actual presence	Delegated presence	Rate of actual presence (%)	Remarks (Note)
Committee chair	Yong-Song Tsai	2	0	100	Re-elected on June 2, 2016
Member	Shun-hsiung Ko	2	0	100	Re-elected on June 2, 2016
Member	Ming-tung Kuo	1	0	100	Discharged on June 2, 2016
Member	Hung-chi Lee	1	0	100	Appointed on June 2, 2016
Other items that swill be recorded: 1. If the Board of Directors chooses not to adopt or revise recommendations proposed by the Salary and Remuneration Committee, the date of the board meeting, session, contents discussed, results of meeting resolutions, and the company's disposition of opinions provided by the Salary and Remuneration Committee shall be described in detail: No such incident. 2. Where resolutions of the Salary and Remuneration Committee include dissenting or qualified opinion which is on record or stated in a written statement, the date, session, contents discussed, opinions from every member, and disposition of the members' opinions shall be described in detail: No such incident.					

Note: On June 2, 2016, the Board of Directors of Silergy has appointed independent directors Yong-Song Tsai, Shun-hsiung Ko, and Hung-chi Lee as members of the second Salary and Remuneration Committee. The Committee members shall serve terms that are equal in length to the current Board of Directors. The members of the current Committee also elected independent director Yong-Song Tsai as its convener.

(5) Fulfillment of social responsibilities

Assessed items	State of operations			aps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and root causes
	Yes	No	Summary	
1. Implementation of corporate governance (1) Has the company set out corporate social responsibility (CSR) policies and systems and reviewed the effectiveness of CSR actions?		V	(1) Silergy has established " Ethical Behavior Standards," but has yet to put in place a CSR policy or system. However, to uphold social responsibility, Silergy is involved in non-periodic CSR activities such as environmental protection, social contribution, social service, social charity, consumer rights and interests, human rights, and safety and health.	No major gaps.
(2) Has the company provided regular training on CSR topics?		V	(2) Silergy has yet to implement regular CSR training, and will provide training according to future needs.	No major gaps.
(3) Has the company established an exclusively (or		V	(3) Silergy has yet to establish any exclusively (or concurrently)	No major gaps.

Assessed items	State of operations			aps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and root causes
	Yes	No	Summary	
concurrently) dedicated unit for promoting CSR? Is the unit empowered by the board of directors to implement CSR activities at upper management levels? Does the unit report the progress of such activities to the board of directors?			responsible unit for handling CSR activities. However, employees of Silergy often focus on upholding CSR principles during regular business operations within the scope of their work.	
(4) Has the company established a relevant salary and remuneration policy and combined its employee performance assessment system with CSR policies? Has the company established a clear reward and penalty system?		V	(4) Silergy has established a reasonable salary and remuneration policy and stipulated an Employee Reward and Penalty Management Regulations by complying with relevant laws and referring to salary standards in the industry. In the future, Silergy shall combine employee performance assessment system with CSR policies as required.	No major gaps.
2. Developing a sustainable environment (1) Is the company committed to improving usage efficiency of various resources and utilizing renewable resources with reduced environmental impact?	V		(1) Silergy continues to improve utilization of various resources as well as recycling and re-use of various raw materials.	No major gaps.
(2) Has the company referred to the nature of its industry to establish a suitable environment management system (EMS)?	V		(2) Since its founding, Silergy has appointed exclusively responsible personnel in charge of various environmental protection measures in accordance with relevant laws to protect the environment.	No major gaps.
(3) Is the company concerned with changes to the global climate and how it may affect business activities? Has the company implemented greenhouse gas (GHG) inventory checks and developed strategies for reducing energy consumption, carbon emissions, and greenhouse gas production?	V		(3) Silergy continues to support energy-saving and carbon- reduction policies, promoting turning off of lights when leaving a room and controlling air conditioner temperatures. Silergy also enhances energy saving and carbon-reduction management measures during production processes to meet relevant environmental protection laws.	No major gaps.
3. Sustaining community services (1) Has the company referred to relevant laws and international human rights instruments to develop	V		(1) Silergy refers to relevant labor laws to stipulate HR management rules, employee rules of work, and various management systems to safeguard the	No major gaps.

Assessed items	State of operations			aps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and root causes
	Yes	No	Summary	
relevant management policies and procedures?			employee's legal rights.	
(2) Has the company established employee appeal system and channels, and are employee appeals handled appropriately?	V		(2) Silergy has stipulated the Procedures and Implementation Guidelines for Best Practice Principles for Ethical Corporate Management, Ethical Behavior Standards, Performance Evaluation Management Regulations, Employee Reward and Penalty Management Regulations, and other relevant management regulations, establishing employee appeal systems and channels and to handle the appeals appropriately.	No major gaps.
(3) Has the company provided employees with safe and healthy work environment as well as conducted regular classes on health and safety?	V		(3) Silergy provides employees with a comfortable, safe, and healthy work environment, and arranges regular health checkups to care for their safety and health.	No major gaps.
(4) Has the company established a system to regularly communicate with its employees, and used appropriate means to notify them of operation changes that may result in material impacts?	V		(4) Silergy regularly convenes employee meetings to establish an employees' communication channel and to communicate important business and operational information to all employees.	No major gaps.
(5) Has the company established effective career and competence development and training plans?	V		(5) Silergy provides an excellent career-building environment for the employees and established an effective career and competence development and training program.	No major gaps.
(6) Has the company formulated policies and systems of appeal for consumer rights for research and development, purchase, production, operations, and services?	V		(6) The business departments of Silergy are responsible for handling customer complaints or product returns and to compile relevant issues which were then referred to the quality assurance department or relevant units for redress.	No major gaps.
(7) Is the company compliant with relevant laws and international laws governing the marketing and labeling of its products and services?	V		(7) Product marketing and labeling in Silergy are compliant with relevant laws and international standards.	No major gaps.
(8) Has the company assessed any record of a supplier's impact on the environment and society before engaging in commercial dealings with the said supplier?	V		(8) Silergy assesses various areas, including impacts on the environment and society, of a potential supplier before engaging in commercial dealings with suppliers.	No major gaps.

Assessed items	State of operations			aps in the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and root causes
	Yes	No	Summary	
(9) Do contracts between the company and its major suppliers include terms where the company may terminate or rescind the contract at any time if the said supplier has violated the company's corporate social responsibility policy and have caused significant impact on the environment and society?		V	(9) Contracts between Silergy and its major suppliers have yet to include terms allowing Silergy to terminate or rescind the contract at any time if the said supplier has violated Silergy’s CSR policy or caused significant impact on the environment and society. Contractual terms will be altered as required in the future.	No major gaps.
4. Improvement of information disclosure Does the company disclose relevant and reliable information relating to CSR on its official website or the Market Observation Post System (MOPS)?		V	Silergy discloses information related to corporate operations and other material information on the Market Observation Post System (MOPS) as per relevant laws. Silergy is yet to provide CSR-related information on its official website.	No major gaps.
5. Where the company has stipulated its own Best Practices on CSR according to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies, please describe any gaps between the prescribed best practices and actual activities undertaken by the company: Silergy has yet to formulate a CSR best practice principles or system. However, to uphold social responsibility, Silergy undertakes on-periodic CSR activities such as environmental protection, social contributions, social services, social charity, consumer equity, human rights, and safety and health.				
6. Any important information useful for understanding the state of CSR operations: None.				
7. Any review of standards of CSR certification bodies that the company’s CSR report has been qualified for it to be described: None.				

(6) Compliance with ethical corporate management and measures implemented:

Assessed items	State of operations			Gaps in Ethical Corporate Management Best Practice Principles for TWSE/TPEx- Listed Companies, and the reasons for the shortcomings
	Yes	No	Summary	
1. Formulation of policies and plans for ethical corporate management (1) Has the company clearly indicated policies and activities related to ethical corporate management in its bylaws and external documents, and are the company’s directors and management actively fulfilling their commitment to corporate	V		(1) Silergy has developed Procedures and Guidelines for the Implementation of Ethical Management Best Practice Principles, specifying that when engaging in commercial activities, directors, managers, employees, or persons having	No major gaps.

Assessed items	State of operations			Gaps in Ethical Corporate Management Best Practice Principles for TWSE/TPEx- Listed Companies, and the reasons for the shortcomings
	Yes	No	Summary	
policies?			substantial control of Silergy shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty to acquire or receive benefits.	
(2) Has the company developed a plan to forestall unethical conduct? Has the company clearly prescribed procedures, best practices, and disciplinary and appeal systems for violations in the said plan? Has the plan been implemented accordingly?	V		(2) Silergy has formulated Procedures and Guidelines for the Implementation of Ethical Management Best Practice Principles outlining corporate operations and procedures, guide relevant activities, and establish a whistle-blowing and deterrence system. Silergy also communicates, in a non-periodic manner, the importance of ethical behaviors to its internal employees.	No major gaps.
(3) Has the company put in place preventive measures for the items prescribed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies or business activities with a higher risk of being involved in an unethical conduct in the company's scope of business?	V		(3) Silergy has put in place Procedures and Guidelines for the Implementation of Ethical Management Best Practice Principles to increase measures to prevent the use or receiving of bribes, making illegal political contributions, and other illegal activities in business activities with a higher potential risk for unethical behavior.	No major gaps.
2. Implementing ethical corporate management				
(1) Has the company evaluated ethical records of its counterparty? Does the contract signed by the company and its trading counterparty clearly provide terms on ethical conduct?	V		(1) Silergy personnel avoid commercial dealings with unethical suppliers, customers, or other trading counterparties. Once unethical conduct is identified, Silergy will immediately suspend all dealings and blacklist the said supplier, customer, or other trading counterparties to uphold ethical management practices of Silergy.	No major gaps.
(2) Has the company established an exclusively (or concurrently) dedicated unit for promoting ethical corporate management that answer to the board of		V	(2) Silergy has yet to establish an exclusively (or concurrently) dedicated unit for promoting ethical corporate management principles, and will establish a	No major gaps.

Assessed items	State of operations			Gaps in Ethical Corporate Management Best Practice Principles for TWSE/TPEx- Listed Companies, and the reasons for the shortcomings
	Yes	No	Summary	
directors? Does the said unit regularly report to the board of directors on the state of its activities?			unit as required in the future and report its activities to the Board of Directors accordingly.	
(3) Has the company established policies preventing conflict of interest, provided proper channels of appeal, and enforced these policies and opened channels accordingly?	V		(3) When Silergy personnel discover, during the course of business activities, conflict of interest, the conflict has to be reported to a direct supervisor, who will provide appropriate guidance.	No major gaps.
(4) Has the company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the company's internal audit unit or commissioned to a CPA?	V		(4) The management of Silergy has established an effective accounting system and internal control system (ICS). The internal audit unit audits the state of compliance according to an annual audit plan.	No major gaps.
(5) Does the company regularly organize internal and external training for ethical corporate management?		V	(5) Silergy promotes the principles of ethical corporate management in a non-periodic manner during various meetings. In the future, Silergy will assess the actual need and determine whether to organize regular or periodic training on ethical corporate management.	No major gaps.
3. Status of enforcing whistle-blowing systems in the company (1) Has the company established concrete whistle-blowing and rewarding systems and accessible whistle-blowing channels? Does the company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?	V		(1) Silergy has formulated Procedures and Implementation Guidelines for Best Practice Principles for Ethical Corporate Management, Ethical Behavior Standards, Performance Evaluation Management Regulations, Employee Reward and Penalty Management Regulations, and other relevant management regulations, establishing employee appeal systems and channels, and will appoint suitable and responsible personnel exclusively for the matter brought to light. .	No major gaps.
(2) Has the company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the	V		(2) To encourage employees to report violations, Silergy has referred to relevant regulations to promote employee awareness and the corporation will ensure, to its	No major gaps.

<table>
<tr><th rowspan="2">Assessed items</th><th colspan="3">State of operations</th><th rowspan="2">Gaps in Ethical Corporate Management Best Practice Principles for TWSE/TPEx- Listed Companies, and the reasons for the shortcomings</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>whistle-blower?

(3) Has the company adopted protection against inappropriate disciplinary action for the whistle-blower?</td><td>

V</td><td></td><td>utmost ability, to protect the identity of the whistle-blower and to maintain proper confidentiality.
(3) Silergy shall enforce proper confidentiality and protection to the whistle-blowers to ensure that they do not face inappropriate disciplinary action for their activity.</td><td>

No major gaps.</td></tr>
<tr><td>4. Improvement of information disclosure
(1) Has the company disclosed the content of its best practices on ethical corporate management and the effectiveness of its activities on its official website or Market Observation Post System (MOPS)?</td><td></td><td>
V</td><td>
(1) Silergy has formulated Procedures and Guidelines for the Implementation of Ethical Management Best Practice Principles, and will disclose the content as well as the outcome of implementing such principles on its official website and on MOPS.</td><td>
No major gaps.</td></tr>
<tr><td colspan="5">5. Where the company has formulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies, please describe any gaps between the prescribed best practices and actual action taken by the company: Silergy has currently formulated the Procedures and Guidelines for the Implementation of Ethical Management Best Practice Principles and upholds the principles of social responsibility in accordance with the principles of sustainable business management, and create a positive management system and risk control system. When engaging in business activities, personnel of Silergy are required to uphold the principles of fairness, integrity, trust, and transparency to uphold ethical corporate management principles, and actively prevent unethical conduct.</td></tr>
<tr><td colspan="5">6. Any important information useful for understanding the state of ethical corporate management: None.</td></tr>
</table>

(7) Means for reviewing corporate governance best practice principles and relevant regulations: Silergy has yet to formulate corporate governance best practice principles or relevant regulations. Silergy has, however, formulated Regulations for Shareholders' Meetings, Regulations for Electing directors and independent directors, and Organization Charter for the Audit Committee, and refers to corporate governance principles to operate and enforce specifications related to corporate governance. Silergy will revise relevant management regulations, enforce information transparency, and enhance the functions of the Board of Directors to promote corporate governance.

(8) Other important information to achieve better understanding on the state of level of corporate governance activities: None.

(9) Implementation of the internal control system

1. Statement on Internal Control System

Silergy Corp.

Statement of Internal Control System

Date: March 15, 2017

Silergy makes the following statement according to self-evaluation of its internal control system of 2016:

1. Silergy fully understands that the establishment, implementation, and maintenance of internal control system (ICS) are the responsibilities of Silergy's Board of Directors and managerial officers, and have established the said system accordingly. The objectives of ICS include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety), ensuring reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.
2. All ICS are bound by natural limitations and regardless of the robustness of designs, effective ICS can only provide reasonable assurance for the three objectives listed above. Efficacy of the ICS will also change with the changing environment or context. However, Silergy's internal control system has self-monitoring systems. Silergy shall also initiate corrective actions for any verified defects.
3. Silergy will refer to the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "ICS Regulations") to identify assessment items for determining the effectiveness of ICS as well as the performance of design and implementation of the system. The ICS is divided into five key components according to the process of management control to generate ICS assessment items used by the ICS Regulations, namely: (1) Control environment; (2) risk assessment; (3) control activities; (4) information and communication, and; (5). monitoring activities. Each key component also includes a number of sub-items. For the aforementioned items, please refer to the provisions in the ICS Regulations.
4. Silergy has already adopted the aforementioned ICS assessment items to evaluate the effectiveness of ICS design and implementation.
5. Silergy has referred to the results of the aforementioned assessments and determined that its ICS (including monitoring and management of its subsidiaries), including Silergy's understanding of the level of effectiveness and efficiency of business operations achieved, the reliability, timeliness, transparency, and regulatory compliance of reporting, compliance with applicable laws, regulations, and bylaws, is effectively designed and implemented and is capable of reasonably ensuring the implementation of the aforementioned objectives.
6. For public announcements and declarations required of a listed company, Silergy has referred to Article 28 of the ICS Regulations and commissioned an independent auditor to review an ICS related to the reliability of the external financial reports for the aforementioned periods and protection of assets security (ensuring that the asset is not acquired, used, or disposed of without authorization). As described in the previous paragraphs, the design and implementation of the ICS are considered effective, and there is no major defect related to the records, disposition, compilation, and report reliability of financial information, nor any major defect for the protection of asset security concerning unauthorized acquisition, use, or disposition of the asset.
7. This Statement shall be a major content of Silergy's annual report and prospectus, and shall be publicly disclosed. Where any of the disclosed content contains misrepresentation, nondisclosures, or other illegal acts, Silergy shall be subject to legal responsibilities provided in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
8. We hereby declare that this Statement has been approved by the Board of Directors on March 15, 2017. Amongst the seven (7) directors present at the meeting, none had dissenting views, and all have all agreed with the content of this Statement.

Silergy Corp.

Chairperson of the Board: Wei Chen WEI CHEN

General Manager: Wei Chen WEI CHEN

2. Independent Auditor's Audit Report:

Internal Control System Audit Report

Attached is a statement of the internal control system (ICS), related to financial reporting and safeguarding of asset security as determined by Silergy Corp. on March 15, 2017, declaring that the ICS was effectively designed and implemented from January 1 to December 31, 2016. The statement has been audited by this independent auditor. Corporate management is responsible for maintaining an effective ICS and evaluating its effectiveness. The responsibility of this independent auditor is to express, according to the outcomes of the review, an opinion on the effectiveness of the ICS and the Statement of Internal Control System made by the aforementioned company.

This independent auditor refers to the Regulations Governing the Establishment of Internal Control Systems by Public Companies and generally accepted accounting principles (GAAP) to plan and implement the audit to arrive at a reasonable assurance that the aforementioned ICS of the company is capable of maintaining effectiveness in various material aspects. This audit comprises understanding the ICS, evaluating the process by which the management evaluates the effectiveness of the entire ICS, testing and evaluating the effectiveness of the design and implementation of the ICS, and any other audit procedures that this independent auditor regards as necessary. This independent auditor believes that an opinion expressed for this audit can provide a reasonable basis.

Any ICS will be subject to inherent limitations. The aforementioned ICS of Silergy Corp. may still be unable to prevent or detect any error or malpractice that has already occurred. Additionally, given future changes in the environment, compliance to the ICS may further decrease. An ICS deemed effective for the current period may not maintain its effectiveness in the future.

The opinion of this independent auditor, made according to the items for determining the effectiveness of the ICS specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies, states that the ICS related to financial reporting and safeguarding of asset security of Silergy Corp., designed and implemented from January 1 to December 31, 2016, was effective in all material aspects. The statement of the ICS, related to financial reporting and safeguarding of asset security as determined by Silergy Corp. on March 15, 2017, declaring that the ICS is effectively designed and implemented is presented fairly in all material aspects.

Deloitte & Touche

CPA Ming-Yen Chien

CPA Liang-Fa Wei

March 15, 2017

(10) Any legal penalty levied on Silergy and its personnel, or any penalty, major defects, and state of improvements enacted by Silergy on its personnel for violating the rules of the ICS during the most recent year up to the publication date of this report: None.

(11) Major resolutions of the Board of Shareholders and Board of Directors in the most recent year up to the publication date of this report

1、Major resolutions of the Board of Shareholders and state of implementation in 2016

* Election of the second Board of Directors
  Resolution and state of implementation: Elected directors: WEI CHEN, BUDONG YOU, Jiun-huei Shih, and Kwan-chu Yang; elected independent directors: Shun-hsiung Ko, Yong-Song Tsai, and Hung-chi Lee. Newly appointed directors assumed their positions on June 2, 2016.
* 2015 business report and consolidated financial report
  Resolution and state of implementation: Approved by resolution.
* 2015 surplus distribution
  Resolution and state of implementation: Approved by resolution to issue cash dividends of NTD 156,510,078 for common shares on August 26, 2016.
* Revision of the Articles of Incorporation
  Resolution and state of implementation: Approved by resolution. The Articles are disclosed on Silergy's official website and enforced according to the revised procedures.
* Issuance of new restricted employee shares
  Resolution and state of implementation: Approved by resolution, and entered into force on July 12, 2016, in accordance with the Financial Supervisory Commission Official Letter Jin-Guan-Zheng-Fa-Zi No. 10500262761. The shares may be distributed in one instalment or in several within a period of one year starting from the date of receipt of the notice informing formal activation of the declaration.

2、 Major board meeting resolutions

Meeting Date	Major resolution
March 15, 2017	(1) Implementation of activities related to employee stock option certificates and issuance of new shares for overseas convertible corporate bonds (2) Consolidated financial report of 2016 (3) Business report of 2016 (4) Employee and director remuneration of 2016 (5) Surplus distribution of 2016 (6) Silergy corporate budget for 2017 (7) Statement of Internal Control System of 2016 (8) Revision of the Articles of Incorporation (9) Revision of the Procedure for the Acquisition and Disposal of Assets (10) Issuance of employee stock option certificates (11) Issuance of new restricted employee shares (12) Formulating of agenda related to the convening of the annual

Meeting Date	Major resolution
	shareholders' meeting of 2017 (13) Evaluating the independence and suitability of the independent auditors in 2016 (14) Replacement of the independent auditors (15) Professional charges of independent auditors of 2017 (16) Commissioning an independent auditor to audit the Internal Control System of 2017 (17) Purchasing the operational assets of Energy Pass Incorporation by the subsidiary company Integrated Crystal Technology (18) Silergy providing additional capital to Silergy Semiconductor (SAMOA) Limited (19) Subsidiary Silergy Semiconductor (SAMOA) Limited providing capital increase to Integrated Crystal Technology Inc. (20) Silergy investing in convertible bonds of Vango Technologies, Inc. (21) Adjustments to managerial officer bonus for 2016 and managerial officer salary for 2017 (22) List of employees receiving the third issuance of restricted employee equities for 2016 (23) List of employees receiving the second issuance of employee stock option certificates
November 14, 2016	(1) Implementation of activities related to employee stock option certificates and issuance of new shares for overseas convertible corporate bonds (2) Preparing the 2017 annual audit plan of Silergy (3) Formulating the Accountant Evaluation and Performance Evaluation Regulations and Board of Directors Performance Evaluation Regulations of Silergy. (4) Subsidiary Silergy Semiconductor (SAMOA) Limited providing additional capital to Integrated Crystal Technology Inc. (5) Appointment of managerial officers (6) List of employees receiving the second issuance of new restricted employee equities for 2016 (7) List of employees receiving the first issuance of employee stock option certificates for 2016
August 11, 2016	(1) Amending regulations for issuing employee stock option certificates for 2016 (2) List of employees receiving the first issuance of restricted employee equities for 2016 (3) Motion for using asset pricing method to provide capital increase to subsidiary Silergy Technology
July 5, 2016	Silergy's proposal to implement the first overseas distribution of unsecured convertible corporate bonds, and relevant documents to be generated and signed for issuance
June 2, 2016	(1) Election of the Chairperson of the Board (2) Appointing the committee members for the second Salary and Remuneration Committee of Silergy (3) Evaluating the professional auditing charge and independence of the independent auditor (4) Setting of the dividend record date for the distribution of cash dividend (5) Establishment of a subsidiary in India by the subsidiary Silergy Semiconductor Samoa Limited

Meeting Date	Major resolution
May 13, 2016	Investment by Silergy Semiconductor Technology (Hangzhou) to establish Shanghai Pengxi Semiconductor Technology
April 18, 2016	(1) Capital increase for Xian Silergy Semiconductor Technology (2) Establish bank credit extensions and authorizing the Chairperson of the Board to act on behalf of Silergy in matters related to various credit extensions (3) Review the candidates of independent directors for the 2016 annual shareholders' meeting and shareholders' motions
March 11, 2016	(1) Statement of Internal Control System of 2015 (2) Business report of 2015 (3) Consolidated financial report of 2015 (4) Surplus distribution of 2015 (5) Revision of the Articles of Incorporation (6) Re-election of directors (7) Lifting of non-competition restrictions for the directors (8) Issuance of employee stock option certificates (9) Issuance of new restricted employee shares (10) Formulating agenda for the convening of the annual shareholders' meeting of 2016 (11) Nominate candidates for the independent directors of the second Board of Directors (12) Commissioning an independent auditor to audit the Internal Control System of 2016 (13) Silergy proposal to implement the first overseas of unsecured convertible corporate bonds (14) List of employees receiving the fourth issuance of restricted employee equities for 2015 (15) List of employees receiving the fourth issuance of employee stock option certificates for 2015 (16) Adjustment to director remuneration and managerial officer bonuses for 2015 and managerial officer salary for 2016 (17) Recognizing the investment by subsidiary Silergy Technology on Gazelle Semiconductor INC.
January 15, 2016	(1) Proposal for Silergy to acquire the LED Lighting product series from NXP Semiconductors through asset acquisition (2) Silergy proposal to sign a syndicated credit extension contract of USD 125,000,000 with a syndicated credit extending bank group with Yuanta Financial Holding Co., Ltd as the management bank. (3) List of employees receiving the third issuance of restricted employee equities for 2015 (4) List of employees receiving the third issuance of employee stock option certificates for 2015

(12) Major content of any dissenting opinions on entry or stated in a written statement made by directors or Supervisors regarding key resolutions of board meetings during the past fiscal year up to the publication date of this report: None.

(13) Any resignation or dismissal of company personnel related to the financial report in the most recent fiscal year up to the publication date of this report: None.

5. Information on the professional charge of the independent auditor

(1) Information on the professional charge

Name of the accounting firm	Name of the CPA		Audit period	Notes
Deloitte & Touche	Ming-Yen Chien	Liang-Fa Wei	January 1 to December 31, 2016	

Unit: Thousand NTD

Fee range \ Professional charge		Accounting charge	Non-accounting charge	Total
1	Less than NTD 2,000,000			
2	NTD 2,000,000 (inclusive) to NTD 4,000,000			
3	NTD 4,000,000 (inclusive) to NTD 6,000,000			
4	NTD 6,000,000 (inclusive) to NTD 8,000,000	V	V	
5	NTD 8,000,000 (inclusive) to NTD 10,000,000			
6	More than NTD 10,000,000 (inclusive)			V

(1) Non-accounting service payments to independent auditor, accounting firm and affiliated businesses of the independent auditor, professional charges that exceed one-quarter (1/4) of the accounting expenses: In 2016, for the issuance of convertible corporate bonds at the Singapore Exchange (SGX), Deloitte & Touche was paid relevant professional charges for the agreed-upon procedures.

(2) Where accounting firm was replaced and the accounting fee paid for the year was less than that of the previous year: None.

(3) Where professional charge for accounting paid for the year was more than fifteen percent (15%) less than that of the previous year: Not applicable.

6.Replacement of Accountants:

(1) Information on the previous independent auditor

<table>
<tr><td>Date of replacement</td><td colspan="5">March 15, 2017</td></tr>
<tr><td>Cause and details of the replacement</td><td colspan="5">Internal change of the accounting firm. CPA Ming-Yen Chien and CPA Liang-Fa Wei were replaced by CPA Ming-Yen Chien and CPA Cheng-Chun Chiu.</td></tr>
<tr><td rowspan="3">Any details for the termination or rejection of the commissioner or CPA</td><td colspan="3">Situation Party</td><td>CPA</td><td>Commissioner</td></tr>
<tr><td colspan="3">Active termination of the commission</td><td></td><td></td></tr>
<tr><td colspan="3">Rejection of (continuing) commission</td><td>V</td><td></td></tr>
<tr><td>Opinion and reasons for audit report issued during the two past fiscal years containing an observation other than unqualified ones</td><td colspan="5">Not applicable</td></tr>
<tr><td rowspan="6">Any disagreement with the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="3">Generally accepted accounting principles (GAAP) or activities</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="3">Scope or procedure of audits</td></tr>
<tr><td></td><td colspan="3">Other</td></tr>
<tr><td>None</td><td>V</td><td colspan="3"></td></tr>
<tr><td colspan="5">Description</td></tr>
<tr><td>Other items to be disclosed (items that shall be disclosed as prescribed by Article 10 Subparagraph 6 Item 1-4 to 1-7 of these standards)</td><td colspan="5">Not applicable</td></tr>
</table>

(2) About the successor independent auditor

Name of the accounting firm	Deloitte & Touche
Name of the independent auditor	CPA Ming Yen Chien and CPA Cheng-Chun Chiu
Date of commissioning	March 15, 2017
Accounting treatment or accounting principle for specific transactions as well as consultation items and results on audit assessment on the financial report prior to formal engagement	Not applicable
Written views on disagreements between the successor and former independent auditors	Not applicable

(3) Response of the former independent auditors regarding Article 10, Subparagraph 6, Items 1 and 2-3 of these standards: Not applicable.

7. Company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters who has, during the past year, held a position at the accounting firm of its independent auditor or at an affiliated enterprise: None.

8. Equity transfer or changes to equity pledge of directors or managerial officers holding more than ten percent (10%) of company shares during the year prior to the publication date of this report:

(1) Changes to the equity of directors, supervisors, managerial officers, and major shareholders

Unit: Thousand shares

Title	Name	2016		up to March 31, 2017	
		Additional (reduction) shares held	Additional (reduction) shares pledged	Additional (reduction) shares held	Additional (reduction) shares pledged
Chairperson and General Manager	Wei Chen	327	700	-	-
Director and CTO	Budong You	(117)	-	91	-
Director	Kwan-chu Yang	-	-	-	-
Director	Jiun-huei Shih			-	-
Independent director	Shun-hsiung Ko	-	-	-	-
Independent director	Yong-Song Tsai	-	-	-	-
Independent director	Hung-chi Lee	-	-	-	-
Vice President of Engineering	Michael Grimm	(270)	-	(360)	-
Executive Design Director	Jaime Tseng	35	-	38	-
Senior Business Deputy Manager	Chih-chung Lu	-	-	-	-
Chief Financial Officer	Kuan-cheng Pan	(22)	-	(49)	-

(2) Where the counterparty of equity transfer is a related party: None.

(3) Where the counterparty of equity pledge is a related party: None.

9. Relationship information, if among the ten (10) largest shareholders any one is a related party

April 4, 2017. Unit: Thousand shares; %

NAME	SHARES HELD BY THE PERSON		SHARES HELD BY SPOUSE OR MINOR CHILDREN		SHARES HELD IN THE NAME OF OTHER PERSONS		TITLE OR NAME AND RELATIONSHIPS OF THE 10 LARGEST SHAREHOLDERS WHERE THEY ARE RELATED PARTIES, SPOUSES, OR RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP.		NOTES
	NUMBER OF SHARES	PERCENTAGE OF SHARES	NUMBER OF SHARES	PERCENTAGE OF SHARES	NUMBER OF SHARES	PERCENTAGE OF SHARES	TITLE (OR NAME)	RELATIONS	
Wei Chen	7,059	8.21	-	-	-	-	-	-	-
Shanghai Walden Venture Capital Enterprise Representative: LIP-BU TAN	4,562	5.31	-	-	-	-	-	-	-
Magical Square Limited Representative: Wei Chen	3,781	4.40	-	-	-	-	-	-	-
Budong You	3,761	4.37	-	-	-	-	-	-	-
Citibank Trust of the Government of Singapore - GOS-EFM C	2,610	3.04	-	-	-	-	-	-	-
Jaime Tseng	2,219	2.58	-	-	-	-	-	-	-
Wellington Trust National Association Emerging Market Portfolio entrusted to HSBC Bank	1,930	2.24	-	-	-	-	-	-	-
Michael Grimm	1,799	2.09	-	-	-	-	-	-	-
Win-Light Global Co. Representative: Shuangquan Xu	1,721	2.00	-	-	-	-	-	-	-
Fubon Life Insurance Representative: Ming-hsing Tsai	1,500	1.74	-	-	-	-	-	-	-

10. Shareholding in other companies by the company, managerial officer, company's director, supervisor, managerial officer, or an entity directly or indirectly controlled by the company

December 31, 2016. Unit: Thousand shares; %

Other companies in which Silergy has invested (Note)	Investments by Silergy		Investments by the directors, Supervisors, managerial officers, and companies directly or indirectly controlled by Silergy		Total investments	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Hefei SMAT Technology Co., Ltd.	-	38.64%	-	-	-	38.64%

Note: Long-term investments made by Silergy using the equity method.

IV. Financing

1. Capital and shares

(1) Source of shares

Units: Thousand shares; NTD

Year and month	Price at issuance	Authorized stock		Paid-in capital		Notes		
		Number of shares	Sum	Number of shares	Source US$	Source of shares	Equity contribution made in the form of assets other than cash	Par value per share
2008.02	US$1	25,000	5,000	0.1	0.02	Capital stock at establishment	-	US$0.0002
2008.06	US$0.0003	25,000	5,000	7,722	1,544.40	Cash capital increase	-	US$0.0002
2008.12	US$0.0003	25,000	5,000	7,924	1,584.80	Cash capital increase	-	US$0.0002
2009.04	US$0.0003	25,000	5,000	8,109	1,621.80	Cash capital increase	-	US$0.0002
2009.11	US$0.0003	25,000	5,000	8,149	1,629.80	Cash capital increase	-	US$0.0002
2010.03	US$0.05	25,000	5,000	8,357	1,671.47	Exercising of employee stock options	-	US$0.0002
2011.02	US$0.05	50,000	10,000	8,421	1,684.30	Exercising of employee stock options	-	US$0.0002
2011.03	US$0.0003	50,000	10,000	8,428	1,685.63	Exercising of employee stock options	-	US$0.0002
2011.03	US$0.0003	50,000	10,000	10,360	2,072.00	Cash capital increase	-	US$0.0002
2011.12	US$0.4	50,000	10,000	10,380	2,076.00	Exercising of employee stock options	-	US$0.0002
2012.03	US$0	50,000	10,000	13,763	2,752.60	Exercising of employee stock options	-	US$0.0002
2012.03	US$0.23	50,000	10,000	13,770	2,754.10	Exercising of employee stock options	-	US$0.0002
2012.07	US$0.4	50,000	10,000	13,830	2,766.10	Exercising of employee stock options	-	US$0.0002
2012.10	US$2.2	50,000	10,000	14,785	2,957.00	Cash capital increase	-	US$0.0002
Restricted stock								
2008.06	US$0.0003	25,000	5,000	300	60	Cash capital increase	-	US$0.0002
Class A convertible preferred stock								
2008.05	US$0.5	15,000	45,000	9,900	29,700.00	Issuance of Class A convertible preferred stock	-	US$0.003
Class B convertible preferred stock								
2010.03	US$1.5	30,000	90,000	3,864	11,591.00	Issuance of Class B convertible preferred stock	-	US$0.003
Class C convertible preferred stock								
2011.12	US$2.2	30,000	90,000	6,818	20,454.55	Issuance of Class C convertible preferred stock	-	US$0.003

Convert par value to NT$10								
Year and month	Par value per share	Authorized stock		Paid-in capital		Notes		
		Shares	Sum	Shares	Sum	Source of shares	Equity contribution made in the form of assets other than cash	Par value per share
2012.12	NT$10	100,000	1,000,000,000	54,000	540,000,000	-	-	NT$10
2013.03	NT$10	100,000	1,000,000,000	54,363	543,633,600	Cash capital increase	-	NT$10
2013.04	NT$10	100,000	1,000,000,000	54,901	549,007,970	Cash capital increase	-	NT$10
2013.05	NT$10	100,000	1,000,000,000	55,007	550,067,770	Exercising of employee stock options	-	NT$10
2013.05	NT$10	100,000	1,000,000,000	55,060	550,597,670	Exercising of employee stock options	-	NT$10
2013.10	NT$10	100,000	1,000,000,000	55,599	555,992,570	Exercising of employee stock options	-	NT$10
2013.12	NT$10	100,000	1,000,000,000	63,040	630,402,570	Listed underwriting of cash capital increase	-	NT$10
2014.07	NT$10	200,000	2,000,000,000	63,563	635,634,440	Exercising of employee stock options	-	NT$10
2014.07	NT$10	200,000	2,000,000,000	76,171	761,714,950	Recapitalization of retained earnings	-	NT$10
2014.11	NT$10	200,000	2,000,000,000	76,763	767,629,950	Issuance of new restricted employee shares	-	NT$10
2014.12	NT$10	200,000	2,000,000,000	77,271	772,714,950	Issuance of new restricted employee shares	-	NT$10
2014.12	NT$10	200,000	2,000,000,000	77,395	773,950,370	Exercising of employee stock options	-	NT$10
2015.03	NT$10	200,000	2,000,000,000	77,622	776,217,620	Exercising of employee stock options	-	NT$10
2015.04	NT$10	200,000	2,000,000,000	77,828	778,284,880	Exercising of employee stock options	-	NT$10
2015.07	NT$10	200,000	2,000,000,000	77,987	779,870,580	Exercising of employee stock options	-	NT$10
2015.08	NT$10	200,000	2,000,000,000	78,130	781,302,080	Issuance of new restricted employee shares	-	NT$10
2015.11	NT$10	200,000	2,000,000,000	78,175	781,752,080	Issuance of new restricted employee shares	-	NT$10
2015.12	NT$10	200,000	2,000,000,000	78,221	782,205,670	Exercising of employee stock options	-	NT$10
2016.02	NT$10	200,000	2,000,000,000	78,277	782,768,120	Exercising of employee stock options	-	NT$10
2016.03	NT$10	200,000	2,000,000,000	78,301	783,013,060	Exercising of employee stock options	-	NT$10
2016.04	NT$10	200,000	2,000,000,000	78,363	783,631,560	Issuance of new restricted employee shares	-	NT$10

2016.06	NT$10	200,000	2,000,000,000	78,399	783,994,420	Exercising of employee stock options	-	NT$10
Convert par value to NT$10								
Year and month	Par value per share	Authorized stock		Paid-in capital		Notes		
		Shares	Sum	Shares	Sum	Source of shares	Equity contributions made in the form of assets other than cash	Par value per share
2016.08	NT$10	200,000	2,000,000,000	78,569	785,693,920	Issuance of new restricted employee shares	-	NT$10
2016.09	NT$10	200,000	2,000,000,000	78,897	788,967,020	Exercising of employee stock options	-	NT$10
2016.09	NT$10	200,000	2,000,000,000	81,256	812,557,610	ECB conversion	-	NT$10
2016.12	NT$10	200,000	2,000,000,000	83,897	838,972,860	ECB conversion	-	NT$10
2016.12	NT$10	200,000	2,000,000,000	83,941	839,413,570	Exercising of employee stock options	-	NT$10
2016.12	NT$10	200,000	2,000,000,000	84,023	840,231,570	Issuance of new restricted employee shares	-	NT$10
2017.01	NT$10	200,000	2,000,000,000	84,161	841,605,160	Exercising of employee stock options	-	NT$10
2017.03	NT$10	200,000	2,000,000,000	85,985	859,851,600	ECB conversion	-	NT$10

Note 1: Silergy has 9,900,000 Class A preferred shares; 3,863,666 Class B preferred shares; and 6,818,182 Class C preferred shares. All of these preferred shares have been converted to common shares on August 1, 2012. One preferred share is converted to one common share.

Note 2: The shareholders' meeting of Silergy, held on December 30, 2012, resolved to convert the par-value share of US$0.0002 to NT$10, repossessing a total of 35,666,872 shares that were already issued, while issuing another 54,000,000 shares at a price of NT$10. The shareholding proportion of the existing shareholders remains the same even after this change.

March 31, 2017, Unit: Shares

Type of Shares	Authorized stock			Notes
	Outstanding shares	Unissued shares	Total	
Registered common shares	85,985,160	114,014,840	200,000,000	-

Information on the shelf registration system: Not applicable.

(2) Shareholder structure

April 4, 2017; Unit: Shares; %

Shareholder structure QTY	Government agencies	Financial institutions	Other juristic person	Personal	Overseas institutions and individuals	Mainland Chinese investment	Total
Persons	3	75	16	504	357	7	962
Number of shares held	1,101,000	7,705,623	322,226	5,343,743	57,754,756	13,757,812	85,985,160
Shareholding percentage	1.28	8.97	0.37	6.21	67.17	16	100

(3) Dispersion of equity ownership

April 4, 2017; Unit: Shares; %

Shareholding range	Number of shareholders	Number of shares held	Shareholding percentage
1 to 999	161	28,809	0.03
1,000 to 5,000	358	631,025	0.73
5,001 to 10,000	68	507,554	0.59
10,001 to 15,000	50	630,146	0.73
15,001 to 20,000	18	330,255	0.38
20,001 to 30,000	42	1,038,515	1.21
30,001 to 50,000	49	1,991,144	2.30
50,001 to 100,000	75	5,348,602	6.22
100,001 to 200,000	40	5,495,825	6.39
200,001 to 400,000	58	16,078,774	18.70
400,001 to 600,000	16	7,780,659	9.06
600,001 to 800,000	9	6,356,381	7.39
800,001 to 1,000,000	3	2,700,619	3.14
1,000,001 or more	15	37,066,852	43.13

Note: Silergy has not issued preferred shares

(4) List of major shareholders

April 4, 2017. Unit: Thousand shares; %

Shares Name of major shareholder	Number of shares held	Shareholding percentage
Wei Chen	7,059	8.21
Shanghai Walden Venture Capital Enterprise	4,562	5.31
Magical Square Limited	3,781	4.40
Budong You	3,761	4.37
Citibank Trust of the Government of Singapore - GOS-EFM C	2,610	3.04
Jaime Tseng	2,219	2.58
Wellington Trust National Association Emerging Market Portfolio entrusted to HSBC Bank	1,930	2.24
Michael Grimm	1,799	2.09
Win-Light Global Co.	1,721	2.00
Fubon Life Insurance	1,500	1.74

(5) Prices, net-asset value per share (NAVPS), earnings per share (EPS), and dividend per share (DPS), and related information over the past two years.

Unit: NTD; Thousand shares

Item			2015	2016	2017 till March 31
Market rate per share	Highest		405.00	528.00	600.00
	Lowest		214.00	327.00	452.00
	Average (Note 1)		303.32	427.69	523.10
Net value per share	Before allotment		58.91	97.53	(Note 3)
	After allotment		56.91	(Note 2)	-
Earnings per share (EPS)	Weighted average		76,720	78,514	(Note 3)
	Earnings per share (EPS)	Before retrospective application	15.66	18.72	(Note 3)
		After retrospective application	15.66	(Note 2)	-
Dividend per share (DPS)	Cash dividend		2.0136	(Note 2)	-
	Free allotment	Surplus allotment	-	-	-
		Capital reserve allotment	-	-	-
	Cumulative unpaid dividends		-	(Note 2)	-
Return on investment (ROI) analysis	Price-to-earnings (P/E) (Note 4)		19.37	22.85	(Note 3)
	Price-to-dividend ratio (P/D) (Note 5)		150.64	(Note 2)	-
	Cash dividend yield (Note 6)		0.66	(Note 2)	-

Note 1: Average market price = Total transaction value/Total transaction volume of the year

Note 2: The Silergy board meeting convened on March 15, 2017, passed a resolution to declare a cash dividend of NT$5 per share to shareholders. The resolution is yet to be approved by the annual shareholders' meeting.

Note 3: Up to the publication date of this document, no information has been attested or approved by an independent auditor.

Note 4: Price-to-earnings (P/E) = Average market price per share/Earnings per share (before retrospective application) for the year

Note 5: Price-to-dividend (P/D) = Average market price per share/Cash dividend per share for the year.

Note 3: Cash dividend yield = Cash dividend per share/Average market price per share for the year.

(6) Dividend policy of the company and its implementation

1、Dividend distribution policy stipulated in Article 129 of the Articles of Incorporation of Silergy

Silergy is currently in growth phase. The Company has requirements for capital expenditure, expansion of business operations, establish robust financial planning systems, and seek sustainable development. The dividend distribution policy of Silergy will be arrived at based on future capital expenditure, budget, and its own requirements;

share dividend will be distributed to the stockholders of Silergy in the form of cash and/or shares in place of cash dividend.

In addition to laws governing listed companies, if Silergy had earned net income before tax for the year, it will have to set aside from thenet income before tax: (1) a maximum of twenty percent (20%) and a minimum of eight percent (8%) as the compensation to employees (including employees of Silergy and/or affiliated businesses) (hereinafter referred to as “employees’ compensation”); and (2) a maximum of two percent (2%) as the directors’ remuneration (hereinafter referred to as “directors’ remuneration”). Regardless of the aforementioned provisions, if Silergy has any accumulated losses from previous years, it must set aside an equivalent amount to make up for the said losses before allocation to employees and the directors. In addition to the laws of the British Cayman Islands, laws governing listed companies, and provisions of Article 139, the employees’ compensation and directors’ remuneration may be distributed in cash and/or shares after a motion thereof is approved by more than half of directors at a board meeting attended by at least two-thirds of the entire body of directors. For the board meeting resolution on the employees’ compensation and the directors’ remuneration, said resolution shall, after being voted for in the board meeting. After the approval at the board meeting, it has to be reported to the shareholders during the shareholders’ meeting.

For shares of Silergy already registered as an emerging stock or during listing on the Taipei Exchange (TPEx) or Taiwan Stock Exchange (TWSE), in addition to provisions of the Company Act and laws governing listed companies, the Board of Directors shall, when Silergy has a surplus in the final annual settlement, distribute it using the following method and sequence to propose a surplus distribution plan, and submit the plan to the shareholders’ meeting for approval:

(a) Set aside a sum to make payments as required by law;

(b) Make provision for accumulated losses from previous years (if losses exist);

(c) Set aside ten percent (10%) in accordance with laws governing listed companies as the legal reserve, but where the legal reserve is the same as the paid-in capital of Silergy, this restriction shall not apply;

(d) Set aside a special reserve in accordance with laws governing listed companies or requirements of a competent authority; and

(f) Add thebalance of surplus of the year after deducting amounts for items (a) to (d) to the balance fromthe undistributed earnings from the previous fiscal period to obtain the surplus available for distribution. The Board of Directors may propose a motion for a dividend payout plan using the surplus available for distribution, and submit the motion at the shareholders’ meeting for approval according to laws governing listed companies. The dividend shall be paid once the shareholders vote for the motion. The dividend payout may be in the form of cash dividends and/or share dividend. The sum of the dividend payout shall, without violating the statutory regulations of the British Cayman Islands, be at least ten percent (10%) of the balance of the annual surplus less the amounts in items (a) to (d), and the cash dividend may not be less than ten percent (10%) of the total dividend of the shareholders.

2、Dividend distribution proposed (or resolved) for this year

The Silergy board meeting convened on March 15, 2017, passed a motion for the distribution of 2016 surplus, and proposes to issue a cash dividend of NT$420,115,785 in cash to the shareholders (amounting to NT$5 per share). The motion will be submitted to the annual shareholders' meeting for approval.

3、Major changes expected in the dividend policy: None

(7) The impact on the company's business performance and earnings per share (EPS) for allotment of free shares proposed at the shareholder's meeting: None.

(8) Compensation for employees, directors, and supervisors

1、Quantity or scope of compensation for employees, directors, and supervisors as prescribed under the articles of association

Please refer to the dividend distribution policy stipulated by Article 129 of the Articles of Incorporation. Silergy has not appointeda supervisor.

2、Accounting treatment for the basis of estimating the amount of the employees' compensation and director's remuneration for this fiscal period, the basis of calculating the number of shares to be distributed as employees' compensation, and for any discrepancy between the actual amount distributed and the estimated figures.

The employers' and directors' remuneration for Silergy is calculated as per the figures stipulated by the Articles of Incorporation of Silergy, and is estimated every year as per this principle. If there are any changes in the amounts after approval of the annual consolidated financial report, they will be treated accordingly and recorded inthe accounts of the next fiscal year.

3、Status of compensation distribution as approved by the Board of Directors

(1) After approval from the Silergy board meeting convened on March 15, 2017, employees' compensation of NT$143,259,916 and directors' remuneration of NT$3,600,000 were disbursed in cash.

(2) Sum of employees' compensation provided in distributed shares and its proportion of the net income after tax (NIAT) provided in the individual or financial report and of the total sum of employees' compensation of this fiscal period: Not applicable.

4、Actual distribution of compensation to employees, directors, and supervisors (including the number, sum, and price of shares distributed), and where there were discrepancies with the approved compensation for employees, directors, and supervisors, describe the sum, the cause, and treatment of the discrepancy:

The Silergy annual shareholders' meeting of 2016 passed the motion to provideNT$3,600,000 towards directors' remuneration and NT$111,128,776 towards employees' cash bonus. There is no difference between the actual distribution and the approved sums.

(9) Repurchase by Silergy of its own shares: During the past fiscal year up to the publication date of this annual report, Silergy has not repurchased its own shares.

2. Corporate bond:

(1) Corporate bond

March 31, 2017

<table>
<tr><td colspan="2">Type of corporate bond</td><td>First issuance of overseas unsecured convertible corporate bond</td></tr>
<tr><td colspan="2">Date of issuance (placement)</td><td>August 4, 2016</td></tr>
<tr><td colspan="2">Par value</td><td>US$100,000</td></tr>
<tr><td colspan="2">Place of issuance and transaction</td><td>Singapore Exchange (SGX)</td></tr>
<tr><td colspan="2">Price at issuance</td><td>100% of par value.</td></tr>
<tr><td colspan="2">Total sum</td><td>US$125,000,000</td></tr>
<tr><td colspan="2">Interest</td><td>Par interest of 0%</td></tr>
<tr><td colspan="2">Term</td><td>5-year; date of expiration: August 4, 2021</td></tr>
<tr><td colspan="2">Guarantor</td><td>None</td></tr>
<tr><td colspan="2">Trustee</td><td>THE BANK OF NEW YORK MELLON</td></tr>
<tr><td colspan="2">Underwriter</td><td>Overseas underwriter: Yuanta Securities (Hong Kong) Company Limited.
Domestic underwriter: Yuanta Securities</td></tr>
<tr><td colspan="2">Certifying attorney</td><td>-</td></tr>
<tr><td colspan="2">Independent auditor</td><td>-</td></tr>
<tr><td colspan="2">Method of redemption</td><td>In addition to corporate bonds redeemed, bought back and terminated, or where conversion rights were exercised before the expiration, the issuer shall, on the date of expiration, redeem the corporate bonds at 100% of their par value.</td></tr>
<tr><td colspan="2">Unredeemed principal</td><td>US$35,600,000</td></tr>
<tr><td colspan="2">Articles for redemption or early liquidation</td><td>Refer to pages 149-150 of this annual report</td></tr>
<tr><td colspan="2">Restricting provisions</td><td>-</td></tr>
<tr><td colspan="2">Name of credit rating agency (CRA), rating date, and results of corporate bond ratings</td><td>None</td></tr>
<tr><td rowspan="2">Other rights</td><td>Total value of bonds already converted (exchanged or subscribed) common shares, overseas depositary receipt, or other marketable securities up to the publication date of this report</td><td>As of March 31, 2017, an amount of US$89,400,000 was converted into 6,825,228 common shares.</td></tr>
<tr><td>Issuance and conversion (exchange or subscription) regulations</td><td>Please refer to pages 149-150 of this annual report</td></tr>
<tr><td colspan="2">Possible dilution of equity or impact on the shareholders’ equity caused by regulations on the issuance, exchange, or subscription of shares, or issuance criteria</td><td>The overseas unsecured convertible corporate bonds of the current issuance, if wholly converted to common shares according to the conversion price at issuance, will have a dilution ratio of about 10.91% to existing equity. The proportion and effects of dilution of existing shareholders’ equity are limited.</td></tr>
<tr><td colspan="2">Name of the commissioned custodian of exchangeable underlyings</td><td>None</td></tr>
</table>

(2) Information on the convertible corporate bonds

Type of corporate bond		First issuance of overseas unsecured convertible corporate bond	
Item	Year	2017 till March 31	2016
Market price of the convertible corporate bond	Highest	143.47	122.33
	Lowest	113.88	108.54
	Average	125.04	113.04
Latest conversion rate		NT$420	
Conversion price on the date of issuance (placement) and during issuance		Date of issuance: August 4, 2016; conversion rate at issuance: NT$420	
Method for exercising conversion or exchange		Issuance of new shares	

3. Preferred shares: None.

4. Overseas depositary receipt:None.

5. Employee stock warrant:

(1) Status of employee stock warrants of Silergy that have yet to mature

March 31, 2017, Unit: Shares

Category of employee stock warrant	2008 equity motivation plan		2015 employee stock warrants issuance regulation			2016 employee stock warrants issuance regulation
Date of effective registration	11/20/2013		5/11/2015			7/12/2016
Date of issuance (placement)	6/2/2012	12/28/2012	8/24/2015	11/12/2015	4/6/2016	12/13/2016
Subscribable shares issued	469,343	1,706,289	2,532,500	150,000	317,500	188,000
Ratio of subscribable shares issued as part of the total issued and outstanding shares	0.84%	3.07%	3.25%	0.19%	0.41%	0.22%
Exercise period	10 years	10 years	10 years			
Method for exercising the warrant	Issuance of new shares	Issuance of new shares	Issuance of new shares			
Restrictions on the warrant exercise period and exercise ratio (%)	Two types of restrictions are imposed: A. Maturity of every one-year period allows 20% of the stock warrant to be exercised; up to 100% of the stock warrant may be exercised on maturity of a 5-year period. B. Stock warrants are exercised according to performance	Two types of restrictions are imposed: A. 100% of stock warrant may be exercised on maturity of a 5-year period. B. Stock warrants are exercised according to performance	Period granted / Proportion of exercisable warrant After 2 years (from the 3rd year) 40% After 3 years (from the 4th year) 60% After 4 years (from the 5th year) 80% After 5 years (from the 6rd year) 100% (Total)			
Number of shares already obtained through exercise of warrant rights (Note 2)	358,306	1,050,169	0	0	0	0
Total value of shares obtained by exercising warrant rights	US$177,020	US$945,672	0	0	0	0
Number of unsubscribed shares (Note 3)	163,290	944,893	2,532,500	150,000	317,500	188,000
Subscription price per share of the unsubscribed shares	US$0.69 / US Dollar share	US$1.56/US Dollar share	NT$262/share	NT$336.5/share	NT$415/share	NT$448.5/share
Proportion of the quantity of unsubscribed shares of total issued and outstanding shares	0.19%	1.10%	2.95%	0.17%	0.37%	0.22%
Impact to shareholders' equity	No material impact	No material impact	No material impact			No material impact

Note 1: On December 12, 2012, Silergy converted its US share capital to NT$share capital. The shares are therefore shown as NT$shares on December 20, 2013.

Note 2: Includes the recapitalization of retained earnings on July 28, 2014; the share capital increased the exercising of subscribable shares by about 19.835%.

Note 3: Unsubscribed shares refer to the issued subscribable shares and the recapitalization of retained earnings on July 28, 2014, and increased share capital by about 19.835%. The quantity also excludes shares that have been exercised or rendered ineffective and terminated.

(2) Names, acquisition, and subscription of managerial officers who have obtained employee stock warrants as well as employees who rank among the top ten in terms of the number of shares obtained via employee stock warrants

March 31, 2017; unit: shares; US$/NT$; %

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Stock subscriptions obtained (Note 2)</th><th rowspan="2">Proportion of subscribed shares acquired to the total issued and outstanding shares</th><th colspan="4">Exercised (Note 3)</th><th colspan="4">Not exercised (Note 3)</th></tr>
<tr><th>Number of subscriptions</th><th>Subscribed share Price</th><th>Subscription sum</th><th>Number of subscribed shares and proportion thereof as part of issued shares</th><th>Number of subscriptions</th><th>Price of subscription</th><th>Subscribed sum</th><th>Number of subscribed shares and proportion thereof as part of issued shares</th></tr>
<tr><td rowspan="6">Managerial officer</td><td>General Manager</td><td>Wei Chen</td><td rowspan="6">2,079,707</td><td rowspan="6">2.42</td><td rowspan="6">1,207,424</td><td rowspan="6">US$1.56
US$0.69
US$0.05
US$0.23</td><td rowspan="6">US$1,000,420</td><td rowspan="6">1.40</td><td rowspan="6">872,283</td><td rowspan="6">US$1.56
US$0.69
NT$262</td><td rowspan="6">US$718,080
NT$6,550,000</td><td rowspan="6">1.01</td></tr>
<tr><td>Chief Technology Officer (CTO)</td><td>Budong You</td></tr>
<tr><td>Vice President of Engineering</td><td>Michael Grimm</td></tr>
<tr><td>Executive Design Director</td><td>Jaime Tseng</td></tr>
<tr><td>Senior Sales Supervisor</td><td>Po-I Hsieh (Note 1)</td></tr>
<tr><td>Chief Financial Officer (CFO)</td><td>Kuan-cheng Pan</td></tr>
<tr><td rowspan="10">Employee (Note 2)</td><td rowspan="10">Employee</td><td>Moon, Byongin</td><td rowspan="10">1,573,379</td><td rowspan="10">1.83</td><td rowspan="10">858,718</td><td rowspan="10">US$1.56
US$0.69
US$0.23</td><td rowspan="10">US$205,080</td><td rowspan="10">1.00</td><td rowspan="10">714,661</td><td rowspan="10">US$1.56
US$0.69
NT$262
NT$336.5</td><td rowspan="10">US$117,270
NT$156,585,000</td><td rowspan="10">0.83</td></tr>
<tr><td>Tzu-ming Yu</td></tr>
<tr><td>Chi-tien Li</td></tr>
<tr><td>Chia-wei Liao</td></tr>
<tr><td>Hung-kuo Hsu</td></tr>
<tr><td>Yu-hsien Liao</td></tr>
<tr><td>Meng-hsi Li</td></tr>
<tr><td>Sheng-chan Lin</td></tr>
<tr><td>Xiaoming Duan</td></tr>
<tr><td>Xiaolung Yuan</td></tr>
</table>

Note 1: Resigned from the duties of managerial officeron November 14, 2016.

Note 2: Refers to non-managerial employees in the top 10 list in terms of the quantity of stock warrants subscribed.

Note 3: Includes the recapitalization of retained earnings on July 28, 2014 and subscribable shares that increased the share capital by about 19.835%.

6. New restricted employee shares:

(1) Implementation and state of new restricted employee shares

March 31, 2017; unit: shares; NTD; %

Restricted employee shares and categories	Restricted employee equities issued in 2014		Restricted employee equities issued in 2016	
Date of effective registration	October 1, 2014		July 12, 2016	
Date of issuance	November 7, 2014	December 9, 2014	August 11, 2016	December 13, 2016
New restricted employee shares already issued	591,500	508,500	169,950	81,800
Price at issuance	NT$0		NT$0	
Proportion of new restricted employee equities issued as part of total equities that have been issued at the time of issuance (%)	0.76	0.66	0.21	0.10
Prerequisites for receiving new restricted employee equities	1. 291,500 shares of the equities: From the day of issuance, 20% of new restricted employee shares shall be received every year the employee remains employed, to a maximum of 100% at the end of the 5th year. 2. 300,000 shares of the equities: From the day of issuance, employees who remain employed for 5 years and achieve performance objectives stipulated by Silergy shall receive 100% of the new restricted employee shares.	From the day of issuance, 20% of new restricted employee shares shall be received every year the employee remains employed with the company, to a maximum of 100% at the end of the 5th year.	From the day of issuance, 100% of new restricted employee shares willbe provided if the employee remainsin the company for a period of 6 months.	
Restrictions and privileges for receiving new restricted employee equities	1. Prior to reaching the vesting conditions, an employee may not sell, pledge, transfer, provide as a gift to other party, create, or dispose the restricted employee equities in any way. 2. Prior to reaching the vesting conditions, the restricted employee equities may not be used to participate in share allotment, payouts, cash capital increases, or exercise any voting power.		1. Prior to reaching the vesting conditions, an employee may not sell, pledge, transfer, gift, create, or dispose off the restricted employee equities in any way. 2. New restricted employee shares that have yet to meet vesting conditions may partake in share allotment in Silergy, but are not eligible for dividend payout or cash capital increase, nor have	

Restricted employee shares and categories	Restricted employee equities issued in 2014	Restricted employee equities issued in 2016
	3. After issuance of the restricted employee equities, an employee shall immediately submit the equities to a trust or custodian according to the contracted agreement. Before satisfying the vesting conditions, the employee may not, for any reason or using any method, seek their return.	voting power in Silergy. 3. After issuing The newly restricted shares allotted to the employee should be submitted to a trustee or custodian in accordance with the contractual terms; prior to fulfilling the vesting conditions, the employee may not, for any reason or using any method, seek their return.
Safekeeping of new restricted employee equities	After the issuance of the restricted employee equities, he/she shall immediately submit them to a trust or custodian as per contractual agreement. Before satisfying the vesting conditions, the employee may not, for any reason or using any method, seek their return.	After issuance of the new restricted employee shares, the employee shall submit themto a trustee or custodian in as per the contractual terms; prior to fulfilling the vesting conditions, the employee may not, for any reason or using any method, seek their return.
Action for handling allotments or subscription to new equities by employees who are yet to meet the prerequisite conditions	1. When an employee has voluntarily resigned, been dismissed, or severed, or applied for leave without pay, Silergy shall recover, at no cost to it, any shares issued tohim/her (for the current year) that are yet to meet the vesting conditions. 2. New restricted employee shares that are yet to meet the vesting conditions may not be eligible for shares or dividend allotment of Silergy. 3. If an employee violates, prior to meeting the vesting conditions, Paragraph (8) of this Article on the expiration or termination of proxy authorization of Silergy, the company will repossess the shares without any compensation. 4. Silergy will repossess and terminate without any compensation any new restricted employee shares that are yet to meet the vesting conditions, as per the regulations of issuance. 5. Any share free from restrictions will not have voting power or privileges related to share allotment (or subscription) or participate in dividend distribution despite an employee meetingthe vesting conditions 15 business days prior to the temporary share transfer suspension in accordance with law, book closure day for issuance of bonus shares, book closure date for distribution of cash dividend, or book closure date for cash capital increase to one business day prior to the record date ofissuance of equities , and during a period of capital reduction to one day prior to the first trading day of the shares from the date of capital reduction.	1. When an employee has voluntarily resigned, been dismissed, or severed, or applied for leave without pay, Silergy shall recover, at no cost to it, any shares issued tohim/her that are yet to meet the vesting conditions. 2. New restricted employee shares that are yet to meet the vesting conditions may be eligible for share allotment in Silergy, but may not be eligible for dividend payout or cash capital increase, nor has voting power in Silergy. 3. If any employee violates provisions of Paragraph (7) of this Article on termination of proxy authorization of Silergy, the company will repossess the shares from the employee without any compensation. 4. Silergy will repossess and terminate without any compensation any new restricted employee shares that are yet to meet the vesting conditions pursuant to the conditions in the regulations of issuance. 5. Shares free from restrictions will not have voting power or privileges related to distribution of shares or dividend despite an employee satisfying vesting conditions 15 business days prior to the temporary share transfer suspension in accordance with law, book closure date for issuance of bonus shares, book closure date for distribution of cash dividend, or book closure date for cash capital increase to one business day prior to the record date for issuance of equities , and during a period of capital reduction to one day prior to the first trading day of the shares from the date of capital reduction..

Restricted employee shares and categories	Restricted employee equities issued in 2014		Restricted employee equities issued in 2016	
Quantity of new restricted employee equities that have been recovered or repurchased	-	-	-	-
Quantum of new restricted equities extinguished	116,600	203,400	169,950	0
Quantumof new restricted equities not yet extinguished	474,900	305,100	0	81,800
Proportion of new restricted shares remaining restricted as part of total equities issued	0.55	0.35	-	0.10
Impact on shareholders' equity	Calculated according to the stipulated vesting periods of circulating shares of Silergy at the time of issuance. The impact of dilution on the earnings per share (EPS) of Silergy is limited, and haslimited effect on the shareholders' rights.		Calculated according to the stipulated vesting periods of circulating shares of Silergy at the time of issuance. The impact of dilution on the earnings per share (EPS) of Silergy is limited, and has limited effect on the shareholders' rights.	

(2) Name of managerial staff and top 10 employees who have acquired new restricted employee equities, and the state of acquisition

March 31, 2017; unit: shares; NTD; %

	Title	Name	New restricted employee shares acquired	Proportion of new restricted employee equities issued as part of total equities issued	Restricted equities that were extinguished (Note 2)				Restricted equities not yet extinguished (Note 2)			
					Quantum of shares no longer restricted	Price at the time of issuance	Sum issued	Proportion of shares no longer restricted as part of total equities issued	Quantum of shares still restricted	Price at issuance	Sum issued	Proportion of shares remaining restricted as part of total equities issued
Managerial officer	None											
Employee (Note)	Employee	Chia-wei Liao David Timm Pang-pen Hsieh Tsui-man Liang Mei-chun Ko Ai-chun Hsi Chun-chieh Chiao Wei-chih Huang Chia-chun Wu KIM SANG MIN	534,740	0.62	431,740	Scrip issue	-	0.50	103,000	Scrip issue	-	0.12

Note: Refers to non-managerial employees in the top 10 list in terms of new restricted employee shares issued.

7. Status of mergers and acquisitions or issuance of new shares for the purpose of acquiring the shares of another company: None.

8. Implementation of capital utilization plan:Up to the quarter preceding the date of printing of the annual report, Silergy has no incomplete issuance or placement of private securities or where the benefits of the plan have yet to be realized.

V. Operation summary

1. Business content

(1) Business scope

1. Major details of business operations:

The Corporation is primarily engaged in research, development, design, and sales of power management IC. Its products have a wide range of applications and are mainly find applicationin the field of consumer electronics and industry, including LED lighting, tablet computers, notebook computers, solid-state drives, video surveillance systems, servers, digital set-top boxes, smart phones, televisions, LED backlight modules, routers, mobile power sources, and smart meters.

2. Business proportion of major products

End-user application of products from the Corporation can be divided into four main categories: consumer products, industrial products, computer products, and communication products.

Units: Thousand NT$; %

Major products	2012		2013		2014		2015		2016	
	Sum	%	Sum	%	Sum	%	Sum	%	Sum	%
Consumer products	658,060	48	820,695	39	1,256,545	39	1,924,850	41	3,033,630	42
Industrial products	358,638	26	731,362	35	1,014,706	31	1,752,037	37	2,836,982	40
Computer products	340,732	25	496,336	24	895,840	27	817,452	18	916,040	13
Communication products	13,119	1	38,788	2	105,641	3	206,642	4	352,252	5
Total	1,370,549	100	2,087,181	100	3,272,732	100	4,700,981	100	7,138,903	100

3. Current products (services) offered by theCorporation

Power management IC is the main product currently offered by the Corporation. The product is widely used in consumer electronics, industrial, computer, and communication products. The Corporation offers different IC chips that match the power framework of various terminal products, including battery-charging management IC, DC/DC-converter IC, overcurrent protection IC, LED backlight driver IC, and PMU for tablet computers; LED lighting driver IC for LED lighting; and AC/DC-converter IC, DC/DC-converter IC, and overcurrent protection IC for set-top boxes.

4. Development projects for new products (services)

The Corporation will continue to develop next-generation products and technologies, including next-generation semiconductor production processes, next-generation digital control solutions, and wireless recharging. The Corporation will update process technologies of its existing products and develop new patents to create power IC products with higher efficiency, smaller size, and fewer peripherals. These new products can then be used in applications with higher performance requirements while attaining competitive advantage over other businesses within the same industry.

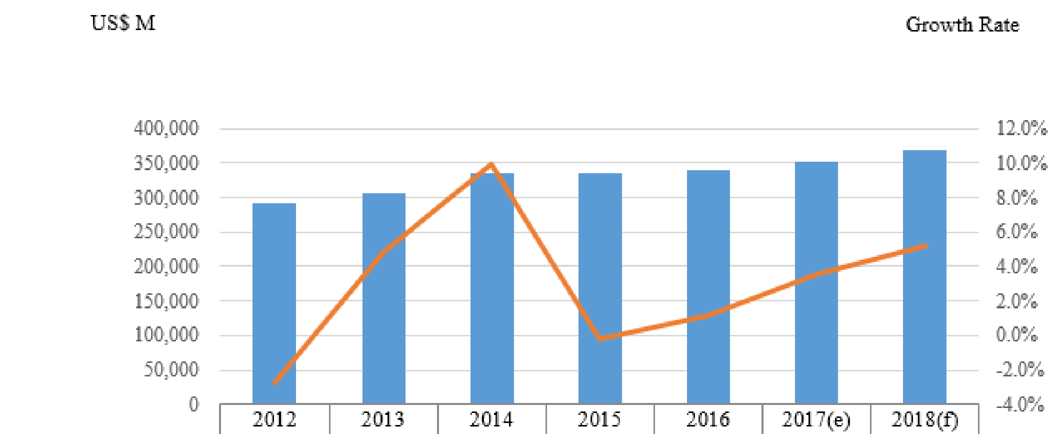
(2) State of the industry

1、Current state and development of the industry

(1) Summary of the current state of the semiconductor market and IC design industry

The semiconductor industry is a key sector for industrial equipment, computers, network communications, and consumer electronics, and is currently a basic industry that supports developments in other related fields. In response to active developments in computer, communication and consumer (3C) products as well as demands for smart, low-power industrial solutions, shorter product life cycles, and faster performances, the Corporation has diversified its operations and increased product development to expand the product portfolio. Release of new products, replacement of older models, and market growth will increase the requirement for the semiconductor industry and contribute to the growth of the market.

Scale of the global semiconductor market from 2012 to 2018



	2012	2013	2014	2015	2016	2017(e)	2018(f)
Scale of the global semiconductor market	291,562	305,584	335,843	335,168	338,931	350,903	369,050
Annual growth rate	-2.7%	4.8%	9.9%	-0.2%	1.1%	3.5%	5.2%

Source: WSTS

The semiconductor supply chain in Taiwan is maturing rapidly with specialization in up-, mid- and downstream operations of the industry that provide an excellent environment for developing the IC design sector and allow IC design houses to focus on design of IC fabrication to be subcontracted to wafer foundries to create IC wafers. After front-end testing, the tested wafers can be transferred to a packaging company for singulation and packaging. The packaged IC then undergoes back-end testing at a professional testing plant to complete the final product.

IC components can be divided into two major categories: digital logic IC and analog IC. A digital IC uses a non-continuous method for signal transmission (0 and 1) and is often used for processing digital information such as computation, control, and storage. Digital IC has advantages in dimension, speed, and power consumption (and thus is process-driven). An analog IC, on the other hand, is often in charge of processing continuous analog signals collected from the natural environment, including light, heat, electricity, speed, and pressure. It serves as a bridge between various sets of physical information and a digital electronic system, and requires collaboration in process, circuit design, and physical specifications of the semiconductor component. Equilibrium must be attained between chip performance and cost, and the resulting balance will determine the final quality that can be achieved by the digital product. Therefore, component characteristics will be considered more important for analog IC (and thus is design-driven). Key properties include reliability, stability, power consumption, power conversion performance, and voltage, and current control abilities.

(2) Power-management IC

Due to growing concern for environmental protection and energy saving, interest has spurred in energy-saving technologies currently making it a major area of development for the Corporation. Analog IC is indispensable and has a critical role in power-management ICs (PMIC) used during system operations to control current and voltage supply to ensure that both are within ideal ranges. Power-supply device quality will directly affect the service life of an electronic product. Recent development in power-supply devices has focused on smaller size, power efficiency, and durability. To ensure that a product is capable of meeting these objectives, the key would be to provide highly efficient (high performance) power-supply devices with stable and high voltages, and low noise interference. Any IC that includes these control functions is called a *power control/management analog IC*. According to IHS iSuppli global power management IC market tracker report, the global market for PMIC will have a gradual growth from 2013 onwards for a 3-year period. By 2016, the global PMIC market is estimated to reach USD 38.7 billion. Currently, the primary markets include consumer electronics, network communication, and mobile Internet.

The power-management unit (PMU) is a highly integrated power- management solution designed for portable and mobile applications. Multiple power-management devices that are traditionally separate from each other can be integrated within a single package to enhance power-conversion performance, reduce power consumption, and the number of components in a single product to adapt to smaller board spaces. PMU integrates as many power channels as possible within a limited volume, and refer to each subunit requirement to provide power in a highly efficient manner or clean power with low noise. Alternatively, PMU may also provide power-up timing control, making it a leading choice for system-level power supply.

Rapid developments have been made in recent yearsin smart phones, tablets, and smart TVs, with the smart phone market achieving geometric growth and Android tablet shipments exceeding earlier market estimates. Significant growth was also observed for smart TVs. In general, the entirety of the smart terminal market will have rapid growth. In this context, market demand for PMU will have a more optimistic trend than previous market estimates, with global PMU market touching USD 2.57 billion by 2016.

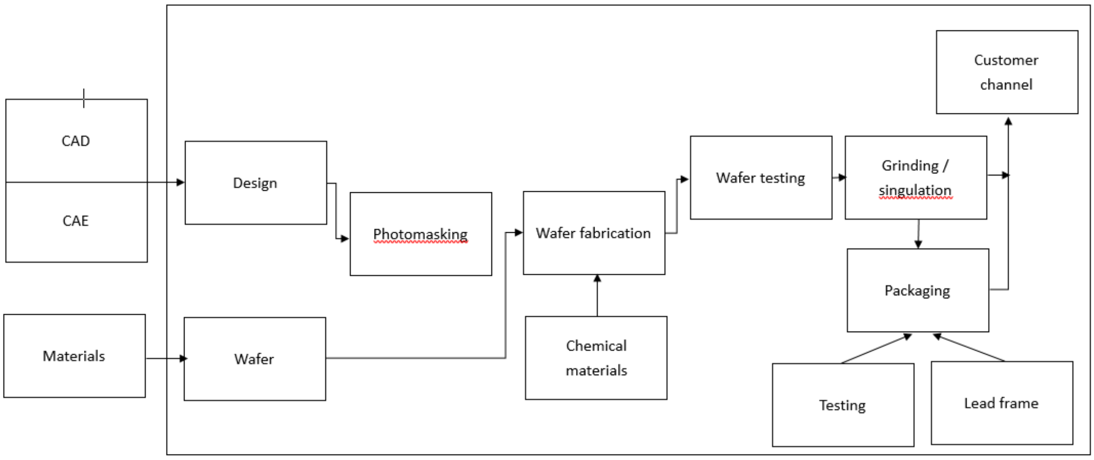
Mainland China is currently the world's largest producer of portable smart terminals and products. As PMU demand for smart terminals continues to grow, the Mainland Chinese market will also develop rapidly and achieve an overall growth rate higher than that of the global average. Development trends in smart terminals and products include larger screens, thinner sizes and light weights, as well as smaller battery sizes. There is also a demand for longer battery life while maintaining current battery capacities. To meet these demands, smart power management will become indispensable in addition to improvements to IC power consumption. The PMU market is therefore expected to have excellent developments in the future.

TMR estimated that from 2013 to 2019, the global PMIC market will achieve a compounded annual growth rate (CAGR) of 6.1%, growing from USD 29.9 billion in 2010 to USD 46.0 billion by 2019. In addition to continuous advancements in technology, the global PMIC market is also expected to benefit from continuous growth in medical devices and electric vehicle markets.

Furthermore, the scale of the Mainland Chinese PMIC market is expected to grow from RMB 43.2 billion in 2012 to RMB 63.4 billion in 2015, constituting 17.6% of the total IC market in the country and achieving a CAGR of 13.6%, exceeding that of the global PMIC market. Rapid developments in the Mainland Chinese economy, transfer of the global manufacturing center to East Asia, and continuously growing demand for smart terminals (PMIC), Internet of Things applications (IoT chips), and wireless charging (PMIC) are expected to grow rapidly for the scale of the PMIC market in Mainland China.

2、Correlation with up-, mid-, and downstream sections of the industry

The Corporation is a fabless IC design house and is positioned at the very upstream section of the IC industry as well as the industrial value chain. To obtain the final product, additional IC production processes such as masking, fabrication, packaging, and testing as well as final product assembly are necessary. Major overseas companies are often integrated device manufacturers (IDM) that integrate up- and downstream processes of design, fabrication, packaging, testing, and assembly of product systems. The Corporation has a size comparable to the average IC design house in Taiwan, where the industrial supply chain is segmented into up- and downstream processes, with



individual companies specializing in each of the processes to derive benefit from the division of labor. The tested final product is then sold to a product system assembly company to create the desired product system. Unlike other IC design houses that are completely reliant on the technologies of the wafer foundry or packaging company and therefore limited to the production techniques of other companies, the Corporation has developed its own semiconductor fabrication, packaging, and independent testing technologies that are then outsourced to other companies. The Corporation therefore has a virtual IDM business model. Its proprietary processes offer both long-term technical and cost advantages, and help delay infringement by competitors to protect the profitability of its new products.

3、Trends in the development of various products

Power-management IC (PMIC) is the most fundamental and critical analog IC product. Power management has always been one of the most popular markets in the semiconductor industry. A PMIC is considered a key component for every electronic product and relates to the technical field of high-power analog circuits. The PMIC is primarily used to provide an electronic product with stable and suitable voltage and current and directly affects the usage life of the electronic product. Constant integration of consumer electronic products, emergence of smart industrial products, and demand for low power consumption resulted in gradual development of shorter product life cycles, lower power consumption, lightweight, smaller sizes, and integration of more and more functions in terminal devices. To meet these demands, key issues that must be addressed by a PMIC include capability for improving power-system efficiency and reduction in IC component packaging size to minimize the area occupied on the printed circuit board (PCB). As CPU performance continues to improve, power stability and voltage precision become increasingly important. Additionally, higher levels of integration not only reduce the number of components, but also provide other benefits that include reduced system-level power consumption, improved system reliability and quality, enhanced production yield, and lower production cycle time that translates into reduced cost.

Due to growing concerns for environmental protection and energy- conservation issues, energy-saving technologies have currently become an important area of development. PMIC therefore plays a critical and indispensable role in this field. In addition to demand for low power consumption and ultra-low passive power consumption, energy-efficient and lead-free packaging processes became key requirements for environmental protection, low energy, and other green concepts. PMIC manufacturers must therefore consider restrictions imposed by statutory regulations for environmental protection. Compliance with environmental protection laws and green energy requirements will therefore be a major direction of development in PMIC designs.

4、Competition

The Corporation focuses on PMIC design and development. The following is an analysis of competing product series offered by PMIC design companies in other countries and Taiwan that are similar to those offered by it:

Competitor / Product project	Major competitor	
	Overseas	Taiwan
PMIC	TI, Maxim, Linear	On-Bright Electronics, Global Mixed-mode Technology Inc., and Leadtrend Technology

Once established, fellow competitors in the same industry from Taiwan tend to offer analog products to computer markets dominated by European and American suppliers. The Corporation therefore offered proprietary products featuring high efficiency, high levels of integration, and small sizes designed for emerging consumer products and industrial products instead. Examples include low-energy consumption set-top boxes and notebook computers that require long battery life and smaller, thinner dimensions, as well as LED lighting markets that demand high performance and long service life. After gaining the customer's confidence in product quality and service, the Corporation then expanded research and development efforts to other products and technical fields. Clear product positioning policy and its rapid and effective decision-making processes allow the Corporation to create an adequate product portfolio and specialization comparable to those of Texas Instruments (TI), the benchmark leader in the industry. No competitor from Taiwan in the same field of analog IC is able to match the scope of the product portfolio offered by the Corporation. In terms of product performance, most analog IC design houses are subject to process and technical restrictions as they outsource wafer fabrication and IC packaging to other companies. As a result, such companies offer product features with low levels of differentiation. The Corporation, on the other hand, has developed its own technologies in wafer fabrication, packaging processes, and independent testing, and has over 500 patents with 400 patent applications currently under review. The patent portfolio of the Corporation relates to production processes, electronic components, packaging, control strategies, circuit structures, and system architecture, and many have successfully gone into mass production. Exclusive patents and technologies owned by the Corporation relate to: ①ability to reduce the IC chip area and number of external components, and helping to improve the precision for voltage/current control and enhance the reliability and stability of circuit performance; ②reduce the switching resistance to help lower power loss, alleviate heat dissipating requirement, improve conversion ratio, and extend battery life; ③increase switching frequency to help reduce the circuit volume and mass, and accelerate response speed, allowing a product to achieve lower circuit costs, faster design processes, and enhanced performance. Products of the Corporation are therefore more competitive.

The main business team of the Corporation comes from the Silicon Valley in the United States, and has many years of experience working with global leaders in the same field, providing a strong foundation in technical innovation. The Corporation has established business centers in Korea, Taiwan, and Mainland China, and therefore enjoys cultural and ethnic advantage when pursuing business expansion in the Asia-Pacific region, and is also able to offer local technical support and product development projects. As the Corporation expands, new business units will be established in the US, Japan, and India. The Corporation has adopted a fabless IC design house business model. As it has developed a large number of key technologies independently, it is able to shorten new product development cycle times. Continuous production process improvements also effectively reduced costs enabling it to earnhigher profit margins.

(3) Technologies and recent R&D efforts

1. R&D investments made in the most recent fiscal year up to the publication of this report

Units: Thousand NT$; %

Year / Item	2012	2013	2014	2015	2016
R&D expenses	152,981	234,368	390,469	614,684	1,009,598
Consolidated net revenue	1,370,549	2,087,181	3,272,732	4,700,981	7,138,903
As a proportion of consolidated net revenue	11.16	11.23	11.93	13.08	14.14

2. Successfully developed technologies or products

Year	R&D results	Description
2009	1. First in the industry to realize 6V/2A high- performance and high-power-density synchronous step-down modulator in an SOT23 package	The product is provided with an SOT23 package, making it the smallest 2A DC/DC product in the industry. It is often used in set-top boxes, notebook computers, LCD television, switchboards, and other electronic products.
	2. First in the industry to realize 6V/3.5A high- performance high-power- density synchronous step-down modulator in a DFN 3x3 package	The product is provided with a DFN 3x3 package, making it the smallest 3.5A DC/DC product in the industry. It is used in notebook computers, switchboards, smart TV, and other electronic products.
2010	2. First in the industry to realize 16V/2A high- performance high-power-density synchronous step-down modulator in an SSOT23 package	The product is a 16V/2A high-performance high-power-density synchronous step-down conversion in an ultra-small SSOT23 package, and is used in set-top boxes, notebook computers, LCD television, switchboards, and other electronic products.
	2. Smallest dual-channel 6A smart current-limit switch package (DFN 2x2) in the industry	The product is the smallest dual-channel 6A smart current-limit switch (DFN 2x2) in the industry, and is used in servers, notebook computers, and other electronic products.

Year	R&D results	Description
	3. First in the industry to realize 30V/1.2A high- performance high-power density synchronous step-down modulator in an SOT23 package	The product achieves 30V/1.2A high- performance high-power-density synchronous step-down conversion in an ultra-small SOT23 package, and can be used in set-top boxes, switchboards, mobile televisions, and other electronic products.
	3. Smallest 6V/6A high- performance high-power- density synchronous step-down modulator package (DFN 3x3) in the industry.	The product is the smallest 6V/6A high- performance high-power-density synchronous step-down modulator package (DFN 3X3) and is used in smart LCD TV, notebook computers, and other electronic products.
	5. First in the industry to realize a 30V/2A buck-boost MR16-LED driver in an SOT23 package	The product is the first 30V/2A buck-boost MR16-LED driver in an SOT23 package, and is used for display-case LED lighting and in other similar settings.
2011	1. First in the industry to provide a high-performance isolated single-stage PFC primary quasi-resonant control LED driver	The product is the first high-performance isolated single-stage PFC primary quasi-resonant control LED driver released in the industry, and is used in various types of LED lighting like LED light bulbs and T-type lighting.
	2. First in the industry to provide a non-isolated PFC quasi-resonant control buck-boost LED driver	The product is a high-performance non-isolated PFC quasi-resonant buck-boost LED controller and can be used in various types of LED lighting like LED light bulbs and T-type lighting.
	3. Smallest 6V/6A high- performance high-power density synchronous step-down modulator package (DFN 2x2) in the industry	The product is the smallest 6V/6A high- performance high-power-density synchronous step-down modulator package (DFN 2X2) and is used in high-definition set-top boxes, LCD TV, notebook computers, switchboards, and other electronic products.
	4. High-performance non-isolated PFC quasi-resonant control step-down LED driver	The product is a high-product non-isolated PFC quasi-resonant step-down LED driver and is used in various types of LED lighting like LED light bulbs and T-type lighting.
	5. First in the industry to realize 18V/2A synchronous step-down modulator in an SOT23-6 package	The product is an 18V/2A high-performance high-power-density synchronous step-down modulator in an ultra-small package (SOT23-6), and is used in LCD TV, switchboards, and other electronic products.
	6. First in the industry to realize 30V/6A synchronous step-down modulator in a DFN 4x3 package	The product is a 30V/6A high-performance high-power-density synchronous step-down modulator in an ultra-small package (DFN 4x3), and is used in LCD TV, smart displays, and other electronic products.
	7. First in the industry to provide a single-stage isolated PFC primary quasi-resonant control LED driver in an SOT23 package	The product is the first single-stage isolated PFC primary quasi-resonant LED driver realized in the ultra-small SOT23 package released in the industry, and is used in various types of LED lighting like light bulbs and T-shaped lighting.
2012	1. First in the industry to realize a non-isolated PFC quasi-resonant control step-down LED driver in an SOT23 package	The product is the first high-performance non-isolated PFC quasi-resonant step-down LED controller realized in the ultra-small SOT23 package and is used in various types of LED lighting like LED light bulbs and T-type lighting.
	2. Ultra-high-performance synchronous step-up modulator in an SC70 package	The product is an ultra-high-performance high-power-density synchronous step-up modulator realized in an SC70 package and can be used in a battery power supply system for applications like portable healthcare systems.
	3. Smallest 6V/3A synchronous step-down modulator package (DFN 2x2) in the industry	The product is the smallest 6V/3A high- performance high-power-density synchronous step-down modulator package (DFN 2X2) that can be used in notebook

Year	R&D results	Description
		computers, switchboards, and other electronic products.
	4. First in the industry to realize a non-isolated PFC quasi-resonant control buck-boost LED driver in an SOT23 package	The product is the first high-performance non-isolated PFC quasi-resonant buck-boost LED controller realized in the ultra-small SOT23 package that can be used in various types of LED lighting, including LED light bulbs and T-type lighting.
	5. First in the industry to provide a high-performance primary quasi-resonant operation flyback constant voltage output controller	The product is the first high-performance primary control quasi-resonant operation flyback constant voltage output controller released in the industry, and can be used in an AC/DC adapter power source, battery charger power source, and other products.
	6. High-performance smart synchronous rectification driver	The product is a high-performance smart synchronous rectification driver that can be used in AC/DC adapter power source and the like.
	7. Smallest 5-channel 12C control synchronous step-down modulator module package in the industry	The product is the smallest 5-channel 12C control high-performance high-power-density power management IC (PMIC) in the QFN 4x4 package, and can be used in a solid-state drive and other electronic products.
2013	1. Smallest high- performance 6A input/6V output synchronous step-up IC package (DFN 2x2) in the industry	The product is provided in the DFN 2x2 package, the smallest package in the industry, and offers an efficiency of at least 95%. It can be used in large-capacity mobile power supply, tablet computers, and the like.
	2. First synchronous step-up smart-charging IC in the industry	The product is the first synchronous step-up charging IC released in the industry, offering a maximum output current of 6A. It can be used to charge a 2-cell Li-ion battery and has an area that can be packaged within DFN 3x3. Can be used for high-end DSC and mobile power supply.
	3. First in the industry to realize a high-voltage MOS LED driver IC in an SOT23 package	The product is the smallest built-in high- voltage MOS LED driver IC in the industry, and can be used in low-power LED light bulbs.
2014	1. First silicon-controlled light-modulating MR16 driver IC in the industry	The product is the first compatible silicon-controlled light-modulating MR16 LED driver IC (in QFN 4x4 package) released in the industry.
	2. Released the first 30V/15A synchronous step-up IC in DFN 4x4 package	The product is the first completely integrated large current synchronous step-up IC in the industry, and allows a maximum input current of 15A and a maximum output voltage of 30V. It can be used in high-capacity mobile power supplies and high-end portable consumer electronic products.
2015	1. Released the first motor driver IC in an SOT23 package	The product is the smallest motor driver IC in the industry, and can be used to drive small motors in Internet of Things (IoT) applications.
	2. Released the first-high performance MOS built-in 6.78 MHz wireless charging emitter IC in the industry	The product is the first high-performance MOS built-in 6.78 MHz wireless charging emitter IC of the industry.
2016	1. Released the smallest 500V MOS with PFC silicon-controlled light-modulating LED driver IC in an SOT23 package in the industry	The product is the smallest Triac light-modulating LED driver IC in the industry, and is provided with high performance and high PF. Applicable for various LED light bulbs compatible with a Triac light modulator.
	2. Released the first dual-output DC/DC IC in the industry	The product is the smallest dual-channel DC/DC IC package in the industry, and can be used in electronic products requiring a small size, such as SSD and USB Dongles.

(4) Long- and short-term business development plans

1. Short-term development strategy and plan

(1) R&D strategies and plans

A. Improve voltage and current capacities and continue to revise design processes; monitor market trends and customer requirements to further expand market share of product applications.

B. Leverage power management-related technologies and knowledge acquired and continue to develop PMIC-related products; upgrade products to improve market position.

(2) Marketing strategies

A. Continue to expand markets in Mainland China, Taiwan, and Korea, and continue to develop markets in Japan, India, Europe, and the US.

B. Combine R&D technologies of the Corporation and customer requirements to provide comprehensive technical support; make use of distributor marketing network to improve the market share of the products.

(3) Production strategies

A. Leverage the unique specializations of the semiconductor sector in Mainland China and Taiwan and provide flexible and customizable processes to meet special customer requirements and improve customer satisfaction.

B. Continue to pursue healthy relationship with wafer fabs and packaging and testing companies to maintain proper understanding of outsourcing arrangements, ensure access to production capacities, and monitor product delivery to meet customer requirements and offer related services.

(4) Operations and financial strategies

A. Enhance employee training, inspire competence and potential, and improve management performance.

B. Prioritize employee welfare policy, and implement bonus sharing and performance bonus schemes to raise employee morale and strengthen corporate identity.

2. Long-term development strategy and plan

(1) R&D strategies and plans

A. Include market applications and requirements to provide a comprehensive product portfolio; use IC design experience, integration technologies and capabilities to expand the scope and depth of various product series; develop other high-end products to diversify products and satisfy the customer’s need for a Total Solution.

B. Continue to develop key technologies and patents, and develop next-generation products that correspond to industrial trends and developments to secure leading position for the products.

C. Actively develop other analog products and production technologies to provide customers with more one-stop services.

(2) Marketing strategies

A. Actively engage in new product platform R&D, expand overseas locations, and improve local services. Seek strategic partnership and opportunities with system companies to expand into different fields to improve sales.

B. Pursue continuous product upgrades to elevate the products as leading solutions in the PMIC market and build a brand image of a global technology leader.

(3) Production strategies

A. Form long-term partnerships with upstream wafer fabs and packaging and testing companies to acquire strategic partners, jointly develop production processes with specialized functions, reduce production costs, and develop quality, multi-functional, and competitive products.

B. Continue to enhance planning and control over production sites, production capacities, and quality with key customers to improve customer services.

(4) Operations and financial strategies

A. Promote globalization concepts and build global business management competencies; actively train and develop global business professionals to become a multi-national corporation.

B. Strengthen risk control and management, and enforce a stable, highly effective, and flexible business policy.

2. Market, production, and sales

(1) Market analysis

1. Areas of sales (provision) of primary products (services)

Units: Thousand NT$; %

Year / Area of sales	2013		2014		2015		2016	
	Sum	Ratio	Sum	Ratio	Sum	Ratio	Sum	Ratio
Internal sales	-	-	-	-	-	-	-	-
External sales (Asia)	2,087,181	100	3,272,732	100	4,700,981	100	7,138,903	100
Total	2,087,181	100	3,272,732	100	4,700,981	100	7,138,903	100

2. Market share

The Corporation is primarily focused on the design, R&D, testing, and sales of PMIC for various types of electronic products, and is therefore a specialized analog IC design house. It is also one of the few IC design houses in the world able to provide high-voltage, large-current IC in small packaging. Its products find application in power-supply products for consumer electronics, computers, communication, and industrial applications for devices that include: tablet computers, LED TV, LED lighting, set-top boxes, digital cameras, notebook computers, solid-state drives, smart phones, smart TV, video surveillance systems, smart meters, and other power-supply products for various fields. It has R&D teams for IC design technology and systems technology as well as design capabilities for wafer fabrication and packaging technology that are well ahead of competitors in the same industry. It is able to customize customer specifications to resolve compatibility issues, providing products that offer three advantages—low power consumption, excellent heat dissipation, and small size.

3. State and growth of market supply and demand

(1) LED lighting

LED products have advantages that include reduced power consumption, lower heat dissipation, small size, long service life, and fast reaction rate. When compared to traditional lighting, LED lighting products provide significant advantages in terms of efficiency and generate significant energy saving benefits. However, LED lighting products tend to have higher unit costs, resulting in a longer return-on-investment for the consumers. The LED market can therefore only achieve relatively slow growth. Government policies that enforce or reward the use of LED lighting are currently a key driving force behind its growth.

Statistics provided by the Topology Research Institute (TRI) showed that Mainland China is currently the world’s largest producer of lighting. Increasing urbanization and improved standard of living of the consumers meant that the lighting industry in Mainland China will have a stable growth, at an average annual growth rate of about 5%. When compared to various types of lighting, LED provides many advantages that include greater efficiency, smaller size, rapid response, and environment-friendliness, and is thus often used by public buildings and construction projects. General consumers who seek the latest technological trends and support environmental protection are also attracted to LED lighting.

As traditional lighting companies accelerate their expansion into the LED lighting segment, leading multinational companies are able to secure cost and product advantages via OEM and ODM while leveraging their own advantages in channels and branding. The market structure of LED light bulbs/light tubes is likely to assume a centralized position in the future. Since the Corporation has acquired the LED lighting business of NXP in 2016, it was able to improve LED lighting technologies, provide a more comprehensive LED product range, and accelerate integration of LED lighting technologies, its customers, and the relevant sales channels.

(2) SSD

Traditional hard-disk drives (HDD) have a long history of development. In terms of storage space, transmission speed, and cost considerations, most corporations often prioritize HDD as their option for information storage. The working principle of traditional HDD is to induce magnetic changes to a disc platter electro-magnetically to store information digitally on the latter. However, traditional HDD are mechanical structures and its operations are often subject to metal fatigue, collision, wear, and other similar issues, and are thus more prone to damage and are difficult to repair. HDD also tends to be larger and heavier as well. Solid-state drives (SSD), on the other hand, are able to address most of the issues faced by HDD. The structure of an SSD is similar to that of memory cards and flash drives, and is internally provided with NAND Flash and control chips for operations. The simple structure and absence of mechanical components or operating principles meant SSD often achieves better speed and power consumption compared to a traditional HDD. Storage devices developed using NAND Flash components tend to be thinner, smaller, vibration resistant, and easy to carry about, and are thus able to replace HDD as the latter is difficult to miniaturize. The challenges faced by SSD are lack of effective solutions to address issues of cost and performance improvements. SSD has not yet penetrated into the market to achieve rapid growth.

NAND Flash is a key component of SSD, and its cost determines the pricing of SSD too. As prices of primary components fall, and as the number of companies investing in the R&D of SSD main controller IC continues to grow, SSD controller performance is expected to increase, thereby helping to improve SSD’s market penetration.

The global NAND Flash market benefits from the increasing number of product applications and demands for higher storage volumes. This allows the NAND Flash market to attain better growth compared to the entire memory market. Since its use in DSC, smartphones, and tablets, the market for SSD in notebooks (NB) has increased providing great potential for the global NAND Flash market. Storage devices that use NAND Flash components are able to satisfy 3C product requirements that include small size, vibration resistance, and portability. Production processes are becoming increasingly streamlined, helping to reduce NAND Flash costs, allowing such devices to enter the PC SSD market that offers great potential as well as high levels of price sensitivity. The biggest beneficiaries of this trend are global firms capable of controlling the sources of NAND Flash, the critical component of SSD.

In addition to increased demand for SSD from Ultrabooks, the demand from cloud computing is also increasing significantly, especially since it offers faster speeds and lower power consumption compared to traditional HDD.

(3) Tablet computers

Tablet computers feature touch control, rapid power-on, and extended usage times, and offer other advantages by providing a reading mode that is similar to traditional reading. Since it was released, tablet computers proved to be extremely popular amongst consumers. More and more consumers are thus expected to use tablet computers to meet their gaming, Internet browsing, and social networking needs.

Next-generation tablet computers use high-resolution TFT screens, and high-end devices use an 8-core CPU chips, both of which have increased demand for large current and highly efficient power-source IC.

(4) Smart TV

Smart TV integrates computer functions into a TV set, allowing it to connect to the Internet and combine a family TV set with the worldwide web. A user can easily acquire Internet content from the TV or browse for Internet entertainment channels or a wide variety of Internet media resources.Upon release, smart TVs have proved to be extremely popular amongst consumers. Next-generation tablet computers use higher resolution TFT screens, more powerful CPUs, and additional communication functions, all of which have increased demand for large current and multifunctional power-source ICs.

(5) Smart meters

The Corporation has acquired the smart watch and power efficiency and monitoring business unit of Maxim in 2016. The product portfolio offered mainly involves power performance and management applications for smart meters and Internet of Things (IoT). Smart meters play a key role in smart power grids and provide important functions in energy conservation. Such devices are widely used in North America and Mainland China, and substantial opportunities for growth are offered in Europe, India, and South American markets. Power-performance monitoring IC also offers a great potential for development in performance management in a future IoT network. This acquisition of smart meters and power-monitoring ICs from Maxim included 70 patents and licenses of pioneering technologies in the industry and all of the technologies and licenses related to smart meters. The large number of customers from North America, Europe, and Asia will provide opportunities for growth of business revenue, enhance scale of corporate operations, and improve technological performance and product revenue for F-Silergy. These developments will help diversify the product catalog, sources of revenue, market spread, and customer base for the Corporation.

The Corporation will integrate the leading technologies of the product portfolio, products, and customer relationships with advantages it has in the field of PMIC market as well as provide highly effective solutions in the smart meters and power-monitoring IC market. These efforts will continue to provide excellent solutions for the smart meter products market, pursue various types of market developments in various regions, and enhance the overall efficiency of the power-management supply chain in the regional market.

4. Competitive niche

(1) Strong R&D team and excellent R&D and creative capacities

Analog IC receives and sends continuous wave forms and thus is prone to noise interference. Continuous wave signals can be easily distorted by noise introduced by the external or internal circuits, negatively affecting the integrity of the output signal. Designs and technologies that preserve signal integrity must utilize circuit design techniques, special processing steps, and have full understanding and leveraging of the nature of transistors. Hence, professional development for an analog IC design engineer requires years of experience to achieve the required design techniques. The length of training may be as long as 10 years, posing an extremely high professional barrier for entry.

The core team of the Corporation comes from the Silicon Valley inthe U.S., and members have up to 15 years of work experience with leading multinational companies in the industry. Since the Corporation’s founding in February 2008, its key technologies of products were developed independently by the R&D team. To date, the Corporation has acquired 554 patents and an additional 465 patent applications are currently under review. The design capabilities of the Corporation are recognized throughout the industry, and thus the Corporation is able to pursue R&D of new technologies and integrate multiple product functions to achieve product optimization and secure competitive advantage in the market.

(2) Integrated IC design capabilities

The Corporation is a professional IC design house and thus must own key technologies to achieve product ownership and secure market competitive advantages. It has developed its own technologies in semiconductor fabrication and components, package designs and manufacturing, and independent testing, which can then be transferred to a partner for production. Standard IC design houses, on the other hand, are completely reliant on the technologies of wafer fabs and packaging companies and are therefore subject to technical restrictions in production. The Corporation is therefore able to develop ICs capable of dealing with higher voltages and currents compared to its competitors while reducing IC package size and preventing duplication of its products.

Products of the Corporation feature high technical barriers, high added-value, high levels of integration, high efficiency, small size, ease of use, and energy conservation. When compared to solutions offered by leading global firms, the products offer equal performance and technologies and can help reduce a user’s overall cost, making it difficult to other competitors in the Greater China Region to surpass the Corporation. Due to these advantages, the Corporation was able to rapidly expand its market share, secure contracts with leading companies within a few years after its founding, provide substantial support to Silergy business expansion, and provide substantial competitive advantages and secure market position in the industry.

(3) Sufficient product catalog range and depth

The Corporation has R&D teams in IC design and systems technology, wafer fabrication and packaging technology design capabilities that are way ahead of competitors in the same industry, and is thus able to modify customer specifications to resolve compatibility issues, providing products that offer three advantages: low power consumption, excellent heat dissipation, and small size. It is able to provide different IC chips that match the power framework of various terminal products, including battery-charging management IC, DC/DC-converter IC, overcurrent protection IC, LED backlight driver IC, and power-management unit (PMU) for tablet computers; LED-lighting driver IC for LED lighting; and AC/DC-converter IC, DC/DC-converter IC, and overcurrent protection IC for set-top boxes. The

Corporation also offers AC/DC-converter IC for cellphone chargers. Its products feature reliable quality and excellent performance. It also provides a comprehensive product catalog and a niche advantage of providing a customer with Total Solution, allowing it to successfully enter the market for tablet computers, LED lighting, solid-state drive (SSD), LED TV, notebook computers, security and surveillance equipment, smart phones, and smart meters for the supply chain of branded companies or ODM/OEM subcontractors, laying a foundation for a broad market.

(4) Customer-oriented market strategy and building of healthy partnerships with the customer

Most electronic companies are clustered in areas around Taipei (Taiwan), Seoul (Korea), the Pearl River Delta and Yangtze River Delta. The Corporation has deployed field application engineer (FAE) teams at these locations and in areas where other key customers operate to provide comprehensive product development services. The Corporation also owns proprietary production process and system architecture IC design capabilities facilitating ease of use, reducing design cycle time for the user, lowering developmental costs, and providing prompt service and support. The Corporation is also capable of meeting customer requirements in product quality, delivery (with effective inventory and sales management), yield, and post-sales service. It also independently provides validation services for specific customers regarding laboratory instruments and equipment used by it to improve the timeliness of validation processes. It is thus capable of maintaining beneficial partnerships with its customers to benefit future business developments pursued by it.

5. Positive and negative factors affecting long-term development

(1) Positive factors

Mainland China is the world’s largest market for semiconductors, and the market for this region exhibits a growth rate higher than that of the global average. Most semiconductors in Mainland China are imported. Given the drive for local production, local IC design houses in Mainland China have plenty of room for development. Silergy is one of the largest suppliers of analog ICs in Mainland China. After 7 years of business development, the Corporation has established sales teams and R&D centers at multiple locations in Mainland China. It therefore expects substantial growth in the Mainland Chinese market. After years of technical innovation, the Corporation has released a number of product series that feature pioneering technologies in the industry, and has established a positive brand image within the industry, specifically in the fields of LED lighting, solid-state drives (SSD), and other emerging applications.

(2) Negative factors and response measures

A. Lack of professionals in analog IC design and sensitivity to HR changes

Analog IC designers need thorough knowledge in physics, and skill in production processes, and circuit design of semiconductor components. This field therefore poses a significant technical barrier of entry. Despite rapid improvements in computer-aided design and electronic design automation (EDA) that allow digital IC circuits to be simulated and designed using software programs, EDA is only of limited use in analog IC designing. Analog IC design therefore requires additional experience and designers must undergo longer periods of training compared to those involved in digital IC technologies. Currently, digital IC design industries provide substantially better resources and remuneration, and thus many skilled professionals are more likely to seek employment in it. The number of analog IC design professionals trained at various colleges, universities, and research institutions is limited. When coupled with increasingly rapid changes in market products, professional training is unable to keep pace with the demands of the industry.

Proactive measures:

In addition to providing an excellent work environment and channels of promotion, the Corporation also offers comprehensive training for a diverse selection of R&D professionals. It has continued to provide for employee welfare, share profits, and stock subscription schemes to attract first-rate designers. It also endeavors to build on employer–employee relationships and establish excellent communication channels to strengthen the identity and cohesion among employees and to reduce the turnover rate. The Corporation relies on its experienced leadership to create an effective training and management system, allowing inexperienced newly hired employees to quickly achieve personal growth and imbibe professionalism.

B. Over-reliance on wafer fabs and exclusion effects

The defining feature of IC design house is subcontracting of product fabrication and manufacturing to other companies. When the semiconductor industry does poorly, subcontracted fabs and manufacturers are often able to meet the needs of IC design houses, but it is not so when it is doing well, and they may not be able to cater to every demand. Securing enough production capacity of downstream subcontractors is therefore a key factor for achieving growth in corporate revenue and profitability for IC design houses.

Response measure

Since its founding, the Corporation has established an intimate relationship with downstream subcontractors to secure production capacities and product delivery. The Corporation has yet to experience supply shortage or insufficient production capacity from a subcontractor. In addition to building long-term partnerships with various subcontractors, the Corporation also maintains constant and close monitoring of product fabrication and manufacturing status. As business scale expands and as the number of wafers per fabrication order increases, the Corporation is able to consolidate partnerships with subcontractors and overcome risk of production constraints. The Corporation also actively seeks partnerships with other subcontractors to meet expanded production needs and reduce the risk of over-reliance on a few.

C. Infringement of intellectual property and potential legal litigations or indemnity risks

As the Corporation continues to grow, the number of competitors in the market will also increase, leading to an increased risk of infringement. Currently, patents and other intellectual property (IP) held by the Corporation are key factors to secure a leading position in the market. Any litigation will potentially have adverse effects on the reputation, sales, financial position, and business performance of the Corporation. Furthermore, the Corporation may have to spend extremely high amounts as litigation costs, or divert resources to respond to relevant litigations.

Response measures:

* Continue to invest substantial resources in product R&D and brand positioning and construct a comprehensive IP protection network system, and improve user awareness of the brand reputation related to products, services, and IP of the Corporation.

* Continue to comply with relevant statutory regulations such as copyright, patent, and copyright laws to reduce the possibility of relevant litigation or accusations.

* Use technical licensing and other methods to legally utilize the IP of partnering firms.

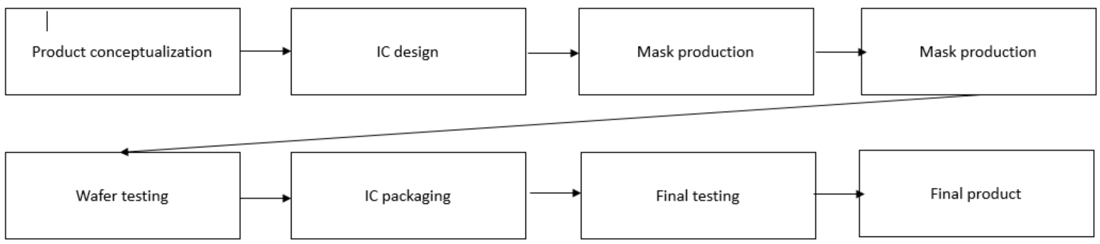
* Comply with the restrictions imposed by non-disclosure agreements.

(2) Major uses and production process of the primary products

1、Key applications of the primary products

Power management IC (PMIC) is the primary product offered by the Corporation. The main function and purpose of PMIC is to convert an electrical signal from an input power source to an electrical signal required by terminal equipment and supply the equipment with power. The Corporation seeks to provide products with higher performance and smaller volumes.

2、Production processes of the primary product



(3) Supply of primary raw materials

Main material	Main supplier	State of supply
Wafer	Companies R, S, and U	Excellent

(4) A list of any suppliers accounting for 10 per cent or more of the company's total procurement in either of the two most recent fiscal years, the percentage of total procurement, and an explanation of the reason for change in these figures:

Unit: Thousand NTD, %

	2015				2016			
Item	Title	Sum	Proportion of total net procurement value for the entire year	Relationship with issuer	Name	Sum	Proportion of total net procurement value for the entire year	Relationship with issuer
1	Company R	1,530,581	85.62	None	Company R	1,484,947	78.96	None
2					Company S	193,093	10.27	None
3	Other	257,101	14.38	None	Other	202,509	10.77	None
	Net amount	1,787,682	100.00	None		1,880,550	100.00	None

Note: The Corporation has signed a non-disclosure agreement with the suppliers.

The Corporation directly procures wafers from a wafer fab. As wafer fabrication is a capital-intensive industry, there are only a limited number of companies offering relevant services. The Corporation therefore maintains a long-term partnership with its suppliers, and has not changed its primary suppliers.

(5) A list of any customers accounting for 10 per cent or more of the company's total sales in either of the two most recent fiscal years, the percentage of total sales, and an explanation of the reasons for changes in these figures:

Units: Thousand NT$; %

	2015				2016			
Item	Title	Sum	Proportion of total net sales value for the entire year	Relationship with the issuer	Title	Sum	Proportion of total net sales value for the entire year	Relationship with the issuer
1	Company J	1,211,192	25.76	None	Company J	1,001,613	14.03	None
2	Other	3,489,789	72.24	None	Other	6,137,290	85.97	None

Note 1: The Corporation has signed a non-disclosure agreement with the customers.
Note 2: Financial information is prepared using the International Financial Reporting Standards (IFRS).

To develop and support more customers, the Corporation has adopted a channel distributor sales model for its main business strategy. However, it may also adopt direct sales model according to the business needs of the customer. In the two most recent fiscal years, changes to the sales to the aforementioned customers are primarily due to the customer's business expansion capacities and changes to the sales of the customer's downstream clients.

(6) Production volume over the past two fiscal years

Unit: Thousand NTD/Thousand units

Year / Production volume	2015			2016		
Primary commodity	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
PMIC	-	1,704,927	2,426,183		2,461,201	4,077,198

Note: The Corporation is a professional IC design house. Wafer fabrication, packaging, and testing processes are subcontracted to other companies. Production capacities will not be relevant for the Corporation.

(7) Sales volume over the past two years

Unit: Thousand NTD/Thousand units

Year	2015				2016			
Sales volume	Internal sales		External sales		Internal sales		External sales	
Primary commodity	Volume	Value	Volume	Value	Volume	Value	Volume	Value
PMIC	-	-	1,756,472	4,700,981			2,406,391	7,138,903

Note: External sales refer to sales to areas outside Taiwan.

Due to rising demands for PMIC, the Corporation has continued to release new products while providing customers with comprehensive product development services. The Corporation is also able to meet customer requirements in product quality, delivery (with effective inventory and sales management), yield, and post-sales services, achieving gradual growth for product sales volumes and production volumes.

3. Information on employees

Number, average tenure, average age, and theacademic background of employees for the past two recent years up to the date of the publication of this report

Unit: Persons; %

Year		2015	2016	2017 Up to March 31
Number of employees	Management	6	6	6
	General employees	128	184	189
	R&D	294	376	386
	Total	428	566	581
Average age		29.70	32.87	33.11
Average work tenure		2.44	2.91	3.13
Academic backgrounds of employees	PhDs	3.50	3.37	3.27
	Master's	43.69	42.86	42.31
	Bachelor's	42.52	44.84	45.58
	College and below	10.29	8.93	8.84

4. Disbursements for environmental protection

(1) Total losses (including damage awards) and losses (including fines) for environmental pollution during the most recent fiscal year up to the date of printing of the annual report, and an explanation of the measures (including corrective measures) and possible disbursements to be made in the future (including an estimate of losses, fines, and compensation resulting from any failure to adopt responsive measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible):

The Corporation is an IC design company and generates no specific pollution as wafer fabrication, packaging, and testing processes are subcontracted to other companies. The Corporation requires no facilities, equipment, or emission permits.

5. Labor relations

(1) List various employee benefit plans, continuing education, training, retirement systems, and the state of implementation as well as various employee–employer agreements and measures for protecting employee rights and also the interests of the company:

1、Employee benefit plans

To fulfill the vision of the Corporation in achieving creative technologies, total quality control, customer-oriented services, and sharing of profits, it has extended customer-related concepts to its employees, treating them as internal customers of the company. This principle is used to plan the following welfare measures. Details are provided in the following:

(1) End-of-year bonus and employee profit-sharing schemes to share corporate profit.

(2) Quarterly events for employee recreation and to enrich their lifestyle and to strengthen inter-personnel relationships.

(3) Regular employee health examinations and provision of group insurance to the employees.

(4) Organize end-of-year events for the employees (Weiya banquets) to express gratitude for their hard work.

(5) Organize various cultural and athletic activities at the organization level to build a corporate culture.

(6) Organize anniversary tours of the Corporation to enhance corporate image amongst the employees.

2、Status of employee training and education

The Corporation has organized various training programs to enhance professional competence and work performance of its employees.

(1) Internal training: The Corporation organizes courses enrolling both internal or external instructors. On-site training and demonstration may also be arranged by supervisors.

(2) External training: External training may be provided according to departmental or individual requirements of the employees. After external training, similar training will be imparted, according to actual requirements, to other employees in the Corporation.

3、Retirement system and state of implementation thereof

The primary business location of the Corporation is located in Mainland China. According to the laws thereof, a monthly amount will be set aside and forwarded to the local bureau of labor and social security to pay for five funds related to employee retirement and insurance. Once an employee reaches the legal age of retirement, he/she may apply to the bureau of labor and social security for retirement pension. The Corporation also refers to local government regulations to provide retirement benefits for employees who reach the legal age of retirement.

4、Employee–employer agreements and measures taken to safeguard the employee interests

The Corporation lays great emphasis on employer–employee relationships. In addition to enhancing communication between supervisors and subordinates in various departments, the Corporation also often holds internal meetings to improve corporate image.No serious employee–employer dispute has arisen due to the harmonious relationship that exists in the Corporation.

(2) Any loss suffered due to employee–employer disputes, and estimated loss and response measures for current or future incidents that may occur in the most recent fiscal year up to the date of printing of the annual report; where an estimate could not be provided, explain the reasons why a reasonable estimate could not be made: The Corporation has no employee–employer dispute in the most recent fiscal year up to the date of printing of the annual report.

6. Important contracts

Nature of the contract	Party	Starting and ending dates of the contract	Major contents	Restrictive terms
Real estate rental contract	Hangzhou East Software Park	March 1, 2015 to February 28, 2017	Real estate rental contract	None

VI. Financial summary

1. Condensed balance sheet and statement of comprehensive income over the past five fiscal years

(1) International Financial Reporting Standards (IFRS)

Condensed balance sheet

Unit: Thousand NTD

Item \ Year		2013 (Note 1)	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)
Current assets		2,829,734	3,298,193	3,814,438	5,331,410
Property, plant, and equipment (PP&E)		68,046	97,644	109,488	387,356
Intangible assets		2,052	314,080	406,739	4,144,375
Other assets		30,538	203,521	996,605	964,934
Total assets		2,930,370	3,913,438	5,327,270	10,828,075
Current liability	Before allotment	238,024	401,922	719,355	792,934
	After allotment	427,145	707,102	875,865	(Note 2)
Non-current liability		-	-	63	1,840,381
Total liabilities	Before allotment	238,024	401,922	719,418	2,633,315
	After allotment	427,145	707,102	875,928	(Note 2)
Equity attributable to the owner of the parent company		2,692,346	3,511,516	4,607,852	8,194,760
Capital stock		630,403	773,950	782,206	840,232
Capital reserve		1,134,254	1,268,872	1,356,490	3,763,742
Retained earnings	Before allotment	890,385	1,375,912	2,272,381	3,585,510
	After allotment	575,183	1,070,732	2,115,871	(Note 2)
Other equity		37,304	92,782	196,775	5,276
Treasury stock		-	-	-	-
Uncontrolled equity		-	-	-	-
Total equity	Before allotment	2,692,346	3,511,516	4,607,852	8,194,760
	After allotment	2,503,225	3,206,336	4,451,342	(Note 2)

Note 1: Condensed balance sheets from 2013 to 2016 are compiled using IFRS and consolidated financial statements audited by an independent auditor.

Note 2: Pending resolution at the 2017 annual shareholders' meeting.

Condensed comprehensive financial report

Unit: Thousand NTD

Item / Year	2013 (Note)	2014 (Note)	2015 (Note)	2016 (Note)
Operating revenue	2,087,181	3,272,732	4,700,981	7,138,903
Gross business profit	1,006,853	1,487,895	2,180,703	3,400,610
Operating profit (loss)	534,797	763,081	1,175,177	1,440,826
Non-operating revenue (expenses)	(4,472)	24,268	86,460	57,416
Earnings before tax (EBT)	530,325	787,349	1,261,637	1,498,242
Net income of continuing operations during this period	530,301	800,730	1,201,241	1,469,656
Loss of discontinued operations	-	-	-	-
Net profit (loss) in this period	530,301	800,730	1,201,241	1,469,656
Other comprehensive income (loss) in this period (net value after tax)	51,949	186,402	64,712	(196,086)
Total comprehensive income (loss) during this period	582,250	987,132	1,265,953	1,273,570
Net income attributable to the owner of the parent company	530,301	800,730	1,201,247	1,469,656
Net income attributable to an uncontrolled equity	-	-	(6)	-
Comprehensive income (loss) attributable to the owner of the parent company	582,250	987,132	1,265,959	1,273,570
Total comprehensive income (loss) attributable to an uncontrolled equity	-	-	(6)	-
Earnings per share (EPS)	8.00	10.55	15.66	18.72

Note: Condensed comprehensive financial reports from 2013 to 2016 are compiled using IFRS, and incorporated and consolidated financial statements audited by an independent auditor.

(2) Financial accounting standards of Taiwan

Condensed balance sheet

Unit: Thousand NTD

Item / Year		2010 (Note)	2011 (Note)	2012 (Note)
Current assets		202,834	718,529	1,155,569
Funds and investments		-	-	-
Fixed assets		8,277	8,544	42,876
Intangible assets		146	145	1,908
Other assets		5,264	5,809	11,446
Total assets		216,521	733,027	1,211,799
Current liability	Before allotment	32,461	129,164	177,052
	After allotment	32,461	129,164	177,052
Long-term liability		261,186	695,683	-
Other liability		-	-	-
Total liabilities	Before allotment	293,647	824,847	177,052
	After allotment	293,647	824,847	177,052
Capital stock		54	66	540,000
Capital reserve		116,474	189,790	149,308
Retained earnings	Before allotment	(205,952)	(288,531)	360,084
	After allotment	(205,952)	(288,531)	360,084
Unrealized income (loss) of financial products		-	-	-
Cumulative translation adjustment		12,298	6,855	(14,645)
Net loss not recognized as pension cost		-	-	-
Shareholder equity Total quantity	Before allotment	(77,126)	(91,820)	1,034,747
	After allotment	(77,126)	(91,820)	1,034,747

Note: Condensed balance sheets from 2010 to 2012 are based on the consolidated financial statements audited by an independent auditor.

Condensed operating statement

Unit: Thousand NTD

Year / Item	2010 (Note 1)	2011 (Note 1)	2012 (Note 1)
Operating revenue	210,784	479,003	1,370,549
Gross business profit	89,402	210,987	716,614
Operating profit	(50,854)	(13,857)	399,184
Non-operating income and benefits	959	6,626	5,963
Non-operating expenses and losses	14,818	75,348	17,449
Continuing operations pre-tax gain (loss)	(64,713)	(82,579)	387,698
Continuing operations gain (loss)	-	-	-
Gain (loss) from discontinued operations	-	-	-
Gain (loss) from extraordinary items	-	-	-
Cumulative effect of changes in accounting principles	-	-	-
Gain (loss) during this period	(64,713)	(82,579)	387,674
Earnings per share (EPS) (Unit: NTD) (Note 2)	(7.50)	(5.36)	11.52

Note 1: Financial information in the condensed operating statements from 2010 to 2012 is based on the consolidated financial statements audited by an independent auditor.

Note 2: Basic earnings per share (EPS) after tax.

(3) Names of independent auditors over the past five fiscal and audit opinions

Year	Independent auditor	Company name	Audit opinion
2012	CPA Ming Yen Chien CPA Liang Fa Wei	Deloitte & Touche	Unqualified opinion
2013	CPA Ming Yen Chien CPA Liang Fa Wei	Deloitte & Touche	Unqualified opinion
2014	CPA Ming Yen Chien CPA Liang Fa Wei	Deloitte & Touche	Unqualified opinion
2015	CPA Ming Yen Chien CPA Liang Fa Wei	Deloitte & Touche	Unqualified opinion
2016	CPA Ming Yen Chien CPA Liang Fa Wei	Deloitte & Touche	Unqualified opinion

2. Financial analysis over the past five fiscal years

(1) Financial analysis of the consolidated financial report of the five past fiscal years

1. International Financial Reporting Standards (IFRS)

Unit: Thousand NTD

Item analyzed	Year	2013 (Note 1)	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)
Financial structure (%)	Liability-to-asset ratio (%)	8.12	10.27	13.50	24.32
	Proportion of long-term capital in PP&E (%)	3,956.66	3,596.24	4,208.55	2,115.56
Debt-paying ability (%)	Current ratio	1,188.84	820.61	530.26	672.36
	Quick ratio	1,054.05	682.92	383.04	500.14
	Interest coverage ratio (multiples)	Note 2	Note 2	Note 2	25.26
Operating ability	Receivables turnover ratio (multiples)	11.74	16.03	16.40	15.68
	Average collection days	31	23	22	23
	Inventory turnover ratio (multiples)	4.19	4.37	3.27	3.20
	Payables turnover ratio (multiples)	11.61	11.06	8.70	9.16
	Average inventory turnover days	87	84	112	114
	PP&E turnover ratio (multiples)	37.63	39.50	45.39	28.74
	Total asset turnover ratio (multiples)	1.01	0.96	1.02	0.88
Profitability	Return on assets (%)	25.60	23.40	26.00	18.19
	Return on shareholders' equity (%)	28.46	25.81	29.59	22.96
	Ratio of pre-tax income to paid-in capital (%)	84.12	101.73	161.29	178.31
	Net profit rate (%)	25.41	24.47	25.55	20.59
	Earnings per share (NT$)	9.59	10.55	15.66	18.72
Cash flow	Cash flow ratio (%)	226.26	154.56	118.81	209.63
	Cash flow adequacy ratio (%)	131.19	93.25	77.01	50.39
	Cash re-investment ratio (%)	19.84	12.92	11.39	14.91
Degree of leverage	Degree of operating leverage (DOL)	1.02	1.03	0.87	1.16
	Degree of financial leverage (DFL)	1.00	1.00	1.00	1.04

Description of causes for changes to various financial ratios during the past two fiscal years:

1. Financial structure: Issuance of convertible corporate bonds and additional equipment acquired through corporate mergers increased the liability ratio and reduced the long-term capital as a proportion of PP&E.
2. Debt-paying ability: Increases to turnover ratio and quick ratio are mainly attributed to increases in cash and cash equivalents from the issuance of corporate bonds and daily operational balance.
3. Operational ability: Reduced turnover in PP&E is mainly attributed to additional equipment acquired as a result of corporate merger.
4. Profitability: Return on assets (ROA) and return on shareholders' equity (ROE) are

reduced due to business reputation and intangible assets acquired through corporate merger as well as growth in total assets and shareholders' rights, where the growth exceeds that of net income, generated through converting convertible corporate bonds.

5. Cash flow: Increases in cash flow ratio and cash re-investment ratio are mainly attributed to significant increases in net cash inflow from business activities. Decrease in cash flow adequacy ratio is mainly attributed to a one-time net capital outflow resulting from corporate merger.
6. Operational leverage: Increase in operational leverage is mainly attributed to increase in amortized expenses from fixed business expenses.

Note 1: Information from 2013 to 2016 is compiled using IFRS and consolidated financial statements audited by an independent auditor.

Note 2: There is no interest expense from 2013 to 2015.

Note 3: The following lists the calculation formulas used:

1. Financial structure
   (1) Liability to asset ratio = Total liabilities/Total assets.
   (2) Long-term capital as a proportion of PP&E = (Total equities + Non-current liabilities)/ Net value of PP&E.
2. Debt-paying capability
   (1) Current ratio = Current assets/Current liabilities
   (2) Quick ratio = (Current assets - Inventory - Prepaid expenditures)/Current liabilities.
   (3) Interest protection multiples = Income before income tax and interest expenditure/ Interest expenditures for this period.
3. Business capability
   (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales/Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
   (2) Average collection days = 365/Receivables turnover rate.
   (3) Inventory turnover = Sales expense/Average inventory value.
   (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales/Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
   (5) Average sales days = 365/Inventory turnover ratio.
   (6) PP&E turnover ratio = Net sale/Average PP&E value.
   (7) Total asset turnover ratio = Net sales/Average total PP&E value.
4. Profitability
   (1) Asset remuneration rate = [Net gain (loss) after tax + Interest expenditures x (1 - Interest rate)]/Average total PP&E value.
   (2) Equity remuneration rate = Net gain (loss) after tax/Average total equity value.
   (3) Net profit rate = Net gain (loss) after tax/Net sales.
   (4) Earnings per share (EPS) = (Gain (loss) attributable to the owner of the parent company - Dividend for preferred shares)/Weighted average of issued shares (Note 4)
5. Cash flow volume
   (1) Cash flow ratio = Net cash from business activities/Current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow for business activities for the last 5 years/ (Capital expenses + Additional inventory sum + Cash dividend) for the past 5 fiscal years.

(3) Cash re-investment ratio = (Net cash flow from business activities - Cash dividend)/ (Gross amount of PP&E + Long-term investments + Other non-current assets + Business capital).

6. Degree of leverage:

(1) Degree of operating leverage (DOL) = (Net operating revenue - Operating change costs and expenses)/Operating profit.

(2) Degree of financial leverage (DFL) = Operating profit/(Operating profit - Interest expenditures).

2. Financial accounting standards of Taiwan

Unit: Thousand NTD

Item analyzed / Year			2010 (Note 1)	2011 (Note 1)	2012 (Note 1)
Financial structure	Liability to asset ratio (%)		135.62	112.53	14.61
	Long-term capital as a proportion of fixed assets (%)		2,223.75	7,067.68	2,413.35
Debt-paying ability	Current ratio (%)		624.85	556.29	652.67
	Quick ratio (%)		475.16	502.62	433.66
	Interest coverage ratio (multiples)		(3.49)	(4.38)	23.80
Operating ability	Receivables turnover ratio (multiples)		24.44	19.17	12.13
	Average collection days		15	19	30
	Inventory turnover ratio (multiples)		4.09	4.46	4.44
	Payables turnover ratio (multiples)		11.17	9.08	9.87
	Average inventory turnover days		89	82	82
	Fixed asset turnover ratio (multiples)		25.47	56.06	31.97
	Total asset turnover ratio (multiples)		0.97	0.65	1.13
Profitability	Return on assets (%)		(36.42)	(14.71)	41.32
	Return on shareholders' equity (%)		(Note 3)	(Note 3)	82.23
	As a proportion of paid-in capital (%)	Operating profit	(94,174.07)	(20,995.45)	73.92
		Earnings before tax (EBT)	(119,838.89)	(125,119.70)	71.79
	Net profit rate (%)		(30.70)	(17.24)	28.29
	Earnings per share (NTD)		(7.50)	(8.12)	11.52
Cash flow	Cash flow ratio (%)		(221.50)	14.73	79.82
	Cash flow adequacy ratio (%)		(Note 2)	(Note 2)	(Note 2)
	Cash re-investment ratio (%)		(38.28)	3.11	13.52
Degree of leverage	Degree of operating leverage (DOL)		0.94	0.74	1.01
	Degree of financial leverage (DFL)		0.78	0.47	1.04
Description of causes for changes to various financial ratios over the past two fiscal years: Not applicable.					

Note 1: Based on the consolidated financial statements audited by an independent auditor.

Note 2: No information on net cash flow from business activities over the past five fiscal years.

Note 3: Not expressed as the net income after taxes (NIAT) for the current year is a negative value.

Note 4: The following lists the calculation formulas used:

1. Financial structure
   (1) Liabilities as a proportion of assets = Total liabilities/Total assets.
   (2) Long-term capital as a proportion of fixed assets = (Net shareholder equity + Long-term liability)/Net fixed assets.
2. Debt-paying ability
   (1) Current ratio = Current assets/Current liabilities.
   (2) Quick ratio = (Current asset - inventories - prepaid expenditures)/Current liabilities
   (3) Interest coverage ratio = Earnings before interests and taxes (EBIT)/Interest expenses over this period.
3. Operation ability
   (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales/Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
   (2) Average collection days = 365/Receivables turnover ratio.
   (3) Inventory turnover ratio = Cost of sales/Average inventory value.
   (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales/Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
   (5) Average inventory turnover days = 365/Inventory turnover ratio.
   (6) Fixed asset turnover ratio = Net sales/Net fixed asset value.
   (7) Total inventory turnover rate = Net sales/Total asset value.
4. Profitability
   (1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses x (1 - interest rates)]/Average total asset value.
   (2) Return on shareholders’ equity (ROE) = Gain (loss) after tax/Average total equity value.
   (3) Net profit rate = Gain (loss) after tax/Net sales.
   (4) Earnings per share (EPS) = (Net income after taxes (NIAT) - Dividend of preferred shares)/Weighted average of outstanding shares.
5. Cash flow
   (1) Cash flow ratio = Net cash flow of business activities/Current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow for business activities over the past fiveyears/(Capital expenditures + Inventory increase + Cash dividends) over the past five years.
   (3) Cash re-investment ratio = (Net cash flow for business activities - Cash dividends)/(Gross value of fixed assets + Long-term investments + Other assets + Business capital).
6. Degree of leverage (DOL):
   (1) Degree of operating leverage (DOL) = (Net operating revenue - Operating change costs and expenses)/Operating profit.
   (2) Degree of financial leverage (DFL) = Operating profit/(Operating profit - Interest expenses).

(2) Financial analysis of the individual financial report of the past five fiscal years: Not Applicable

3. Audit Report of the Audit Committee

Audit Report of the Audit Committee

This review report was generated after complete review of Silergy's business report, consolidated financial statement, and surplus distribution proposal for 2016, wherein the consolidated financial statement has been completely audited by independent auditors of CPA Ming Yen Chien and CPA Liang Fa Wei of Deloitte & Touche.

The aforementioned business report, consolidated financial statement, and surplus distribution proposal have been audited by this Audit Committee. The Audit Committee regards that there is no nonconformity, and has issued a report in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for further review and approval.

Sincerely,

2017 annual shareholders' meeting of Silergy

Silergy

Convener of the Audit Committee:

March 15, 2017

4. Consolidated financial Report and CPA audit report of the past year: Please refer to the Annex (pages 104-182).

5. The Company's individual financial report audited and attested by a CPA from the most recent fiscal year: Not applicable.

6. Any financial difficulties experienced by Silergy and its affiliated businesses as well as the impact of the said difficulties on the financial condition of Silergy:Silergy and its affiliated businesses have not experienced any financial difficulty.

VII. Review, analysis, and risks of financial position and performance

1. Financial condition

Unit: Thousand NTD

Year / Item	2015 (Note)	2016 (Note)	Difference	
			Sum	%
Current assets	3,814,438	5,331,410	1,516,972	39.77
Fixed assets	109,488	387,356	277,868	253.79
Intangible assets	406,739	4,144,375	3,737,636	9.189.27
Other assets	996,605	964,934	(31,671)	(3.18)
Total assets	5,327,270	10,828,075	5,500,805	103.26
Current liability	719,355	792,934	73,579	10.23
Total liabilities	719,418	2,633,315	1,913,897	266.03
Capital stock	782,206	840,232	58,026	7.42
Capital reserve	1,356,490	3,763,742	2,407,252	177.46
Retained earnings	2,272,381	3,585,510	1,313,129	57.79
Total shareholder equity	4,607,852	8,194,760	3,586,908	77.84

Description of items with material change: (where the difference from the previous fiscal period is 20% or more, and where the amount of change exceeds NT$10 million)

1、Current assets: Mainly attributed to cash and cash equivalent acquired through the issuance of convertible corporate bonds and daily operating balance.

2、Fixed assets: Mainly attributed to additional equipment acquired through corporate merger.

3、Increase in intangible assets and total assets: Mainly attributed to goodwill and other intangible assets acquired through corporate merger.

4、Total liabilities: Mainly attributed to additional non-current liabilities acquired through the issuance of convertible corporate bonds during the current fiscal period.

5、Capital reserve, retained earnings, and total stockholders' equities: Mainly attributed to additional capital reserve by converting convertible corporate bonds and additional net income from 2016.

Note: For 2015 and 2016, the information is generated using International Financial Reporting Standards (IFRSs) approved by the Financial Supervisory Commission (FSC) and consolidated financial statements audited by an independent auditor.

2. Financial performance

(1) Analysis of changes to business outcomes over the past two fiscal years

Units: Thousand NTD; %

Year / Item	2015 (Note)	2016 (Note)	Changes	
			Sum	Proportion of change
Total operating revenue	4,700,981	7,138,903	2,437,922	51.86
Net operating revenue	4,700,981	7,138,903	2,437,922	51.86
Operating cost	2,520,278	3,738,293	1,218,015	48.33
Gross business profit	2,180,703	3,400,610	1,219,907	55.94
Operating expense	1,196,701	1,962,295	765,594	63.98
Net operating profit	1,175,177	1,440,826	265,649	22.61
Non-operating income and benefits	115,947	142,038	26,091	22.50
Non-operating expenses and losses	29,487	84,622	55,135	186.98
Earnings before tax (EBT)	1,261,637	1,498,242	236,605	18.75
Net income after tax (NIAT)	1,201,241	1,469,656	268,415	22.34
Description of items with material changes: (where the difference from the previous fiscal period is 20% or more, and where the amount of change exceeds NT$10 million) 1、Total operating revenue, net operating revenue, operating expenses, gross business profit and operating expenses: Mainly attributed to significant increases in revenue, costs, and expenditure after acquiring a new product series. 2、Non-operating income and benefits: Mainly attributed to additional government funding received in 2016. 3、Non-operating expenses and losses: Mainly attributed to interest expenses from recognition of convertible corporate bonds and syndicated bank loans. 4、Net operating profit and NIAT: Mainly attributed to increase on operational scale and reasonable control of business expenses.				

Note: For 2015 and 2016, the information is generated using International Financial Reporting Standards (IFRSs) approved by the Financial Supervisory Commission (FSC) and consolidated financial statements audited by an independent auditor.

(2) Sales forecast for the future year and basis thereof: Silergywill take the forecasts of customers’considerations into account for planning production capacity and past business performance to set annual delivery goals.

(3) Possible impact on the company’s financial operations and response plans:

The business sector of Silergy is still in a growing phase. Meanwhile, Silergy shall also constantly monitor changes to market requirements, expand its market share, develop new customers, improve corporate profitability, and continue to have a stable and healthy financial condition.

3. Cash flow

(1) Analysis of changes to cash flow over the past fiscal year

Units: Thousand NTD; %

Item	2015	2016	Changes to increase (decrease)	
			Sum	%
Business activity	854,662	1,662,257	807,595	94.49
Investment activity	(792,728)	(4,130,385)	(3,337,657)	421.03
Financing activity	(326,605)	3,793,289	4,119,894	(1,261.43)
Net cash inflow (outflow)	(201,070)	1,258,841	1,459,911	(726.07)

Analysis of the proportion of change:
Business activity: Net cash inflow increased by NT$807,595 thousand mainly attributed to business profits.
Investment activity: Net cash outflow increased by NT$3,337,657 thousand mainly attributed to merger costs.
Financing activity: Net cash inflow increased by NT$4,119,894 thousand mainly attributed to cash received through issuance of convertible corporate bonds.

(2) Improvement plan for inadequate liquidity: Silergy expects to maintain profitability for 2017 as business activity will maintain net cash inflow and respond to required cash outflow from investment and financing activities. There should be no concern of inadequate liquidity.

(3) Cash liquidity analysis for the following year

Unit: Thousand NTD

Initial cash balance (1)	Net cash inflow resulting from business activities for the entire year (2)	Cash outflow for the entire year (3)	Sum of cash surplus (inadequacy) (1) + (2) - (3)	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
2,679,526	1,998,083	1,071,830	3,605,780	-	-

Analysis of cash flow for the future year:
1. Business activity: Net cash inflow increased by NT$1,998,083 thousand mainly attributed to business profits.
2. Investment activity: Cash outflow of NT$1,071,830 thousand mainly attributed to expected issuance of share dividends and construction of the headquarters building.
3. Financing activity: None.

4. Material expenditure over the past year and its impact on the company's finances and operations:

Main capital expenditure forecasts for the past fiscal year of Silergy are acquisition of equipment and technologies required for research and development as well as construction of the headquarters building, and shall be metfrom corporate capital.

5. Policy on investment in other companies, main reasons for profit/losses resulting therefrom, improvement plan, and investment plans for the upcoming fiscal year

(1) Policy on investment in other companies:

Silergy focuses on its primary business sector and its policy on investments in other companies is based on investment related to the businesses. The responsible department shall comply with the internal control system (ICS) Investment Cycle, Procedures for Handling Acquisition and Disposal of Assets and other relevant regulations to implement relevant policies;the relevant regulations and procedures have been discussed and approved by the Board of Directors or at a shareholders' meeting.

(2) Reasons for profits or losses

Units: Thousand NTD; %

Investee	Shareholding percentages	Recognized investment profits (losses) of 2016	Reason for profits or losses	Improvement plan
Silergy Technology	100	4,087	Business growth	Not applicable
Silergy Semiconductor Technology (Hangzhou)	100	623,518	Business growth	Not applicable
Nanjing Silergy Semiconductor Technology	100	174,601	Business growth	Not applicable
Silergy Semiconductor (Samoa) Limited	100	(138,516)	Recognized expenses of Taiwanese subsidiaries	ContinuousR&D expansion and new business development
Hangzhou Innvolt Technology	100	178	Interest income	Not applicable
Taiwan Silergy Co., LTD	100	(19,326)	R&D investment	Continuous R&D expansion and new business development
Integrated Crystal Technology Inc.	100	(20,525)	R&D investment	ContinuousR&D expansion and new business development

Investee	Shareholding percentages	Recognized investment profits (losses) of 2016	Reason for profits or losses	Improvement plan
Xian Silergy Semiconductor Technology	100	(45,546)	R&D investment	Continuous R&D expansion and new business development
Silergy Semiconductor (Hong Kong) Limited	100	(7,503)	Investment losses assessed as per the recognized equity method	Continuous to supervise and optimize investee performance
Gazelle Semiconductor Inc.	100	(1,200)	R&D investment	Continuous R&D expansion and new business development
Shanghai Pengxi Semiconductor Technology Limited	100	(23,277)	R&D investment	Continuous R&D expansion and new business development
Silergy Technologies Private Limited	100	(4,266)	R&D investment	Continuous R&D expansion and new business development
Chengdu Silergy Technologies Limited	100	(6)	Establishment and registration costs	Not applicable
Hefei SMAT Technology Co., Ltd.	38.64	(17,513)	Amortization of R&D investments and intangible assets	ContinuousR&D expansion and new business development

(3) Improvement plan: Establish an effective business management constitution, coordinate group policy development, and strengthen measures for marketing and receiving orders.

(4) Investment plan for the future year: Refer to corporate operations and market requirements to evaluate opportunities for continuing investments.

6. Risks: Please refer to pages 4 to 17.

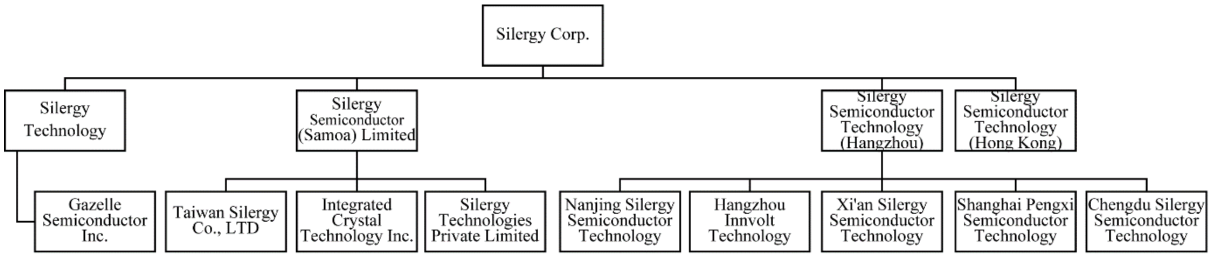
7. Other important items: None.

VIII. Special Items to be Included

1. Affiliated businesses

(1) Organization structure of affiliated businesses

December 31, 2016



(2) Overall business scope of all affiliated businesses

The primary business scope of affiliated businesses invested in by Silergy include: R&D, design, and sales of power management IC (PMIC), and provision of relevant technical services and professional investments.

(3) Basic information of affiliated businesses

December 31, 2016; Unit: NTD

Name	Date of incorporation	Address	Actual paid-in capital	Primary business
Silergy Semiconductor Technology (Hangzhou)	2008/5	Mainland China	USD 29,820,270	R&D, design, and sales of electronic parts, and provision of related technical services.
Silergy Technology	2008/5	US	USD 3,122,140	Development and design services for PMIC technologies
Nanjing Silergy Semiconductor Technology	2012/8	Mainland China	RMB 31,000,000	R&D, design, and sales of electronic parts.
Silergy Semiconductor (Samoa) Limited	2012/12	Samoa	USD 19,700,000	Professional investment company
Hangzhou Innvolt Technology	2014/3	Mainland China	RMB 3,000,000	R&D, design, and sales of electronic parts, and provision of related technical services.
Taiwan Silergy Co., LTD	2014/6	Taiwan	NTD 60,000,000	R&D and design of electronic parts and other products.
Integrated Crystal Technology Inc.	2000/3	Taiwan	NTD 267,000,000	R&D, design, and sales of electronic parts.
Xian Silergy Semiconductor Technology	2015/4	Mainland China	RMB 26,000,000	R&D, design, and sales of electronic parts.

Name	Date of incorporation	Address	Actual paid-in capital	Primary business
Silergy Semiconductor (Hong Kong) Limited	2015/10	Hong Kong	USD 11,365,000	Professional investment company
Gazelle Semiconductor Inc.	2013/3	US	USD 5,000	R&D and design of electronic parts and other products.
Shanghai Pengxi Semiconductor Technology Limited	2016/4	Mainland China	RMB 10,000,000	R&D and design of electronic parts and other products.
Silergy Technologies Private Limited	2016/5	India	USD 2,000	R&D, design, and sales of electronic parts.
Chengdu Silergy Technologies Limited	2016/11	Mainland China	RMB 20,000,000	R&D and design of electronic parts and other products.

(4) Information on shareholders with corporate governance power while working in the company: None.

(5) Directors, supervisors, and general managers of affiliated businesses

December 31, 2016; Unit: Shares; %

Name	Title	Name or representative	Company owned	Number of shares held	Shares held
Silergy Semiconductor Technology (Hangzhou)	Executive director Supervisor	Wei Chen Budong You	Silergy Corp.	-	100%
Silergy Technology	Director and General Manager	Silergy Corp. (Representative: Michael Grimm)	Silergy Corp.	-	100%
Nanjing Silergy Semiconductor Technology	Executive director Supervisor	Wei Chen Budong You	Silergy Semiconductor Technology (Hangzhou)	-	100%
Silergy Semiconductor (Samoa) Limited	Director	Silergy Corp. (Representative: Wei Chen)	Silergy Corp.	-	100%
Hangzhou Innvolt Technology	Executive director Supervisor	Wei Chen Budong You	Silergy Semiconductor Technology (Hangzhou)	-	100%

Name	Title	Name or representative	Company owned	Number of shares held	Shares held
Taiwan Silergy Co., LTD	Director	Po-I Hsieh	Silergy Semiconductor (Samoa) Limited	-	100%
Integrated Crystal Technology Inc.	Chairperson of the Board	Silergy Semiconductor (Samoa) Limited (Representative: Wei Chen)	Silergy Semiconductor (Samoa) Limited	26,700 thousand	100%
Xian Silergy Semiconductor Technology	Executive director Supervisor	Wei Chen Budong You	Silergy Semiconductor Technology (Hangzhou)	-	100%
Silergy Semiconductor (Hong Kong) Limited	Director	Kuan-cheng Pan	Silergy Corp.	-	100%
Gazelle Semiconductor Inc.	Executive director and general manager	Silergy Technology (Representative: Michael Grimm)	Silergy Technology	-	100%
Shanghai Pengxi Semiconductor Technology Limited	Executive director Supervisor	Wei Chen Budong You	Silergy Semiconductor Technology (Hangzhou)	-	100%
Silergy Technologies Private Limited	Director	Silergy Semiconductor (Samoa) Limited (Representative: Wei Chen)	Silergy Semiconductor (Samoa) Limited	-	100%
Chengdu Silergy Technologies Limited	Executive director Supervisor	Wei Chen Budong You	Silergy Semiconductor Technology (Hangzhou)	-	100%

(6) Business operations of the affiliated businesses

December 31, 2016; Unit: Thousand NTD

Name	Actual paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit (loss)	Gain (loss) during this period	Earnings per share (EPS) (NTD)
Silergy Semiconductor Technology (Hangzhou)	961,704	2,574,466	323,926	2,250,540	2,560,008	520,461	623,518	Not applicable
Silergy Technology	100,689	241,936	56,872	185,064	263,452	3,024	4,087	Not applicable
Nanjing Silergy Semiconductor Technology	144,119	383,544	58,928	324,616	439,609	172,063	174,601	Not applicable
Silergy Semiconductor (Samoa) Limited	635,325	313,707	31,342	282,365	20,873	(139,396)	(138,516)	Not applicable
Hangzhou Innvolt Technology	13,947	14,426	5	14,421	0	(1)	178	Not applicable
Taiwan Silergy Co., LTD	60 thousand	36,627	14,665	21,962	0	(19,406)	(19,326)	Not applicable
Integrated Crystal Technology Inc.	267 thousand	221,145	12,172	208,973	20,873	(18,384)	(16,764)	Not applicable
Xian Silergy Semiconductor Technology	120,874	78,808	13,646	65,162	2,979	(50,443)	(45,546)	Not applicable
Silergy Semiconductor (Hong Kong) Limited	366,521	336,638	56	336,582	0	(61)	(7,503)	Not applicable
Gazelle Semiconductor Inc.	161	61,290	(2,010)	63,300	14,399	697	678	Not applicable
Shanghai Pengxi Semiconductor Technology Limited	46,490	32,227	8,009	24,218	0	(23,280)	(23,277)	Not applicable
Silergy Technologies Private Limited	65	2,541	5,574	(3,033)	0	(4,177)	(4,266)	Not applicable
Chengdu Silergy Technologies Limited	92,980	92,974	0	92,974	0	(10)	(6)	Not applicable

Note: Capital sum, total assets, total liabilities, and net worth are calculated using the exchange rates at the end of 2016.Operating revenue, operating profit (loss), profit (loss) for the current fiscal period, and earnings per share (EPS) are based on the average annual exchange rate of 2016.

(7) Consolidated financial statement of affiliated enterprises: Similar to the consolidated financial reports of Silergy and its affiliated businesses. Refer to pages 104 to 182.

(8) Affiliation Report: Not applicable.

2. Private placement of securities of the past year up to the publication date of this report: None.

3. Holding or disposition of company shares of the past fiscal year up to the publication date of this report: None.

4. Other items that must be included:

The following is a compilation of key differences between the Articles of Incorporation of Silergy and regulations of the Republic of China governing the shareholders' rights:

Key matters related to the protection of the shareholders' rights	Provisions in the Articles of Incorporation and description thereof	Laws of the Cayman Islands and description thereof	Differences
Where the company buys its own shares and transfersthem to an employee, the company may restrain the shares from being transferred or assigned to others within a specific period of time, which shall be no longer than two (2) years.	According to Article 1 of the Articles of Incorporation, Treasuryshares shall refer to shares that have been issued in accordance with the Articles of Incorporation, laws of the Cayman Islands or laws governing listed companies but have been repurchased, redeemed, or acquired using other means but not terminated. Regulations governing this item is thus provided in Article 40C of the Articles of Incorporation.	The Board of Directors may decide the terms and conditions related to Treasury shares. Additionally, there are no laws in the Cayman Islands governing matters related to the employees' bonus plans.	Attorneys from the Cayman Islands advise that regulations governing restrain on transfer or assignment be considered a restriction agreed between the transferor and transferee, hence a contractual matter between themselves.
5. Key contents of the following items shall be listed and described in the reasons for convening a shareholders' meeting, and may not be proposed as an extraordinary motion: (1) election or dismissal of directors or supervisors; (2) amending the Articles of Incorporation; (3) corporate dissolution, merger, transfer of shares, and demerger; (4) enter into, amend or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with another party; (5) transfer the whole or any essential part of its business or assets; (6) accept the transfer of the entirety of a business or asset from another party, in which the transfer has a great bearing on the business operation of the	Cayman Islands Companies Law provides no special regulations governing extraordinary motions. Provisions from Paragraph 5 are therefore included in Article 50 of the Articles of Incorporation.	Cayman Islands Companies Law provides no special regulations governing extraordinary motions.	According to legal attorneys from the Cayman Islands, for matters related to extraordinary motions, the shareholders' meeting must clearly state the content to be discussed at the meeting and provide relevant information to facilitate the shareholders' understanding. However, a shareholders' meeting notice often includes the item *any other motions*. Such motions are usually informal or not important. The meeting chairperson may not place a key matter into this motion. Any key matter shall be discussed and resolved by convening another meeting in accordance with relevant procedures. However, for matters or urgency that must be discussed at the shareholders' meeting, additional details will be raised during the next meeting for ratification. Hence, even though the Cayman Islands laws do not clearly prohibit extraordinary motions, legal attorneys from the Cayman Islands recommend that it will not be proper to raise

Key matters related to the protection of the shareholders' rights	Provisions in the Articles of Incorporation and description thereof	Laws of the Cayman Islands and description thereof	Differences
company; (7) and private issuance of securities with equity characteristics. (8) Permission for restrictions for director's non-competition agreement; (9) new shares issuance shall be used to allocate the whole or part of share dividends or bonuses; (10) the legal reserve and the capital reserve built through share premium or receiving of gift and income shall be distributed, by means of issuance of new shares, to the original shareholders.			extraordinary motions at the shareholders' meeting.
3. Where the company exercises voting rights by correspondence or electronic means, the method of exercising the rights shall be clearly stated in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means shall be regarded as having personally attended the meeting. However, the shareholder shall be regarded as having forfeited voting rights for extraordinary motions or amendments to the original motion.	Cayman Islands Companies Law does not have any special regulations governing the matters stated in Paragraph 3. The regulations in the first section of Paragraph 3 are therefore provided in Article 68 of the Articles of Incorporation.	Cayman Islands Companies Law has no special regulations governing the matters stated in Paragraph 3.	As per legal opinionfrom the Cayman Islands, a shareholder voting by correspondence is regarded as having granted the chairperson with the power of attorney on his/her behalf. Hence, the opinion of the Cayman Islands lawyer on the second section of the matters stated in Paragraph 3 is placed in the provisions of Article 68 of the Articles of Incorporation (in other words, a shareholder exercising voting rights by correspondence or electronic means shall be regarded as having granted the chairperson of the shareholders' with the power of attorney to act, on the basis of the correspondence or electronic file, on the shareholder's behalf; however, the shareholder is regarded to have forfeited his/her voting rights for extraordinary motions or amendments to an original motion; however, the aforementioned granting of the power of attorney shall not be regarded as the granting of the power of attorney as specified by laws governing listed companies.

Key matters related to the protection of the shareholders' rights	Provisions in the Articles of Incorporation and description thereof	Laws of the Cayman Islands and description thereof	Differences
4. If a shareholder who exercised voting rights by correspondence or by electronic means intends to personally attend the shareholders' meeting, he/she shall revoke the power of attorney, two days prior to the convening of the shareholders' meeting, and by using the same method for exercising the voting rights, his or her expressed intent to exercise voting rights by correspondence or electronic means. If the shareholder failed to revoke his or her expressed intent within the time limit, the shareholders' voting rights as exercised by correspondence or electronic means will prevail.	Cayman Islands Companies Law does not provide special regulations governing the matters stated in Paragraph 5. The regulations of Paragraph 5 are therefore provided in Article 70 of the Articles of Incorporation.	Cayman Islands Companies Law provides no special regulations governing the matters stated in Paragraph 5.	As per legal opinion from the Cayman Islands, under the Common Law system of the UK and the US, a person may revoke its proxy by attending the meeting in person. Hence, a shareholder exercising voting rights by correspondence or electronic means shall be regarded as granting the power of attorney to the chairperson of the shareholders' meeting to act, on the basis of the instructions provided in the correspondence or electronic file, on the shareholder's behalf. Hence, the provisions of Paragraph 5 may be considered not enforceable.
5. After the power of attorney form is delivered to the company, if a shareholder intends to personally attend the shareholders' meeting or intends to exercise voting rights by correspondence or electronic means, the shareholder shall provide two days prior to the convening of the shareholders' meeting, a written request to the company to revoke the power of attorney. Where the shareholder fails to revoke the power of attorney after the specified period, the voting rights exercised by an attending proxy will prevail.	Cayman Islands Companies Law provides no special regulations governing the power of attorney forms or collection of power of attorney forms. Provisions from Paragraph 5 are therefore included in Article 62A of the Articles of Incorporation.	Cayman Islands Companies Law provides no special regulations governing power of attorney forms or collection of power of attorney forms.	As per the opinion of a Cayman Islands lawyer, under common law, a person may revoke his/her proxy by attending the meeting in person. The provisions of Paragraph 5 may not be enforceable.
For the following motions that relate to key rights of the shareholders, the motion may be adopted by a majority vote at a shareholders' meeting, wherein the meeting is attended by shareholders representing two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at a shareholders' meeting of a	(1) Cayman Islands Companies Law has neither special requirements nor prohibitions regarding matters provided in Subparagraph 1, Subparagraph 4, part of Subparagraph 5 regarding demergers, and Subparagraph 6. Hence, matters provided in Subparagraph 1,	Cayman Islands Companies Law has no special requirements nor restrictions regarding items 1, 4, 5 (the part regarding demergers) and 6. For items 2 and 3, Article 24 of the Cayman Islands Companies Law provides that any	Article 24 of the Cayman Islands Companies Lawspecifies that any amendment of the Articles of Incorporation can only be adopted through a special resolution at a shareholders' meeting. The provisions of Paragraph 2 are thus provided in Article 157 of the Articles of Incorporation, stating that the company may adopt an amendment to the memorandum and/or Articles of Association

Key matters related to the protection of the shareholders' rights	Provisions in the Articles of Incorporation and description thereof	Laws of the Cayman Islands and description thereof	Differences
company is less than the percentage of the total shareholdings required in the preceding Paragraph, the resolution may be adopted by at least two-thirds of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company: 1. enter into, amend or terminate any contract for lease of the company's business in whole, or for entrusted business, for regular joint operation with another party, transfer the whole or any essential part of its business or assets, and accept the transfer of the entirety of a business or asset from another party, in which the transfer has a great bearing on the business operation of the company. 2. Amending the Articles of Incorporation 3. Where amendments to the Articles of Incorporation will damage the rights of shareholders holding preferred shares, a resolution of the preferred shareholders' meeting must be convened 4. New shares issuance shall be used to allocate the whole or part of share dividends or bonuses. 5. Resolutions for corporate dissolution, merger, or demerger. 6. Private financing with securities.	Subparagraph 4, part of Subparagraph 5 regarding demergers, and Subparagraph 6 are respectively provided in Articles 32 (a), (b), (c), (d), (e), and (h). Such matters can only be approved through a supermajority resolution at a shareholders' meeting.	amendment to the Articles of Incorporation can only be approved through a special resolution. For item 5 (the part on the demerger), Article 116 of the Cayman Islands Companies Law provides that a company can undergo voluntary dissolution only after a special resolution; additionally, if the company motions to undergo voluntary dissolution as a result of being unable to settle its debts, the motion must be passed through a shareholders' meeting. Attorneys from the Cayman Islands believe that the matter may only be implemented with an ordinary resolution or special resolution adopted in the aforementioned shareholders' meeting, or through a higher-level resolution specified in the Articles of Incorporation. Additionally, for a matter related to item 5 (the part regarding demergers), they express that Article 233(6) of the Cayman Islands Companies Law provides that the matter can be approved onlythrough a special resolution. Where the Articles of Incorporation have other regulations governing the	through a special resolution. Matters regarding the number of attendants at the shareholders' meeting are specified in the provisions of Article 51 (stating that the motion may be adopted by a shareholders' meeting where the shareholders attending in person or by proxy represent a majority of the outstanding shares of the company). Hence, provisions of Subparagraph 3 are provided in Article 18 of the Articles of Incorporation, stating that for a motion relating to an amendment of the Articles of Incorporation that damages the rights of a shareholder holding preferred shares, the motion can only be adopted by a special resolution in a general shareholders' meeting, and a special resolution in a preferred shareholders' meeting. Matters regarding the number of attendants at the shareholders' meeting are specified in the provisions of Article 51 (stating that the motion may be adopted by a shareholders' meeting where the shareholders attending in person or by proxy represent a majority of the outstanding shares of the company). For the part in Subparagraph 5 related to dissolution, Article 116 of the Cayman Islands Companies Law provides that a company can undergo voluntary dissolution onlyafter a special resolution; additionally, if the company motions to undergo voluntary dissolution as a result of inability to settle its debts, the motion must be passed at a shareholders' meeting. Attorneys from the Cayman Islands believe that the matter may only be implemented with an ordinary resolution or special resolution adopted at the aforementioned shareholders' meeting, or through a higher-level resolution specified in the Articles of Incorporation.

Key matters related to the protection of the shareholders' rights	Provisions in the Articles of Incorporation and description thereof	Laws of the Cayman Islands and description thereof	Differences
		resolution, and then follow the relevant provisions of the Articles of Incorporation.	Hence, the part of Subparagraph 5 related to corporate dissolution is provided in Article 33 of the Articles of Incorporation, stating that if the company motions to undergo voluntary dissolution as a result of being unable to settle its debts, the motion shall be resolved through a supermajority resolution at a shareholders' meeting (Article 33(a)); if the company motions to undergo voluntary dissolution for other reasons, then the motion shall be resolved through a special resolution (Article 33(b)). Matters regarding the number of attendants at the shareholders' meeting are specified in the provisions of Article 51 (stating that the motion may be adopted by a shareholders' meeting where the shareholders attending in person or by proxy represent a majority of the outstanding shares of the company). Additionally, for a matter related to the part of Subparagraph 5 regarding mergers, legal opinion from the Cayman Islands is that Article 233(6) of the Cayman Islands Companies Law provides that the matter can only be approved through a special resolution. Where the Articles of Incorporation have other regulations governing the resolution, and then follow the relevant provisions of the Articles of Incorporation. Hence, the part of Subparagraph 5 related to mergers is included Article 31(c) of the Articles of Incorporation. Matters regarding the number of attendants at the shareholders' meeting are specified in the provisions of Article 51 (stating that the motion may be adopted by a shareholders' meeting where the shareholders attending in person or by proxy represent a majority of the outstanding shares of the company).

Key matters related to the protection of the shareholders' rights	Provisions in the Articles of Incorporation and description thereof	Laws of the Cayman Islands and description thereof	Differences
Regulations related to supervisors.	Silergy has not appointed a supervisor. There is no amendment to the Articles of Incorporation regarding this matter.	Cayman Islands Companies Law provides no special regulations governing supervisors.	Silergy has not appointed a supervisor. There is no amendment to the Articles of Incorporation regarding this matter.
5. After the power of attorney form is delivered to the company, if a shareholder intends to personally attend the shareholders' meeting or intends to exercise voting rights by correspondence or electronic means, the shareholder shall provide, two days prior to the convening of the shareholders' meeting, a written notice to the company to revoke the power of attorney. Where the shareholder fails to revoke the power of attorney after the specified period, the voting rights exercised by an attending proxy shall prevail.	Cayman Islands Companies Law provides no special regulations governing power of attorney forms or collection of power of attorney forms. Provisions from Paragraph 5 are therefore included in Article 62A of the Articles of Incorporation.	Cayman Islands Companies Law provides no special regulations governing power of attorney forms or collection of power of attorney forms.	Legal opinion from a Cayman Islands states that under Common Law, a person may revoke his/her proxy by attending the meeting in person. The provisions of Paragraph 5 may not be enforceable.
1. A shareholder who has held more than three percent (3%) of outstanding shares of the company may submit a written requestto a supervisor to initiate litigation against a director on behalf of the company. The court of first instance shall be the Taiwan Taipei District Court. 2. Where the supervisor does not initiate litigation when a period of 30 days has passed after the shareholder makes the request, the shareholder may initiate litigation against the company. The court of first instance shall be the Taiwan Taipei District Court.	The Articles of Incorporation of the Cayman Islands company do not make any special request or prohibitions on this matter. Silergy also did not appoint any supervisor, but has established an Audit Committee. In accordance with the *Tai-Cheng-Shang-Tzu*Official Letter No. 1011702189 of the Taiwan Stocks Exchange (TWSE) on July 27, 2012, a company shall replace a supervisor with an independent director serving in an audit committee. Hence, parts of Paragraphs 1 and 2 relating to supervisors are replaced with independent directors of the audit committee, and included in Article 123 of the Articles of Incorporation. A court with jurisdiction (including Taiwan Taipei District Court) shall be the competent court. Legal opinionfrom Cayman Islands	Cayman Islands Companies Law provides neither special requirements nor restrictions regarding this item. According to the Cayman Islands laws, a shareholder may initiate a litigation on behalf of the company with the following conditions: (A) where an act is a legal violation or trespasses an authorized scope of a company, and cannot be ratified by the shareholder; or (B) where an act is a fraud against a minority of shareholders (in other words, the target seeking legal redress through litigation will be a major shareholder, and the major shareholder is a	Legal opinion from Cayman Islands states that although the Articles of Incorporation specify that the directors and company bear joint and several liabilities, the legal perspective is that a third party still cannot directly initiate a point of law against a director.

Key matters related to the protection of the shareholders' rights	Provisions in the Articles of Incorporation and description thereof	Laws of the Cayman Islands and description thereof	Differences
	says that Article 123 of the Articles of Incorporation must fulfill the statutory regulations of the Cayman Islands. According to the laws of the Cayman Islands, a director is not obliged to initiate, when receiving a request from a shareholder holding 3% or more shares, a litigation against another director if the said director believes that the litigation does not benefit the company.	plaintiff who will not allow the company to adopt non-interference with respect to the litigation seeking legal redress; where the litigation is initiated for this Subparagraph, then a proof of fraud and the violator implementing such act exerts a controlling right over the company must be provided). A court of the Cayman Islands is inclined to not interfere with internal activities of a company where the act is within the authorized scope of the company, or has trespassed the authorized scope but can still be ratified by the shareholders and fulfills the intent of a majority of shareholders.	
1. A company director shall act diligently and take due care of the company as a good administrator in conducting the business operation of the company; if he/she has acted contrary to this provision, shall be liable for the damages sustained by the company there-from. If the said act is implemented by the director himself or herself, or another party, the board of shareholders may resolve and consider an earning received from the said act as an earning of the company. 2. Where a director has, in the course of conducting business operations, violated any provision of the applicable laws and thus caused damage	Please consider legal opinions from the Cayman Islands (refer to the left column for details). The provisions of Paragraphs 1, 2, and 3 are therefore included within Article 97A of the Articles of Incorporation.	As per the Cayman Islands Companies Law, a director has fiduciary duties to the company. If the director violates said fiduciary duties and where the said violation damages the company, the court may rule the director to bear liabilities for compensating the damage. However, where the violation of fiduciary duties is implemented on behalf of the director himself/herself or another party and where a benefit is received, the court	According to the Cayman Islands laws, where a director, in the course of performing business operations, damages a third party, the third party may request damage payments from the company. The company may, in response, request the director to compensate the loss incurred by the company. Although the Articles of Incorporation specify that the directors and company bear joint and several liabilities, the legal perspective of the Cayman Islands is that a third party still cannot directly initiate a point of law against a director.

Key matters related to the protection of the shareholders' rights	Provisions in the Articles of Incorporation and description thereof	Laws of the Cayman Islands and description thereof	Differences
to another party, he/she shall be liable, jointly and severally, for the damage. A managerial officer and a supervisor shall bear, when performing a functional duty, the same liabilities as a company director when causing damages.		may rule the return of the said benefit.	

IX. Any event which has a material impact on the shareholders' equity or on prices of securities as specified in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act that have occurred in the past year up to the publication date of this report: None.

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

Notice to Readers

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

(Continued)

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**	**%**
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.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

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														
	Capital Stock (Note 23)		Capital Surplus (Notes 19, 23 and 27)					Retained Earnings (Note 23)			Other Equity (Notes 4, 23 and 27)				
	Shares	Amount	Paid-in Capital	Employee Share Options	Share Options	Restricted Shares For Employees	Total	Legal Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unearned Employee Benefits	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)

(Continued)

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
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	Proportion of Ownership December 31 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	**2014**	**2015**	**2014**
	(In Thousands of NT Dollars)	**(In Thousands of NT Dollars)**	**(NT Dollars)**	**(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	**Dividends Per Share**
	(In Thousands of N.T. Dollars)	**(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

TABLE 1

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.

TABLE 3

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)

TABLE 4

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

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.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

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	-
Invvolt	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.