Phison Electronics Corp. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2017 and 2016 (Restated) and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Phison Electronics Corp.

We have reviewed the financial statements of Phison Electronics Corp. (the "Corporation") and its subsidiaries (collectively, the "Group") which comprise the consolidated balance sheet as of June 30, 2017 and 2016 (2016 restated) and the consolidated statements of comprehensive income for the three months ended and the six months ended June 30, 2017 and 2016 (2016 restated), and the changes in equity and cash flows for the six months ended June 30, 2017 and 2016 (2016 restated). These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

As stated in Note 13 in the consolidated financial statements, the financial statements of certain immaterial subsidiaries included in the consolidated financial statements were not reviewed. As of June 30, 2017 and 2016 (2016 restated), the total assets of these subsidiaries were 6% (NT$2,216,403 thousand) and 7% (NT$1,995,405 thousand), respectively, and the total liabilities of these subsidiaries were 4% (NT$550,846 thousand) and 5% (NT$542,031 thousand), respectively, of the related consolidated amounts (2016 restated). Of the consolidated comprehensive income and loss for the three months ended and the six months ended June 30, 2017 and 2016 (2016 restated), the subsidiaries' portions were 1% (a gain of NT$18,763 thousand), (2%) (a loss of NT$22,205 thousand), 0% (a loss of NT$1,192 thousand) and (5%) (a loss of NT$85,624 thousand), respectively. Furthermore, as stated in Note 14 to the consolidated financial statements, the investments accounted for by the equity method as of June 30, 2017 and 2016 (2016 restated) amounted to NT$1,520,553 thousand and NT$797,468 thousand, respectively, and the share of comprehensive profit of associates for the three months ended and the six months ended June 30, 2017 and 2016 (2016 restated) were NT$141,788 thousand, NT$66,495 thousand, NT$263,934 thousand, and NT$88,744 thousand, respectively. As stated in Note 35 to the consolidated financial statements, these investment amounts and the related information of the investees disclosed in the notes to the consolidated financial statements were based on unreviewed financial statements for the same reporting periods as those of the Corporation.

Based on our reviews, except for the effects of any adjustments that might have been made had the consolidated financial statements of the subsidiaries and the investees mentioned in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements of the Group as of and for the six months ended June 30, 2017 and 2016 (2016 restated) referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard No. 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

As stated in Note 26, as recorded in the minutes of meetings of the Corporation’s board of directors on August 11, 2016 and as stipulated in the declaration of Mr. Khein Seng Pua, the Chairman of the Corporation, the operational management of Everspeed Technology Group (“ETG”) is under the substantial control of the Chairman and should be considered a related party of the Corporation. The Corporation received Rule No. 1050036477 issued by the FSC mandating the acknowledgement of ETG as a controlled entity of the Corporation and the inclusion of the entity into the Group’s consolidated financial statements. The Corporation did not originally hold any interest in ETG. For the long-term development and enhancement of the integrity of the Corporation’s operating structure, the board of directors resolved on September 21, 2016, to acquire 100% equity interest in ETG from the shareholders of Everspeed Technology Limited, the parent company of ETG, on September 30, 2016. In accordance with the aforementioned Rule, ETG is included in the consolidated financial statements as a controlled entity, and this event was accounted for as an equity transaction.

As stated in Note 34, the Corporation has been under statutory investigation for an alleged violation of the Securities and Exchange Act since August 5, 2016. The investigation was ongoing as of the date of this report.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 10, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed after Restated)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 13,655,310	38	$ 14,958,331	47	$ 10,278,324	34
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	1,204,856	3	1,227,729	4	2,295,862	8
Debt investments with no active market - current (Notes 8 and 31)	56,438	-	58,729	-	35,038	-
Notes and accounts receivable						
Third parties (Note 9)	4,561,572	13	4,442,409	14	4,695,436	15
Related parties (Notes 9 and 29)	322,950	1	358,250	1	239,988	1
Other receivables (Note 9)	344,034	1	389,357	1	607,978	2
Current tax assets	918	-	1,866	-	829	-
Inventories (Note 10)	9,241,419	26	5,222,336	17	7,954,666	26
Prepayments	138,325	1	68,115	-	121,710	-
Other current assets	30,602	-	28,222	-	45,384	-
Total current assets	29,556,424	83	26,755,344	84	26,275,215	86
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Note 11)	448,130	1	372,051	1	351,450	1
Financial assets measured at cost - non-current (Note 12)	887,863	2	712,890	2	754,248	2
Investments accounted for by the equity method (Note 14)	1,520,553	4	1,256,620	4	797,468	3
Property, plant and equipment (Note 15)	2,821,812	8	2,426,451	7	1,991,592	6
Intangible assets (Note 16)	207,305	1	222,297	1	202,943	1
Deferred tax assets	283,474	1	218,661	1	163,291	1
Guarantee deposits paid	3,233	-	11,325	-	11,903	-
Total non-current assets	6,172,370	17	5,220,295	16	4,272,895	14
TOTAL	$ 35,728,794	100	$ 31,975,639	100	$ 30,548,110	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	$ 304,200	1	$ 580,500	2	$ 96,825	-
Notes and accounts payable						
Third parties	1,302,869	4	1,737,560	5	1,078,534	4
Related parties (Note 29)	2,614,972	7	2,119,391	7	3,255,102	11
Other payables (Note 18)	6,531,333	18	3,152,524	10	4,952,300	16
Tax payable	1,014,474	3	732,348	2	707,501	2
Provisions (Note 19)	371,498	1	344,076	1	129,789	-
Other current liabilities	342,354	1	237,661	1	186,568	1
Total current liabilities	12,481,700	35	8,904,060	28	10,406,619	34
NON-CURRENT LIABILITIES						
Deferred tax liabilities	286	-	315	-	1,776	-
Net defined benefit liability - non-current	74,671	-	72,725	-	68,571	-
Guarantee deposits received	264	-	314	-	254	-
Total non-current liabilities	75,221	-	73,354	-	70,601	-
Total liabilities	12,556,921	35	8,977,414	28	10,477,220	34
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 21)						
Share capital						
Common shares	1,970,740	5	1,970,740	6	1,973,740	6
Capital surplus	6,649,763	19	6,652,449	21	6,514,569	21
Retained earnings						
Legal reserve	2,842,806	8	2,356,107	8	2,356,107	8
Special reserve	25,965	-	111,358	-	111,358	-
Unappropriated earnings	11,640,025	33	11,928,136	37	9,005,765	30
Total retained earnings	14,508,796	41	14,395,601	45	11,473,230	38
Other equity	42,574	-	(25,965)	-	(68,033)	-
Total equity attributable to owners of the Corporation	23,171,873	65	22,992,825	72	19,893,506	65
NON-CONTROLLING INTERESTS	-	-	5,400	-	177,384	1
Total equity	23,171,873	65	22,998,225	72	20,070,890	66
TOTAL	$ 35,728,794	100	$ 31,975,639	100	$ 30,548,110	100

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

(With Deloitte & Touche review report dated August 10, 2017)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

	Three Months Ended June 30				Six Months Ended June 30			
	2017		2016 (Restated)		2017		2016 (Restated)	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 29)								
Gross sales	$ 10,540,311	101	$ 10,497,471	101	$ 20,159,228	100	$ 20,477,326	101
Less: Sales returns and allowances	73,783	1	64,258	1	214,571	1	169,880	1
Net sales	10,466,528	100	10,433,213	100	19,944,657	99	20,307,446	100
Other operating revenue	25,965	-	23,725	-	103,703	1	55,878	-
Total operating revenue	10,492,493	100	10,456,938	100	20,048,360	100	20,363,324	100
OPERATING COSTS (Notes 10, 23 and 29)	7,364,255	70	8,434,681	80	13,987,337	70	16,417,272	81
GROSS PROFIT	3,128,238	30	2,022,257	20	6,061,023	30	3,946,052	19
OPERATING EXPENSES (Note 23)								
Marketing	144,734	2	125,583	1	264,801	1	237,291	1
General and administrative	143,931	1	109,131	1	270,303	1	215,597	1
Research and development	930,787	9	701,281	7	1,928,377	10	1,425,509	7
Total operating expenses	1,219,452	12	935,995	9	2,463,481	12	1,878,397	9
OPERATING INCOME	1,908,786	18	1,086,262	11	3,597,542	18	2,067,655	10
NONOPERATING INCOME AND EXPENSES								
Other gains and losses (Note 23)	(31,614)	-	20,347	-	(384,018)	(2)	15,323	-
Share of gains (losses) of associates	141,788	1	66,495	1	263,934	1	88,744	1
Other income (Note 23)	21,375	-	44,528	-	37,258	-	64,354	-
Financial costs	(1,099)	-	(463)	-	(3,322)	-	(1,278)	-
Total nonoperating income and expenses	130,450	1	130,907	1	(86,148)	(1)	167,143	1
PROFIT BEFORE INCOME TAX	2,039,236	19	1,217,169	12	3,511,394	17	2,234,798	11
INCOME TAX EXPENSE (Notes 4 and 22)	447,947	4	260,608	3	638,845	3	392,326	2
NET PROFIT FOR THE PERIOD	1,591,289	15	956,561	9	2,872,549	14	1,842,472	9

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PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

	Three Months Ended June 30				Six Months Ended June 30			
	2017		2016 (Restated)		2017		2016 (Restated)	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF INCOME TAX								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	$ 12,045	-	$ (16,147)	-	$ (7,176)	-	$ (10,950)	-
Unrealized gains on available-for-sale financial assets	49,145	1	18,600	-	76,079	1	55,500	-
Income tax (expense) benefit relating to items that may be reclassified subsequently to profit or loss	(2,020)	-	2,560	-	1,544	-	2,494	-
Other comprehensive income for the period, net of income tax	59,170	1	5,013	-	70,447	1	47,044	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 1,650,459	16	$ 961,574	9	$ 2,942,996	15	$ 1,889,516	9
NET PROFIT (LOSS) ATTRIBUTED TO:								
Owners of the Corporation	$ 1,591,143	15	$ 960,603	9	$ 2,872,231	14	$ 1,890,340	9
Non-controlling interests	146	-	(4,042)	-	318	-	(47,868)	-
	$ 1,591,289	15	$ 956,561	9	$ 2,872,549	14	$ 1,842,472	9
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTED TO:								
Owners of the Corporation	$ 1,650,151	16	$ 966,706	9	$ 2,940,770	15	$ 1,933,665	9
Non-controlling interests	308	-	(5,132)	-	2,226	-	(44,149)	-
	$ 1,650,459	16	$ 961,574	9	$ 2,942,996	15	$ 1,889,516	9
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 24)								
Basic	$8.07		$4.87		$14.57		$9.58	
Diluted	$8.03		$4.84		$14.42		$9.49	

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

(With Deloitte & Touche review report dated August 10, 2017) (Concluded)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation									
			Retained Earnings			Other Equity				
	Common Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2016 (AUDITED AFTER RESTATED)	$ 1,973,740	$ 6,514,569	$ 1,956,106	$ 5,056	$ 9,990,216	$ (26,608)	$ (84,750)	$ 20,328,329	$ 221,533	$ 20,549,862
Appropriation of the 2015 earnings										
Legal reserve	-	-	400,001	-	(400,001)	-	-	-	-	-
Special reserve	-	-	-	106,302	(106,302)	-	-	-	-	-
Cash dividends - NT$12 per share	-	-	-	-	(2,368,488)	-	-	(2,368,488)	-	(2,368,488)
Net profit (loss) for the six months ended June 30, 2016	-	-	-	-	1,890,340	-	-	1,890,340	(47,868)	1,842,472
Other comprehensive income (loss) for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	(12,175)	55,500	43,325	3,719	47,044
BALANCE AT JUNE 30, 2016 (REVIEWED AFTER RESTATED)	$ 1,973,740	$ 6,514,569	$ 2,356,107	$ 111,358	$ 9,005,765	$ (38,783)	$ (29,250)	$ 19,893,506	$ 177,384	$ 20,070,890
BALANCE AT JANUARY 1, 2017	$ 1,970,740	$ 6,652,449	$ 2,356,107	$ 111,358	$ 11,928,136	$ (66,816)	$ 40,851	$ 22,992,825	$ 5,400	$ 22,998,225
Appropriation of the 2016 earnings										
Legal reserve	-	-	486,699	-	(486,699)	-	-	-	-	-
Reversal of special reserve	-	-	-	(85,393)	85,393	-	-	-	-	-
Cash dividends - NT$14 per share	-	-	-	-	(2,759,036)	-	-	(2,759,036)	-	(2,759,036)
Actual disposal or acquisition of interests in subsidiaries	-	(2,686)	-	-	-	-	-	(2,686)	-	(2,686)
Non-controlling interests	-	-	-	-	-	-	-	-	(7,626)	(7,626)
Net profit for the six months ended June 30, 2017	-	-	-	-	2,872,231	-	-	2,872,231	318	2,872,549
Other comprehensive income (loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	(7,540)	76,079	68,539	1,908	70,447
BALANCE AT JUNE 30, 2017	$ 1,970,740	$ 6,649,763	$ 2,842,806	$ 25,965	$ 11,640,025	$ (74,356)	$ 116,930	$ 23,171,873	$ -	$ 23,171,873

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

(With Deloitte & Touche review report dated August 10, 2017)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

	Six Months Ended June 30	
	2017	2016 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 3,511,394	$ 2,234,798
Adjustments for:		
Net losses on foreign currency exchange	234,833	61,006
Share of gains of associates	(263,934)	(88,744)
Recognition of provisions	157,107	47,057
Depreciation	77,547	57,802
Amortization	74,079	65,595
Write-down of inventories	53,741	8,598
Impairment losses recognized on financial assets	43,864	-
Net losses (gains) on fair value change of financial assets designated as at fair value through loss or profit	20,531	(8,132)
Interest income	(20,029)	(19,044)
Financial costs	3,322	1,278
Allowance for bad debts	2,466	4,947
Dividend income	(1,799)	(5,759)
Other non-cash items	1,163	-
Net changes related to operating assets and liabilities		
Financial assets at fair value through profit or loss	2,011	(60,001)
Notes and accounts receivable	(45,659)	(542,200)
Other receivables	47,764	(225,996)
Inventories	(4,072,860)	(2,711,898)
Prepayments	(71,332)	(62,746)
Other current assets	(2,380)	(6,078)
Notes and accounts payable	44,143	103,132
Other payables	620,343	252,306
Provisions	(129,685)	(67,120)
Other current liabilities	86,921	(31,822)
Net defined benefit liability	1,946	1,670
Cash generated from (used in) operations	375,497	(991,351)
Interest paid	(3,672)	(1,254)
Income tax paid	(418,819)	(354,149)
Net cash used in operating activities	(46,994)	(1,346,754)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(456,295)	(401,049)
Purchase of financial assets measured at cost	(219,359)	(149,029)
Payment of intangible assets	(59,208)	(71,671)
Interest received	19,495	19,458
Decrease (increase) in refundable deposits	8,092	(8,522)

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PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

	Six Months Ended June 30	
	2017	**2016 (Restated)**
Decrease (increase) in debt investments with no active market	$ 2,291	$ (14,630)
Dividends received	1,799	5,759
Net cash used in investing activities	(703,185)	(619,684)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(276,500)	(98,994)
(Decrease) increase in non-controlling interests	(10,312)	3,340
Decrease in guarantee deposits	(50)	-
Net cash used in financing activities	(286,862)	(95,654)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(265,980)	(65,180)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,303,021)	(2,127,272)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14,958,331	12,405,596
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 13,655,310	$ 10,278,324

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

(With Deloitte & Touche review report dated August 10, 2017) (Concluded)

1. GENERAL INFORMATION

Phison Electronics Corp. (the "Corporation") was incorporated on November 8, 2000 under the Company Act of the Republic of China (ROC). The Corporation mainly designs and sells flash memory controllers and peripheral system applications.

The Corporation's shares have been traded on the Taipei Exchange (for over-the-counter trading in Taiwan) since December 6, 2004.

The consolidated financial statements of the Corporation and its subsidiaries, hereto forth collectively referred to as the "Group", are presented in the Corporation's functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on August 10, 2017.

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

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

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

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

   The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and 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 of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Group's respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 29 for related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed by the FSC for application starting from 2018

New, Revised or Amended Standards and Interpretations ("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
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

1) IFRS 9 "Financial Instruments"

Recognition, measurement and impairment of financial assets

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

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

a) For debt instruments, if they are held within a business model whose objective is to collect 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 collection of contractual cash flows and the sale 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 gains or losses 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 gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

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

Based on an analysis of the Group's financial assets as at June 30, 2017 on the basis of the facts and circumstances that exist at that date, the Group has performed a preliminary assessment of the impact of IFRS 9 to the classification and measurement of financial assets as follows:

a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be classified as at fair value through profit or loss.

   Besides those, unlisted shares measured at cost will be measured at fair value instead.

b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The 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 its 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 its initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

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

The Group has performed a preliminary assessment that the Group will apply the simplified approach to recognize lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to the debt instrument investments and the financial guarantee contracts, the Group will assess whether there has been a significant increase in the credit risk to determine whether to recognize 12-month or lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for financial assets.

The Group elects not to restate prior periods when applying the requirements for the recognition, measurement and impairment of financial assets under IFRS 9 and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9. Furthermore, the Group will provide disclosure of the differences in amounts if the Group continued to apply the existing accounting treatments in 2018.

2) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type; in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve this and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

In assessing deferred tax asset, the Group currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendment will be applied retrospectively in 2018.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

IFRS 16 "Leases"

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

The Cause and Effect of Restatement of the Consolidated Financial Statements

As recorded in the minutes of meetings of the Corporation's board of directors on August 11, 2016 and as stipulated in the declaration of Mr. Khein Seng Pua, the Chairman of the Corporation, Mr. Khein Seng Pua has substantial control over the operations and management of Everspeed Technology Group (including Everspeed Technology Limited, Memoryexchange Corporation (controlled since October 2010), Cloud Solution Global Limited (established on October 25, 2012), and Fast Choice Global Limited (established on May 23, 2013)) and Twinson Electronic Corporation (100% acquired by the Corporation on December 25, 2014 and renamed as Ostek Corporation) and, therefore, these companies are related parties of the Corporation. On September 1, 2016, the Corporation received Rule No. 1050036477 issued by the FSC which mandated and acknowledged that the mentioned companies are controlled entities that should be included in the consolidated financial statements. To conform to the Rule, the Corporation has restated its consolidated financial statements from January 1, 2009 to June 30, 2016.

The Corporation does not have any equity interests in Everspeed Technology Group. Therefore, in the consolidated financial statements after restatement, the equity of Everspeed Technology Group is entirely reported as non-controlling interest, and the income (loss) and other comprehensive income (loss) of Everspeed Technology Group is entirely reported as a non-controlling interest.

The Corporation has applied the consolidation basis mentioned above to restate its financial statements for three months ended June 30, 2016. The impact of the restatement on the consolidated financial statements was as follows:

The Effect on Assets, Liabilities and Equity	Amount Before Restatement	Amount Affected	Amount After Restatement
June 30, 2016			
Assets			
Current assets	$ 25,679,960	$ 595,255	$ 26,275,215
Non-current assets	4,240,055	32,840	4,272,895
Total assets	$ 29,920,015	$ 628,095	$ 30,548,110
Liabilities			
Current liabilities	$ 9,935,776	$ 470,843	$ 10,406,619
Non-current liabilities	69,770	831	70,601
Total liabilities	$ 10,005,546	$ 471,674	$ 10,477,220
Equity			
Attributed to owners of the Corporation	$ 19,893,506	$ -	$ 19,893,506
Attributed to non-controlling interests	20,963	156,421	177,384
Total equity	$ 19,914,469	$ 156,421	$ 20,070,890

Impact on Total Comprehensive Income	Amount Before Restatement	Amount Affected	Amount After Restatement
For the three months ended June 30, 2016			
Operating revenue	$ 10,456,938	$ -	$ 10,456,938
Operating costs	8,434,681	-	8,434,681
Gross profit	2,022,257	-	2,022,257
Operating expenses	935,839	156	935,995
Operating income	1,086,418	(156)	1,086,262
Non-operating income and expenses	129,804	1,103	130,907
Profit before income tax	1,216,222	947	1,217,169
Income tax expense	260,608	-	260,608
Net profit for the period	955,614	947	956,561
Other comprehensive income for the period	5,823	(810)	5,013
Total comprehensive income for the period	$ 961,437	$ 137	$ 961,574
Net profit (loss) attributed to:			
Owners of the Corporation	$ 960,603	$ -	$ 960,603
Non-controlling interests	(4,989)	947	(4,042)
	$ 955,614	$ 947	$ 956,561

(Continued)

Impact on Total Comprehensive Income	Amount Before Restatement	Amount Affected	Amount After Restatement
Total comprehensive income (loss) attributed to:			
Owners of the Corporation	$ 966,706	$ -	$ 966,706
Non-controlling interests	(5,269)	137	(5,132)
	$ 961,437	$ 137	$ 961,574
For the six months ended June 30, 2016			
Operating revenue	$ 20,363,324	$ -	$ 20,363,324
Operating costs	16,417,272	-	16,417,272
Gross profit	3,946,052	-	3,946,052
Operating expenses	1,874,985	3,412	1,878,397
Operating income	2,071,067	(3,412)	2,067,655
Non-operating income and expenses	203,847	(36,704)	167,143
Profit before income tax	2,274,914	(40,116)	2,234,798
Income tax expense	392,326	-	392,326
Net profit for the period	1,882,588	(40,116)	1,842,472
Other comprehensive income for the period	43,704	3,340	47,044
Total comprehensive income for the period	$ 1,926,292	$ (36,776)	$ 1,889,516
Net profit (loss) attributed to:			
Owners of the Corporation	$ 1,890,340	$ -	$ 1,890,340
Non-controlling interests	(7,752)	(40,116)	(47,868)
	$ 1,882,588	$ (40,116)	$ 1,842,472
Total comprehensive income (loss) attributed to:			
Owners of the Corporation	$ 1,933,665	$ -	$ 1,933,665
Non-controlling interests	(7,373)	(36,776)	(44,149)
	$ 1,926,292	$ (36,776)	$ 1,889,516

(Concluded)

The Group did not originally hold any equity interest in Everspeed Technology Group. However, for the long-term development and enhancement of the integrity of the Group's operating structure, the Corporation's board of directors held a meeting on September 21, 2016 and decided to acquire 100% equity interest in Everspeed Technology Group from the shareholders of Everspeed Technology Limited, the parent company of Everspeed Technology Group, for NT$1 on September 30, 2016. Consequently, the Corporation included Everspeed Technology Group in its consolidated financial statements as a controlled entity and accounted for the acquisition as an equity transaction. Refer to Note 26 for further details.

Basis of Preparation

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

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 based on the significance of the inputs to the fair value measurement in its entirety. These levels are described as follows:

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

b. 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

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

Basis of Consolidation

See Note 13 and Tables 6 and 7 following the Notes to Consolidated Financial Statements for detailed information on subsidiaries (including the percentage of ownership and main businesses).

Other Significant Accounting Policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2016.

a. Retirement benefits

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

b. Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount 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 estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of trade receivables

   When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between an asset's carrying amount and the present value of the 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.

b. Inventory write-downs

The net realizable value of inventory is its estimated selling price in the ordinary course of business less its estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

c. Provision for sales returns and allowances

Provision for sales returns and allowances refers to the Group’s best estimate of the future outflow of the economic resources that will be required for the settlement of the Group’s obligations. Such estimate is made on the basis of historical experience, management’s judgment, and any known factors that would significantly affect sales returns and allowances. Changes in market conditions may have a material impact on the estimation of provisions.

6. CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand	$ 104	$ 99	$ 104
Checking accounts and demand deposits	9,560,869	11,709,953	6,506,581
Cash equivalents			
Time deposits with original maturities of less than 3 months	4,094,337	3,248,279	3,771,639
	$ 13,655,310	$ 14,958,331	$ 10,278,324

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	June 30, 2017	December 31, 2016	June 30, 2016
Beneficiary certificates - open-end funds	$ 1,147,062	$ 1,147,144	$ 2,215,342
Domestic quoted shares	57,794	80,585	80,520
	$ 1,204,856	$ 1,227,729	$ 2,295,862

8. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	June 30, 2017	December 31, 2016	June 30, 2016
Certificates of deposit	$ 56,438	$ 57,439	$ 35,038
Time deposits with original maturities of more than 3 months	-	1,290	-
	$ 56,438	$ 58,729	$ 35,038

See Note 31 for more information on debt investments with no active market.

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	June 30, 2017	December 31, 2016	June 30, 2016
Notes and accounts receivable - trade			
Operating			
Third parties	$ 4,726,455	$ 4,604,089	$ 4,834,081
Related parties	322,950	358,250	239,988
Non-operating			
Third parties	16	-	-
	5,049,421	4,962,339	5,074,069
Less: Allowance for doubtful accounts	164,899	161,680	138,645
Notes and accounts receivable, net	$ 4,884,522	$ 4,800,659	$ 4,935,424
Other receivables			
Income tax refund receivable	$ 272,657	$ 164,028	$ 206,551
Factored accounts receivable	47,485	201,744	369,719
Others	23,892	23,585	31,708
Other receivables	$ 344,034	$ 389,357	$ 607,978

Accounts Receivable - Trade

For the balances of trade receivables that were past due at the end of the reporting period, the Group had not recognized an allowance for impaired trade receivables because there has been no significant change in credit quality, and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances nor did it have a legal right to make offsets against any amounts owed by the Group to the counterparty.

The aging of receivables was as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Not past due	$ 4,844,063	$ 4,405,250	$ 4,304,441
1-60 days	145,596	515,772	439,841
61-90 days	20,151	319	63,379
91-120 days	2	40,293	-
More than 120 days	39,609	705	266,408
	$ 5,049,421	$ 4,962,339	$ 5,074,069

The above aging schedule was based on the number of days past the end of the credit term.

The Group had no receivables that were past due but not impaired.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ 83,522	$ 50,176	$ 133,698
Add: Impairment losses (reversed) recognized on receivables	(828)	5,775	4,947
Balance at June 30, 2016	$ 82,694	$ 55,951	$ 138,645
Balance at January 1, 2017	$ -	$ 161,680	$ 161,680
Add: Impairment losses recognized on receivables	-	2,466	2,466
Exchange differences	-	753	753
Balance at June 30, 2017	$ -	$ 164,899	$ 164,899

The Group individually recognized impairment losses on trade receivables of $0 thousand, $0 thousand and $82,694 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively. These amounts mainly pertained to customers that were in the process of liquidation or experiencing severe financial difficulties. The Group had no collateral for these receivables.

The factored accounts receivable were as follows:

(In Thousands of U.S. Dollars)

Factor	Factored Amount	Collected Amount	Prepayments	Discount Rate (%)	Factor Limit
For the six months ended June 30, 2017					
HSBC Bank	US$ 22,434	US$ 20,641	$ -	-	US$ 16,200
For the six months ended June 30, 2016					
HSBC Bank	US$ 52,557	US$ 41,102	$ -	-	US$ 13,900

Note: Recorded under other receivables.

The limit above was used on a revolving basis.

The factor was HSBC Bank (Taiwan) Limited. This sale was without recourse.

10. INVENTORIES

	June 30, 2017	December 31, 2016	June 30, 2016
Raw materials	$ 5,931,729	$ 3,299,881	$ 4,244,059
Work-in-process	1,762,281	925,394	2,135,664
Semifinished products	1,504,603	909,398	1,500,157
Finished goods	42,806	87,663	74,786
	$ 9,241,419	$ 5,222,336	$ 7,954,666

The costs of inventories recognized as cost of goods sold for the three months and six months ended June 30, 2017 and 2016 were $7,364,255 thousand, $8,434,681 thousand, $13,987,337 thousand and $16,417,272 thousand, respectively.

The costs of goods sold for the three months and six months ended June 30, 2017 and 2016 included reversals of inventory write-downs of $51 thousand and inventory write-downs of $0, $53,741 thousand and $8,598 thousand, respectively.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT

	June 30, 2017	December 31, 2016	June 30, 2016
Private equity			
Domestic listed, common shares	$ 448,130	$ 372,051	$ 351,450

The Corporation obtained shares issued by Apacer Technology Inc. in a private placement. Under Article 43-8 of the Securities and Exchange Act, the transfer of these share is restricted.

12. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	June 30, 2017	December 31, 2016	June 30, 2016
Domestic unlisted common shares	$ 451,353	$ 435,218	$ 451,147
Overseas unlisted common shares	436,510	277,672	303,101
	$ 887,863	$ 712,890	$ 754,248
Classified according to categories			
Available-for-sale	$ 887,863	$ 712,890	$ 754,248

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

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

The main structure of consolidated financial statement prepared as follows:

Investor	Investee	Main Businesses and Products	Investment Percentage (%) June 30, 2017	December 31, 2016	June 30, 2016	Note
Phison Electronics Corp.	Lian Xu Dong Investment Corporation	Investment	100.00	100.00	100.00	Remark 2
	Phison Electronics Japan Corp.	Sales and service office	100.00	100.00	100.00	Remark 2
	Emtops Electronics Corp.	Sales of flash memory controllers and peripheral system applications products	100.00	100.00	100.00	Remark 2
	Phisontech Electronics (Malaysia) Sdn. Bhd.	Design, production and sale of flash memory controllers and peripheral system applications	100.00	87.00	87.00	Remark 2 and 4
	Global Flash Limited	Investment and trade	100.00	100.00	100.00	Remark 2
	Power Flash (Samoa) Limited	Investment and trade	100.00	100.00	100.00	Remark 2
	Epostar Electronics (BVI) Corporation	Investment	44.21	44.21	60.00	See Note 25
	Everspeed Technology Limited	Trade of electronic components	100.00	100.00	-	Remarks 1 and 2
Global Flash Limited	Phisontech (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronics	100.00	100.00	100.00	Remark 2
	Core Storage Electronic (Samoa) Limited	Investment and trade	100.00	100.00	100.00	Remark 2
Core Storage Electronic (Samoa) Limited	Hefei Core Storage Electronic Limited	Design, R&D, production and sale of integrated circuits, systems and electronics hardware and software and rendering of related services	100.00	100.00	100.00	Remark 2
Phisontech Electronics (Malaysia) Sdn. Bhd.	Phisontech Electronics Taiwan Corp.	Design of ASIC and R&D, manufacture, and sale of ASIC for IP and technical support service	100.00	100.00	100.00	Remark 2
Lian Xu Dong Investment Corporation	Ostek Corporation	Manufacture and trade of electronic components	100.00	100.00	100.00	Remark 2
Epostar Electronics (BVI) Corporation	Epostar Electronics Corporation	Design, production and sale of flash memory controllers and peripheral system applications	100.00	100.00	100.00	Remark 2
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Sale of electronic products	100.00	100.00	100.00	Remark 2
Everspeed Technology Limited	Memoryexchange Corporation	Design and sale of flash memory related products	100.00	100.00	94.00	Remarks 1, 2 and 3
	Cloud Solution Global Limited	Trade of electronic components	100.00	100.00	100.00	Remarks 1 and 2
	Fast Choice Global Limited	Trade of electronic components	100.00	100.00	100.00	Remarks 1 and 2

Remark 1: Refer to Note 4 for the more information on the reasons for restatement.

Remark 2: The corresponding immaterial subsidiaries have not been reviewed.

Remark 3: On September 22, 2016, Everspeed Technology Limited acquired the remaining interest in Memoryexchange Corporation from other shareholders in order to own 100% equity.

Remark 4: On June 20, 2017, the Corporation acquired the remaining minority shares of Phisontech Electronics (Malaysia) Sdn. Bhd. which increased its shareholding to 100%.

b. Subsidiaries excluded from the consolidated financial statements: None.

c. During the preparation of the consolidated financial statements, the substantial transactions between the consolidated entities are entirely written off.

14. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Investments in Associates	June 30, 2017	December 31, 2016	June 30, 2016
Unlisted stocks			
Material associates			
Kingston Solutions Inc.	$ 1,422,746	$ 1,149,415	$ 770,179
Associates that are not individually material			
EpoStar Electronics (BVI) Corporation	68,624	79,732	-
Microtops Design Corporation (“Microtops”)	21,634	24,211	23,988
PMS Technology Corporation	7,549	2,199	2,238
Flexmedia Electronics Corporation	-	1,063	1,063
	$ 1,520,553	$ 1,256,620	$ 797,468

Proportion of Ownership of Material Associates

Associate	June 30, 2017	December 31, 2016	June 30, 2016
Kingston Solutions Inc.	32.91%	32.91%	32.91%

In April 2014, Emtops Electronics Corporation and Fast Choice Global Limited invested in Manutius IP, Inc. at 19% and 48% of its shares, respectively. The Corporation did not have substantial control over Manutius IP, Inc.; and therefore, the investment in Manutius IP, Inc. was accounted for by using the equity method. Manutius IP, Inc. was approved for dissolution by the local USA government on July 8, 2016.

The Group did not proportionally subscribe for the new issue of common shares for cash of Epostar Electronics (BVI) Corporation on August 25, 2016. As a result, the Corporation’s ownership percentage decreased from 60% to 44.21%. The Corporation’s less than 50% voting rights had no power to govern the financial and operating policies of Epostar Electronics (BVI) Corporation. Therefore the Corporation lost control over Epostar Electronics (BVI) Corporation on August 25, 2016.

Refer to Table 6 “Information on Investees” following the Notes to Consolidated Financial Statements for the nature of activities, principal place of business and country of incorporation of the associates.

The calculation of the investments accounted for by the equity method, the Group’s share of profit or loss, and other comprehensive income of those investments for the six months ended June 30, 2017 and 2016 were based on financial statements that have not been reviewed.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Testing Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost								
Balance, January 1, 2016	$ 547,014	$ 28,685	$ 1,060,552	$ 268,973	$ 47,706	$ 17,427	$ -	$ 1,970,357
Additions	266,724	-	4,200	36,018	12,118	12,297	78,000	409,357
Disposals	-	-	-	(25,470)	(20,625)	(336)	-	(46,431)
Effects of foreign currency exchange differences	-	-	-	61	(97)	(234)	-	(270)
Reclassification	-	-	1,500	594	905	-	-	2,999
Balance at June 30, 2016	$ 813,738	$ 28,685	$ 1,066,252	$ 280,176	$ 40,007	$ 29,154	$ 78,000	$ 2,336,012

(Continued)

	Land	Land Improvements	Buildings	Testing Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Accumulated depreciation								
Balance at January 1, 2016	$ -	$ 13,570	$ 156,534	$ 122,348	$ 30,204	$ 10,306	$ -	$ 332,962
Disposals	-	-	-	(25,470)	(20,625)	(336)	-	(46,431)
Depreciation	-	1,834	14,588	33,826	5,141	2,413	-	57,802
Effects of foreign currency exchange differences	-	-	-	57	9	2	-	68
Reclassification	-	-	-	-	19	-	-	19
Balance at June 30, 2016	$ -	$ 15,404	$ 171,122	$ 130,761	$ 14,748	$ 12,385	$ -	$ 344,420
Balance at June 30, 2016, net	$ 813,738	$ 13,281	$ 895,130	$ 149,415	$ 25,259	$ 16,769	$ 78,000	$ 1,991,592
Cost								
Balance at January 1, 2017	$ 813,738	$ 28,775	$ 1,142,341	$ 334,472	$ 40,787	$ 46,484	$ 390,000	$ 2,796,597
Additions	-	-	39,880	71,829	10,322	2,640	351,000	475,671
Disposals	-	-	-	(17,855)	(770)	-	-	(18,625)
Effects of foreign currency exchange differences	-	-	-	(1,573)	(167)	(814)	-	(2,554)
Reclassification	-	-	741,000	23,943	(369)	(23,865)	(741,000)	(291)
Balance at June 30, 2017	$ 813,738	$ 28,775	$ 1,923,221	$ 410,816	$ 49,803	$ 24,445	$ -	$ 3,250,798
Accumulated depreciation								
Balance at January 1, 2017	$ -	$ 17,242	$ 187,260	$ 133,845	$ 19,078	$ 12,721	$ -	$ 370,146
Disposals	-	-	-	(17,855)	(770)	-	-	(18,625)
Depreciation	-	1,842	18,440	50,034	5,705	1,526	-	77,547
Effects of foreign currency exchange differences	-	-	-	14	(56)	(40)	-	(82)
Balance at June 30, 2017	$ -	$ 19,084	$ 205,700	$ 166,038	$ 23,957	$ 14,207	$ -	$ 428,986
Balance at June 30, 2017, net	$ 813,738	$ 9,691	$ 1,717,521	$ 244,778	$ 25,846	$ 10,238	$ -	$ 2,821,812

(Concluded)

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

Land improvements	7 years
Buildings	20-50 years
Buildings - electrical engineering	20 years
Testing equipment	3 years
Office equipment	3 years
Other equipment	3-5 years

16. INTANGIBLE ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Computer software	$ 130,944	$ 131,413	$ 81,000
Technology license fees	76,361	90,884	98,303
Patents	-	-	23,640
	$ 207,305	$ 222,297	$ 202,943

The Group's patents with indefinite useful lives were tested for impairment at least annually, and whenever there was an indication that the asset might be impaired.

A subsidiary held a patent for a multimedia digital picture frame. As of December 31, 2016, the related products were no longer produced; therefore, the Group assessed that the future economic benefits of the patent cannot be determined. Also there was no information about the net realizable value which could be used as a basis for valuation. As a result, the Group recognized an impairment loss for the entire amount of the patent in the current period.

Except for the above description and the amortization recognized, the Group had no significant addition to, disposal of, and impairment of intangible assets for the three months ended and six months ended June 30, 2017 and 2016.

The above items of intangible assets are amortized on a straight-line basis over the following estimated useful lives of the assets:

Computer software	1-3 years
Technology license fees	1-8 years

17. BORROWINGS

Short-term Borrowings

	June 30, 2017	December 31, 2016	June 30, 2016
Unsecured borrowings			
Bank loans	$ 304,200	$ 580,500	$ 96,825
Interest rate (%)	1.58-1.64	0.94-1.33	0.89
Due date	2017.8.25	2017.3.1	2016.7.25

18. OTHER PAYABLES

	June 30, 2017	December 31, 2016	June 30, 2016
Other payables			
Salaries payable and bonuses payable	$ 2,630,753	$ 2,052,764	$ 1,587,716
Dividends payable	2,759,036	-	2,368,488
Others	1,141,544	1,099,760	996,096
	$ 6,531,333	$ 3,152,524	$ 4,952,300

19. PROVISIONS - CURRENT

	June 30, 2017	December 31, 2016	June 30, 2016
Sales returns and allowances	$ 371,498	$ 344,076	$ 129,789

	For the Six Months Ended June 30	
	2017	2016
Balance, January 1	$ 344,076	$ 149,852
Additional provisions recognized	157,107	47,057
Usage	(129,685)	(67,120)
Balance, June 30	$ 371,498	$ 129,789

Provisions for sales returns and allowances are estimated based on historical experience, management's judgment, and any known factors that would significantly affect returns and allowances and are recognized as a reduction of revenue in the same period of the related product sales.

20. RETIREMENT BENEFIT PLANS

Employee benefits expense for the three months and six months ended June 30, 2017 and 2016 in respect of the Group's defined benefit retirement plans were $1,442 thousand, $1,310 thousand, $2,883 thousand and $2,620 thousand, respectively, and were calculated using the respective year's actuarially determined pension cost discount rates as of December 31, 2016 and 2015.

21. EQUITY

a. Share capital

Common shares

	June 30, 2017	December 31, 2016	June 30, 2016
Number of shares authorized (in thousands)	230,000	230,000	230,000
Capital authorized	$ 2,300,000	$ 2,300,000	$ 2,300,000
Number of shares issued and fully paid (in thousands)	197,074	197,074	197,374
Capital issued	$ 1,970,740	$ 1,970,740	$ 1,973,740

On November 12, 2015 an employee share option plan was approved by the Corporation's board of directors, and the Financial Supervisory Commission (FSC) also approved this plan as shown in the FSC's issued document No. 1040048913 and will take effect starting from November 27, 2015. In accordance with Article 56, No. 2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers and the regulations of the issuance of employee share options in 2015, shares can be issued as a whole or in parts depending on the actual needs within the year starting from the date the issuer received the notification of approval from the competent authorities. The employee share options were not issued because very high cost of issuance would be incurred. The employee share options cannot be issued after November 26, 2016.

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

Of the Corporation's authorized capital shares, 16,000 thousand shares were reserved for the issuance of employee share options.

b. Capital surplus

	June 30, 2017	December 31, 2016	June 30, 2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*			
Issuance of ordinary share	$ 6,237,434	$ 6237,434	$ 6,246,929
Changes in equity from the consideration received in excess of the carrying amounts of the subsidiaries' net assets during disposals or acquisitions	148,758	151,444	4,069
May only be used to offset a deficit			
Expired share options	227	227	227
May not be used for any purpose			
Share of changes in capital surplus of associates or joint ventures	263,344	263,344	263,344
	$ 6,649,763	$ 6,652,449	$ 6,514,569

* Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

c. Retained earnings and dividend policy

In accordance with the amendments to the Company's Act made 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 15, 2016 and, in that meeting, resolved amendments to the Corporation's Articles of Incorporation (the "Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy on the distribution of employees' compensation.

The policy on appropriation of earnings and dividend distribution in the amended Articles, where the Corporation 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 Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, refer to Note 23 (e) "employees' compensation and remuneration of directors and supervisors".

The Corporation's dividend distribution policy takes into consideration the current and future investment environment, capital requirements, domestic and international competition, capital budget plans, shareholders' interests, the balance between retained earnings and dividends, and the Corporation's long-term financial plans. In accordance with the laws and regulations, the board of directors propose a distribution plan on an annual basis, which should be resolved in the shareholder's meeting. Profits may be distributed as cash or share dividends; however, cash dividends should be at least 10% of the total distribution.

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 issued by the Financial Supervisory Commission. Distributions can be made out of any subsequent reversal of the debit to other equity items.

A legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings for 2016 and 2015 were approved in the shareholders' meeting on June 13, 2017 and June 15, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2016	For Year 2015	For Year 2016	For Year 2015
Legal reserve	$ 486,699	$ 400,001		
Appropriation to (reversal from) special reserve	(85,393)	106,302		
Cash dividends	2,759,036	2,368,488	$14	$12

d. Others equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Six Months Ended June 30	
	2017	2016
Balance at January 1	$ (66,816)	$ (26,608)
Exchange differences on translating foreign operations	(9,084)	(14,669)
Related income tax	1,544	2,494
Balance at June 30	$ (74,356)	$ (38,783)

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

	For the Six Months Ended June 30	
	2017	2016
Balance at January 1	$ 40,851	$ (84,750)
Unrealized gain arising on revaluation of available-for-sale financial assets	76,079	55,500
Balance at June 30	$ 116,930	$ (29,250)

e. Non-controlling interests

	For the Six Months Ended June 30	
	2017	2016
Balance at January 1	$ 5,400	$ 221,533
Acquisition of non-controlling interests in subsidiaries of Phisontech Electronics (Malaysia) Sdn. Bhd. (Note 26)	(7,626)	-
Attributable to non-controlling interests:		
Share of gains (losses) for the year	318	(47,868)
Exchange difference on translating foreign operations	1,908	3,719
Balance at June 30	$ -	$ 177,384

22. INCOME TAXES

a. Income tax recognized in profit or loss

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Current tax				
In respect of the current period	$ 270,443	$ 152,425	$ 533,175	$ 294,854
Adjustments for prior periods	(1,555)	-	(1,555)	
Income tax expense of unappropriated earnings	170,460	112,522	170,460	112,522
	439,348	264,947	702,080	407,376
Deferred tax				
In respect of the current period	8,599	(4,339)	(63,235)	(15,050)
Income tax expense recognized in profit or loss	$ 447,947	$ 260,608	$ 638,845	$ 392,326

b. Income tax benefit (expense) recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Deferred income tax				
Recognized in other comprehensive income				
Translation of foreign operations	$ (2,020)	$ 2,560	$ 1,544	$ 2,494

c. Income tax exemptions

The Corporation net operating income generated from the following expansion projects is exempt from income taxes:

	Tax-exemption Period
Fifth expansion of the Corporation's factories	January 1, 2012 to December 31, 2016

d. Integrated income tax information of the Corporation

	June 30, 2017	December 31, 2016	June 30, 2016
Unappropriated retained earnings			
Unappropriated retained earnings generated on and after January 1, 1998	$ 11,640,025	$ 11,928,136	$ 9,005,765
Balance of imputation credits account (ICA)	$ 1,757,359	$ 1,341,629	$ 1,454,499

	December 31	
	2016	2015
The creditable ratios for the distribution of earnings	14.78%	14.61%

e. Income tax assessments

Associate	For the Year Ended
Phison Electronics Corp.	2014
Lian Xu Dong Investment Corporation	2015
Emtops Electronics Corp.	2015
Ostek Corporation	2015
Phisontech Electronics Taiwan Corp.	2015
Memoryexchange Corporation	2013

23. NET PROFIT AND OTHER COMPREHENSIVE INCOME

The following items were included in the net profit:

a. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Foreign exchange gains (losses), net	$ 27,676	$ 24,060	$ (319,088)	$ 7,189
Gains (losses) on financial assets held for trading	(14,877)	(3,719)	(20,531)	8,132
Impairment losses recognized on available-for-sale financial assets	(43,864)	-	(43,864)	-
Others	(549)	6	(535)	2
	$ (31,614)	$ 20,347	$ (384,018)	$ 15,323

b. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Interest income				
Bank deposits	$ 11,325	$ 8,862	$ 20,029	$ 19,044
Dividend income	1,799	1,957	1,799	5,759
Rental income	642	614	1,275	1,196
Others	7,609	33,095	14,155	38,355
	$ 21,375	$ 44,528	$ 37,258	$ 64,354

c. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Property, plant and equipment	$ 40,312	$ 28,932	$ 77,547	$ 57,802
Intangible assets	40,021	30,996	74,079	65,595
	$ 80,333	$ 59,928	$151,626	$123,397
An analysis of depreciation by function				
Operating costs	$ 7,400	$ 5,395	$ 13,781	$ 11,802
Operating expenses	32,912	23,537	63,766	46,000
	$ 40,312	$ 28,932	$ 77,547	$ 57,802
An analysis of amortization by function				
General and administrative	$ 2,026	$ 1,665	$ 4,051	$ 3,312
Research and development expenses	37,995	29,331	70,028	62,283
	$ 40,021	$ 30,996	$ 74,079	$ 65,595

d. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Short-term employee benefits	$ 950,702	$ 675,874	$ 1,822,973	$ 1,286,804
Post-employment benefits				
Defined contribution plan	16,867	15,565	33,437	30,368
Defined benefit plan	1,442	1,310	2,883	2,620
	18,309	16,875	36,320	32,988
Other employee benefits				
Employee welfare	13,652	13,667	26,204	26,872
Food stipend	9,097	8,404	17,960	16,429
	22,749	22,071	44,164	43,301
	$ 991,760	$ 714,820	$ 1,903,457	$ 1,363,093
Employee benefits				
Recognized in operating costs	$ 47,340	$ 43,676	$ 93,854	$ 87,780
Recognized in operating expenses	944,420	671,144	1,809,603	1,275,313
	$ 991,760	$ 714,820	$ 1,903,457	$ 1,363,093

e. Employees’ compensation and remuneration of directors and supervisors

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Corporation approved by the shareholders in their meeting in June 2016, the Corporation accrued employees’ compensation and remuneration of directors and supervisors at the rates from 8%-19% and no higher than 1.5%, respectively, of net profit before income tax, employees’ compensation, and remuneration of directors and supervisors. For the three month and six months ended June 30, 2017 and 2016, the employees’ compensation and the remuneration of directors and supervisors were as follows:

Expected rate

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Employees’ compensation	10.08%	9.45%	10.16%	9.66%
Remuneration of directors and supervisors	1.01%	0.98%	1.02%	0.99%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Employees’ compensation	$ 231,134	$ 128,797	$ 401,296	$ 246,767
Remuneration of directors and supervisors	$ 23,114	$ 13,380	$ 40,130	$ 25,177

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

The employees' compensation and the remuneration to directors and supervisors for 2016 and 2015 were approved in the Corporation's board of directors on March 20, 2017 and March 22, 2016, respectively were as follows:

	For the Year Ended 2016		For the Year Ended 2015	
	Cash Dividends	**Stock Dividends**	**Cash Dividends**	**Stock Dividends**
Bonus to employees	$ 550,000	$ -	$ 500,000	$ -
Remuneration of directors and supervisors	55,000	-	38,000	-

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains or losses on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Foreign exchange gains	$ 106,030	$ 37,568	$ 286,978	$ 347,610
Foreign exchange losses	(78,354)	(13,508)	(606,066)	(340,421)
Net (loss) gain	$ 27,676	$ 24,060	$ (319,088)	$ 7,189

24. EARNINGS PER SHARE

(In New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Basic earnings per share	$ 8.07	$ 4.87	$ 14.57	$ 9.58
Diluted earnings per share	$ 8.03	$ 4.84	$ 14.42	$ 9.49

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

Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Earnings used in the computation of basic earnings per share				
Profit for the period attributable to owners of the Corporation	$ 1,591,143	$ 960,603	$ 2,872,231	$ 1,890,340
Earnings used in the computation of diluted earnings per share				
Profit for the period attributable to owners of the Corporation	$ 1,591,143	$ 960,603	$ 2,872,231	$ 1,890,340

Shares

(In Thousands of Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Weighted-average number of common shares in computation of basic earnings per share	197,074	197,374	197,074	197,374
Effect of potential dilutive common shares:				
Employees' compensation	1,110	931	2,061	1,822
Weighted-average number of common shares used in the computation of dilutive earnings per share	198,184	198,305	199,135	199,196

If the Group offered to settle compensation or bonus paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will 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, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. DISPOSAL OF SUBSIDIARIES

The Group did not subscribe for the newly issued common shares for cash replenishment of Epostar Electronics (BVI) Corporation on August 25, 2016 at an equal proportion. As a result, the Corporation's ownership percentage decreased from 60% to 44.21%. The Corporation's less than 50% voting rights meant that it had no power to govern the financial and operating policies of Epostar Electronics (BVI) Corporation. Therefore, the Corporation lost control over Epostar Electronics (BVI) Corporation on August 25, 2016.

a. Analysis of assets and liabilities on the date control was lost

	August 24, 2016
Current assets	
Cash and cash equivalents	$ 25,297
Trade receivables	1,776
Inventories	1,090
Other	1,125
Non-current assets	
Property, plant and equipment	3,421
Intangible assets	5,526
Other	442
Current liabilities	
Payables	(340)
Other payables	(18,344)
Other	(718)
Net assets disposed of	$ 19,275

b. Gain on disposal of subsidiary

		For the Eight Months Ended at August 25, 2016
Consideration received of fair value		$ 57,214
Less: Consideration received of book value		11,565
Net assets disposed of	$ 19,275	
Non-controlling interests	(7,710)	
Gain on disposal		$ 45,649

c. Net cash inflow on disposal of subsidiary

	August 25, 2016
Cash and cash equivalent balances disposed of	$ 25,297

26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In order to integrate the equity of Phisontech Electronics (Malaysia) Sdn. Bhd. for future operational planning, the Corporation’s board of directors held a meeting on May 11, 2017 and, in that meeting, resolved to acquire 13% minority shares at NT$7.4235 per share on June 20, 2017. The acquisition of these minority shares increased the Corporation’s shareholding to 100%.

As stated in Note 4, as recorded in the minutes of meetings of the Corporation’s board of directors on August 11, 2016 and as stipulated in the declaration of Mr. Khein Seng Pua, the Chairman of the Corporation, the operation management of Everspeed Technology Group (including Everspeed Technology Limited, Memoryexchange Corporation (controlled since October 2010), Cloud Solution Global Limited (established on October 25, 2012), and Fast Choice Global Limited (established on May 23, 2013)) and Twinson Electronic Corporation (100% acquired by the Corporation on December 25, 2014 and renamed as Ostek Corporation) are under substantial control of the Chairman and should be considered as the related parties of the Corporation. In addition, according to Rule No. 1050036477 issued by the FSC, the

Corporation treated the aforementioned companies as controlled entities and included these entities in the consolidated financial statements.

The Corporation does not have an equity interest in Everspeed Technology Group. Therefore, for the long-term development and enhancement of the integrity of the operating structure, the Corporation's board of directors held a meeting on September 21, 2016 and decided to acquire from the shareholders of Everspeed Technology Limited, the parent company of Everspeed Technology Group, 100% equity interest of Everspeed Technology Group for NT$1 on September 30, 2016. Then the Corporation included Everspeed Technology Group in the consolidated financial statements as a controlled entity and accounted for the acquisition as an equity transaction.

	Phisontech Electronics (Malaysia) Sdn. Bhd.	Everspeed Technology Limited
Cash consideration received (paid)	$ (9,651)	$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	7,626	147,375
Reattribution of other equity to non-controlling interests		
Exchange differences on translating foreign operations	(661)	-
Differences recognized from equity transactions	$ (2,686)	$ 147,375
Line items adjusted for equity transactions		
Capital surplus-changes in equity from the consideration received in excess of the carrying amounts of the subsidiaries' net assets during disposals or acquisitions	$ (2,686)	$ 147,375

27. CAPITAL MANAGEMENT

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

The capital structure of the Group is consists of net debts (borrowings offset by cash and cash equivalents) and equity (comprising share capital issued, capital surplus, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, or the amount of new debt issued or existing debt redeemed.

28. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Fair value of financial instruments not carried at fair value

The Group's management considers the carrying amounts recognized in the consolidated financial statements for financial assets and financial liabilities not carried at fair value to approximate their fair values or their fair values cannot be reliably measured.

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

1) Fair value hierarchy

June 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic quoted shares	$ 57,794	$ -	$ -	$ 57,794
Beneficiary certificates - open-end funds	1,147,062	-	-	1,147,062
	$ 1,204,856	$ -	$ -	$ 1,204,856
Available-for-sale financial assets				
Unlisted debt securities - ROC	$ -	$	$ 448,130	$ 448,130

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic quoted shares	$ 80,585	$ -	$ -	$ 80,585
Beneficiary certificates - open-end funds	1,147,144	-	-	1,147,144
	$ 1,227,729	$ -	$ -	$ 1,227,729
Available-for-sale financial assets				
Unlisted debt securities - ROC	$ -	$ -	$ 372,051	$ 372,051

June 30, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic quoted shares	$ 80,520	$ -	$ -	$ 80,520
Beneficiary certificates - open-end funds	2,215,342	-	-	2,215,342
	$ 2,295,862	$ -	$ -	$ 2,295,862
Available-for-sale financial assets				
Unlisted debt securities - ROC	$ -	$ -	$ 351,450	$ 351,450

There were no transfers between Levels 1 and 2 for the six months ended June 30, 2017 and 2016.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	For the Six Months Ended June 30	
	2017	2016
Available-for-sale equity instruments		
Balance at January 1	$ 372,051	$ 295,950
Recognized in other comprehensive income		
Available-for-sale financial assets		
Unrealized gain (loss)	76,079	55,500
Balance at June 30	$ 448,130	$ 351,450

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

June 30, 2017

Financial Assets	Valuation Techniques	Significant Unobservable Inputs	Quantitative Information	Relevance between Inputs and Fair Value	Sensitivity Analysis of Relation between Inputs and Fair Values
Available-for-sale shares	Market approach (price-earnings ratio and price-to-book ratio method)	Lack of liquidity discount	10.80%	The higher the level of liquidity, the lower the estimation of fair value.	When lack of liquidity percentage increases/ decreases by 10%, equity of the Corporation will decrease/increase by $44,813 thousand.

December 31, 2016

Financial Assets	Valuation Techniques	Significant Unobservable Inputs	Quantitative Information	Relevance between Inputs and Fair Value	Sensitivity Analysis of Relation between Inputs and Fair Values
Available-for-sale shares	Market approach (price-earnings ratio and price-to-book ratio method)	Lack of liquidity discount	15.69%	The higher the level of liquidity, the lower the estimation of fair value.	When lack of liquidity percentage increases/ decreases by 10%, equity of the Corporation will decrease/increase by $37,205 thousand.

June 30, 2016

Financial Assets	Valuation Techniques	Significant Unobservable Inputs	Quantitative Information	Relevance between Inputs and Fair Value	Sensitivity Analysis of Relation between Inputs and Fair Values
Available-for-sale shares	Market approach (price-earnings ratio and price-to-book ratio method)	Lack of liquidity discount	20.32%	The higher the level of liquidity, the lower the estimation of fair value.	When lack of liquidity percentage increases/ decreases by 10%, equity of the Corporation will decrease/increase by $35,145 thousand.

Categories of Financial Instruments

	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets			
Fair value through profit or loss (FVTPL)			
Held for trading	$ 1,204,856	$ 1,227,729	$ 2,295,862
Loans and receivables (Note 1)	18,940,304	20,207,076	15,856,764
Available-for-sale financial assets (Note 2)	1,335,993	1,084,941	1,105,698
Financial liabilities			
Financial liabilities at amortized cost (Note 3)	4,222,041	4,437,451	4,430,461

Note 1: The balance includes loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, and accounts receivables and other receivables.

Note 2: The balance includes the carrying amount of available-for-sale financial assets measured at cost.

Note 3: The balance includes financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable and trade payables.

Financial Risk Management Objectives and Policies

The Group’s major financial instruments include equity investments, trade receivable, trade payables and borrowings. The Group’s financial management department provides services to the business unit and coordinates access the operation in domestic and international financial markets. The risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

a. Market risk

The Group’s activities expose it primarily to the financial risks of changes in foreign currency rates and interest rates.

1) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. To avoid the decrease in foreign currency assets and adverse fluctuations of future cash flows resulting from changes in foreign currency exchange rates, the Group used foreign currency borrowings to hedge risks of foreign currency exchange rates. The gain or loss caused by changes in foreign currency exchange rates will be offset by profit or loss from the hedge. As a result, the market risk is immaterial.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are referred to Note 33.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 6% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate of 6% used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts its translation at the end of the reporting period for a 6% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit and other equity associated with the New Taiwan dollar strengthens 6% against the relevant currency. For a 6% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	Impact of USD	
	For the Six Months Ended June 30	
	2017	**2016**
Profit or loss	$ 246,884	$ 329,004

2) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

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

	June 30, 2017	**December 31, 2016**	**June 30, 2016**
Fair value interest rate risk			
Financial assets	$ 4,150,775	$ 3,307,008	$ 3,806,677
Financial liabilities	60,840	-	-
Cash flow interest rate risk			
Financial assets	9,560,869	11,709,953	6,506,581
Financial liabilities	243,360	580,500	96,825

Sensitivity analysis

If interest rates had been 1 basis point higher and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2017 and 2016 would have increase by $466 thousand and $320 thousand, respectively.

3) Other price risk

The Group was exposed to equity price risks through its investments in international and domestic quoted stocks and beneficial certificates.

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the six months ended June 30, 2017 and 2016 would have increased/decreased by $12,049 thousand and $22,959 thousand, respectively. The pre-tax other comprehensive income for the six months ended June 30, 2017 and 2016 would increase/decrease by $4,481 thousand and $3,515 thousand, respectively.

b. Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure to such risk and the credit ratings of its counterparties are continually monitored, and the aggregate value of transactions was concluded to be spread out amongst approved counterparties. Ongoing credit evaluations are performed on the financial condition of trade receivables.

The targets of the aforementioned evaluation are financial assets that could potentially be influenced by the Group's counterparties defaulting on their contractual obligations and contracts with positive fair values as of the balance sheet date. The customers of the Group are financial institutions or manufacturers with good credit ratings; and thus, there is no expected material credit risk.

c. Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants. The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2017, December 31, 2016 and June 30, 2016, the Group had available unutilized overdraft and short-term bank loan facilities of approximately $4,640,060 thousand, $2,907,500 thousand and $4,536,875 thousand, respectively.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed upon repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

	June 30, 2017				
	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More Than 5 Years
Non-derivative financial liabilities					
Non-interest bearing	$ 3,060,953	$ 5,536,884	$ 2,865,811	$ -	$ -
Variable interest rate instruments	121,680	121,680	-	-	-
Fixed interest rate instruments	60,840	-	-	-	-
	$ 3,243,473	$ 5,658,564	$ 2,865,811	$ -	$ -

	December 31, 2016				
	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More Than 5 Years
Non-derivative financial liabilities					
Non-interest bearing	$ 2,225,637	$ 2,478,340	$ 3,037,846	$ -	$ -
Variable interest rate instruments	354,750	225,750	-	-	-
	$ 2,580,387	$ 2,704,090	$ 3,037,846	$ -	$ -

	June 30, 2016				
	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More Than 5 Years
Non-derivative financial liabilities					
Non-interest bearing	$ 2,432,307	$ 5,223,281	$ 2,337,849	$ -	$ -
Variable interest rate instruments	96,825	-	-	-	-
	$ 2,529,132	$ 5,223,281	$ 2,337,849	$ -	$ -

Information on Transfers of Financial Assets

Refer to Note 9 for more information relating to the Group's factored trade receivables.

29. RELATED PARTY TRANSACTIONS

Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related-party and its relationship

Related Party	Relationship
Toshiba International Procurement Hong Kong, Ltd.	Other related parties
Toshiba Singapore Pte. Ltd.	Other related parties
Toshiba Corporation Japan	Other related parties
Toshiba Client Solutions ANZ Pty Limited	Other related parties
Toshiba Electronics (China) Co., Ltd.	Other related parties
Toshiba America Electronic, Components, Inc.	Other related parties
Toshiba Memory Corporation	Other related parties
Toshiba Electronics Components Taiwan Corporation	Other related parties
Orient Semiconductor Electronics Ltd.	Other related parties
Dawning Leading Technology Inc.	Other related parties
Kingston Solutions Inc.	Associates
PMS Technology Corporation	Associates
Microtops Design Corporation	Associates
Epostar Electronics Corporation	Associates

b. Operating revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Related-party categories				
Associates	$ 1,913	$ 11,135	$ 10,842	$ 15,966
Other related parties (Note 1)	510,689	407,475	1,042,059	958,957
	$ 512,602	$ 418,610	$ 1,052,901	$ 974,923

The terms of sales to related parties were similar to those for third parties.

c. Operating costs

1) Purchases of goods

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Related-party categories				
Associates	$ 109,948	$ 60,705	$ 173,590	$ 158,555
Other related parties (Note 1)				
Toshiba Electronics Components Taiwan Corporation	4,323,586	3,578,938	8,307,052	11,927,130
Others	965,811	491,980	1,528,833	989,598
	$ 5,399,345	$ 4,131,623	$ 10,009,475	$ 13,075,283

2) Processing costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Related-party categories				
Associates	$ 261	$ -	$ 578	$ -
Other related parties (Note 2)	356,292	841,144	715,041	1,736,982
	$ 356,553	$ 841,144	$ 715,619	$ 1,736,982

The terms of operating costs from related parties were similar to those for third parties.

d. Receivables from related parties

	June 30, 2017	December 31, 2016	June 30, 2016
Related-party types			
Associates	$ 1,279	$ 1,039	$ 3,431
Other related parties (Note 1)	321,671	357,211	236,557
	$ 322,950	$ 358,250	$ 239,988

The outstanding trade receivables from related parties are unsecured. No bad debt expense was recognized for the allowance for impaired trade receivables with respect to the amounts owed by related parties.

e. Payables to related parties

	June 30, 2017	December 31, 2016	June 30, 2016
Related-party categories			
Associates	$ 45,931	$ 79,059	$ 19,041
Other related parties (Note 1)			
Toshiba Electronics Components Taiwan Corporation	2,071,736	1,697,597	2,767,791
Others	497,305	342,735	468,270
	$ 2,614,972	$ 2,119,391	$ 3,255,102

The outstanding trade payables from related parties are unsecured.

Note 1: Other related parties are the parent company (Toshiba Corporation Japan) of the Corporation's legal entity board of directors, and its subsidiaries.

Note 2: The Corporation is a member of the related party's board of directors.

f. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Short-term employee benefits	$ 52,132	$ 46,331	$ 121,177	$ 87,017
Post-employment benefits	355	371	709	716
Other employee benefits	771	1,133	1,981	2,189
	$ 53,258	$ 47,835	$ 123,867	$ 89,922

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

30. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

The Group's lease contracts for a factory and an office expire on June 15, 2021.

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

Period/Year	Amount
2017 (from July to December)	$ 6,685
2018	5,950
2019	4,329
2020	4,329
2021	1,804
	$ 23,097

b. The Group as lessor

Operating leases all relate to property owned by the Group, and such leases will expire on March 15, 2018.

The future minimum lease receivables of non-cancellable operating leases were as follows:

Period/Year	**Amount**
2017 (from July to December)	$ 1,255
2018	9
	$ 1,264

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the tariff of imported raw materials:

	June 30, 2017	**December 31, 2016**	**June 30, 2016**
Refundable deposits for the Customs Duty Bureau - certificates of deposit (debt investments with no active market)	$ 56,438	$ 57,439	$ 35,038

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of June 30, 2017, December 31, 2016 and June 30, 2016 were as follows:

Significant Commitments

	June 30, 2017	**December 31, 2016**	**June 30, 2016**
Unused letters of credit	$ 2,103,000	$ 2,020,000	$ 720,000

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' monetary financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

In Thousands of New Taiwan Dollars and Foreign Currencies

	June 30, 2017		
	Foreign Currencies	**Exchange Rates**	**New Taiwan Dollars**
Financial assets			
Monetary			
USD	$ 258,994	30.420	$ 7,878,613
CNY	51,148	4.486	229,452
Financial liabilities			
Monetary			
USD	123,730	30.420	3,763,866

	December 31, 2016		
	Foreign Currencies	**Exchange Rates**	**New Taiwan Dollars**
Financial assets			
Monetary			
USD	$ 308,979	32.250	$ 9,964,583
CNY	46,020	4.617	212,475
Financial liabilities			
Monetary			
USD	110,731	32.250	3,571,076

	June 30, 2016		
	Foreign Currencies	**Exchange Rates**	**New Taiwan Dollars**
Financial assets			
Monetary			
USD	$ 276,865	32.275	$ 8,935,823
CNY	46,454	4.845	225,071
Financial liabilities			
Monetary			
USD	106,969	32.275	3,452,425

For the three months and six months ended June 30, 2017 and 2016, (realized and unrealized) net foreign exchange gains were $27,676 thousand, gains $24,060 thousand, losses 319,088 thousand and gains 7,189 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.

34. OTHER SIGNIFICANT EVENT

On August 5, 2016, the Hsinchu District Prosecutors Office conducted a statutory investigation of the Corporation, and the media reported an alleged violation of the Securities and Exchange Act by the Corporation. On August 6, 2016, the Corporation held a press conference and indicated a case between and among the Corporation, Ostek Corporation (former name was Twinson Electronics Corporation), Memoryexchange Corporation and Everspeed Technology Group. The statutory investigation is ongoing, and it has not affected the Corporation’s financial condition and business operations.

35. ADDITIONAL DISCLOSURES

a. Information about significant transactions and b. investees:

1) Financing provided to others. (None)

2) Endorsement/guarantee provided. (None)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures). (Table 1)

4) Marketable securities acquired and disposed of at costs or prices of 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. (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

9) Trading in derivative instruments. (None)

10) Other: Intercompany relationships and significant intercompany transactions. (Table 5)

11) Information of investees. (Table 6)

c. 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 investments in the mainland China area. (Table 7)

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. (Table 8)

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

   c) The amount of property transactions and the amount of the resultant gains or losses.

   d) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the period and their purposes.

   e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

   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 receipt of services.

36. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments include departments that design and sell flash memory controllers and make investments.

a. Segment revenue and results

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

	Segment Revenue		**Segment Profits**	
	For the Three Months Ended June 30		**For the Three Months Ended June 30**	
	2017	**2016**	**2017**	**2016**
Department that designs and sells flash memory controllers	$ 10,492,493	$ 10,456,938	$ 1,909,382	$ 1,086,373
Investment department	-	-	(596)	(111)
Total operating segments	$ 10,492,493	$ 10,456,938	1,908,786	1,086,262
Other gains and losses			(31,614)	20,347
Share of gains (losses) of associates			141,788	66,495
Other income			21,375	44,528
Financial costs			(1,099)	(463)
Income before income tax			$ 2,039,236	$ 1,217,169

(Continued)

	Segment Revenue		Segment Profits	
	For the Three Months Ended June 30		For the Three Months Ended June 30	
	2017	2016	2017	2016
Department that designs and sells flash memory controllers	$ 20,048,360	$ 20,363,324	$ 3,598,266	$ 2,067,821
Investment department	-	-	(724)	(166)
Total operating segments	$ 20,048,360	$ 20,363,324	3,597,542	2,067,655
Other gains and losses			(384,018)	15,323
Share of gains of associates			263,934	88,744
Other income			37,258	64,354
Financial costs			(3,322)	(1,278)
Income before income tax			$ 3,511,394	$ 2,234,798

(Concluded)

Segment revenue reported above was generated from external customers. There were no intersegment sales for the six months ended June 30, 2017 and 2016.

Segment profit represented the profit before tax earned by each segment without the share of gains or loss of associates, rental income, interest income, gains or losses on disposal of property, plant and equipment, gains or losses on sales of investments, exchange gains or losses, valuation gains or losses on financial instruments, financial costs and income tax expense.

b. Segment assets and liabilities

The Group does not report segment assets and liabilities or other segment information to the chief operating decision maker. Therefore, no information is disclosed here.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)
JUNE 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type/Name and Issuer (Note 1)	Relationship with the Holding Company	Financial Statement Account	June 30, 2017				Note
				Shares or Units (In Thousands)	Carrying Amount (Note 2)	Percentage of Ownership (%)	Market Value	
Phison Electronics Corp.	Beneficiary certificates							
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,307	$ 103,333	-	$ 103,333	Note 3
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,139	93,155	-	93,155	Note 3
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	12,254	203,225	-	203,225	Note 3
	Union Money Market Fund	-	Financial assets at fair value through profit or loss - current	6,995	91,666	-	91,666	Note 3
	Franklin Templeton SinoAm Money Market Fund	-	Financial assets at fair value through profit or loss - current	14,847	152,196	-	152,196	Note 3
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,130	50,640	-	50,640	Note 3
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss - current	13,767	202,324	-	202,324	Note 3
	Taishin Ta-Chong Market Fund	-	Financial assets at fair value through profit or loss - current	3,594	50,657	-	50,657	Note 3
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	8,119	100,927	-	100,927	Note 3
	Common shares							
	Orient Semiconductor Electronics, Ltd.	-	Financial assets at fair value through profit or loss - current	7,100	57,794	0.88	57,794	Note 4
	Aptos Technology Inc.	-	Financial assets measured at cost - non-current	2,647	-	1.86	13,669	Note 11
	Viva Baseball Co., Ltd.	-	Financial assets measured at cost - non-current	Note 7	266	8.33	260	Note 5
	JAFCO Asia Technology Fund IV L.P.	-	Financial assets measured at cost - non-current	1,000	12,536	0.50	13,406	Note 5
	AppWorks Fund I Co., Ltd.	-	Financial assets measured at cost - non-current	3,000	24,471	18.75	31,885	Note 5
	Zillians Inc.	-	Financial assets measured at cost - non-current	440	-	17.25	-	Note 10
	Adam Elements International Co., Ltd.	-	Financial assets measured at cost - non-current	1,710	13,373	19.00	17,152	Note 5
	JAFCO Asia Technology Fund VI L.P.	-	Financial assets measured at cost - non-current	900	25,399	0.67	23,700	Note 5
	THLight Co., Ltd.	-	Financial assets measured at cost - non-current	6,388	4,186	17.94	1,023	Note 5
	UD INFO Corp.	-	Financial assets measured at cost - non-current	570	5,569	18.51	8,032	Note 5
	Appworks Fund II Co., Ltd.	-	Financial assets measured at cost - non-current	15,000	150,000	11.11	138,291	Note 5
	bOMDIC Co., Ltd.	-	Financial assets measured at cost - non-current	322	6,770	9.46	1,697	Note 5
	GeoThings, Inc.	-	Financial assets measured at cost - non-current	150	1,500	6.70	680	Note 5
	Ironyun Incorporated (preference shares)	-	Financial assets measured at cost - non-current	5,000	5,723	5.99	2,714	Note 5
	Vescir Ltd.	-	Financial assets measured at cost - non-current	63	16	5.26	574	Note 5
	Innorich Venture Capital Corp.	-	Financial assets measured at cost - non-current	3,000	30,000	5.61	28,352	Note 5
	Dawning Leading Technology Inc.	-	Financial assets measured at cost - non-current	10,335	77,963	2.82	77,963	Note 5
	CAL-COMP INDUSTRIA DE SEMICONDUCTORES S.A.	-	Financial assets measured at cost - non-current	11,966	101,130	15.94	81,822	Note 5
	Fuh Hwa Smart Energy Fund		Financial assets measured at cost - non-current	6,000	60,000	3.81	59,793	Note 3
	Apacer Technology Inc.	-	Available-for-sale financial assets - non-current	10,050	448,130	9.96	448,130	Note 6

(Continued)

Holding Company Name	Marketable Securities Type/Name and Issuer (Note 1)	Relationship with the Holding Company	Financial Statement Account	June 30, 2017				Note
				Shares or Units (In Thousands)	Carrying Amount (Note 2)	Percentage of Ownership (%)	Market Value	
Lian Xu Dong Investment Corporation	Beneficiary certificates							
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,986	$ 30,140	-	$ 30,140	Note 3
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,424	30,133	-	30,133	Note 3
	Common shares							
	United Power Research Technology Corp.	-	Financial assets measured at cost - non-current	5,616	45,702	16.12	67,772	Note 5
	Fresco Logic, Inc. (preference shares)	-	Financial assets measured at cost - non-current	1,250	2,169	2.28	3,317	Note 5
	Translink Capital Partners III, L.P.	-	Financial assets measured at cost - non-current	1,095	33,905	1.18	34,980	Note 5
	Liqid, Inc. (preference shares)	-	Financial assets measured at cost - non-current	2,111	230,118	10.92	30,444	Note 5
	Weltronics Corp., Ltd.	-	Financial assets measured at cost - non-current	700	1,537	19.44	(709)	Note 5
	UMBO CV Inc. (preference shares)	-	Financial assets measured at cost - non-current	1,626	16,860	5.10	1,348	Note 5
	Omni Media International Incorporation	-	Financial assets measured at cost - non-current	1,714	30,000	14.84	19,982	Note 5
Emtops Electronics Corporation	Beneficiary certificates							
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	815	10,127	-	10,127	Note 3
	Franklin Templeton SinoAm Money Market Fund	-	Financial assets at fair value through profit or loss - current	988	10,132	-	10,132	Note 3
Phisontech Electronics (Malaysia) Sdn. Bhd.	Beneficiary certificates							
	United Cash Fund	-	Financial assets at fair value through profit or loss - current	2,689	18,407	-	18,407	Note 3
Everspeed Technology Limited	Common shares							
	Peripheral Devices & Products System Inc.	-	Financial assets measured at cost - non-current	20	-	1.00	(783)	Note 9
	Zillians Inc.	-	Financial assets measured at cost - non-current	500	-	19.61	-	Note 10
Cloud Solution Global Limited	Common shares							
	My Digital Discount, Inc.	-	Financial assets measured at cost - non-current	-	8,670	19.00	3,098	Note 5

Note 1: The marketable securities listed refer to the types of financial instruments applying International Accounting Standard 39 “Financial Instruments Recognition and Measurement”.

Note 2: The carrying amount is either the fair value or the original cost net accumulated impairment loss.

Note 3: The calculation of the market value was based on the net asset value as of June 30, 2017.

Note 4: The calculation of the market value was based on the closing price as of June 30, 2017.

Note 5: The calculation of the net asset value was based on the investee’s unreviewed financial statements as of June 30, 2017.

Note 6: Refer to Note 28(b)-3 for market value information.

(Continued)

Note 7: The Company is not limited by shares.

Note 8: The Group held marketable securities that had not been guaranteed, pledged or mortgaged as collateral or restricted by other commitments.

Note 9: The calculation of the net asset value was based on the investee's unreviewed financial statements as of May 31, 2017.

Note 10: The calculation of the net asset value was based on the investee's unreviewed financial statements as of December 31, 2016.

Note 11: The calculation of the net asset value was based on the investee's audited financial statements as of December 31, 2016.

(Concluded)

TABLE 2

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

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			
Phison Electronics Corp.	Zhunan third phase factory	2016.1.22 (Note)	$ 780,000	Fully paid	Build on counterparty's land (main contractor: Ruentex Engineering & Construction Co., Ltd.)	-	-	-	-	$ -	-	Operating	-

Note: The commissioned construction project was for building on the counterparty's land and was approved by the Corporation's board of directors. The construction will be transferred to the Corporation's property, plant and equipment after the acceptance of work is completed.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase (Sale)	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Phison Electronics Corp.	Toshiba Electronics Components Taiwan Corporation	Sub-subsidiary of parent company of the Corporation’s legal entity board of directors	Purchase	$ 8,307,052	51	Net 30 days after monthly closing	None	None	$ (2,071,736)	(53)	-
	Toshiba America Electronic Components, Inc.	Subsidiary of parent company of the Corporation’s legal entity board of directors	Purchase	1,518,670	9	Net 30 days after receipt date	None	None	(373,048)	(10)	-
	Kingston Solutions Inc.	Equity-method investee subsidiary	Purchase	173,590	1	Net 30 days after monthly closing	None	None	(45,931)	(1)	-
	Orient Semiconductor Electronics, Ltd.	The Corporation is its director	Processing cost	517,198	4	Net 15 days after monthly closing	None	None	(83,964)	(2)	-
	Dawning Leading Technology Inc.	The Corporation is its director	Processing cost	197,843	1	Net 45 days after monthly closing	None	None	(38,298)	(1)	-
	Toshiba Corporation (“Toshiba-JP-SS”)	Parent company of the Corporation’s legal entity board of directors	Sale	(484,969)	(2)	Net 60 days after monthly closing	None	None	-	-	-
	Toshiba International Procurement Hong Kong Ltd. (“Toshiba-TIPH”)	Subsidiary of parent company of the Corporation’s legal entity board of directors	Sale	(122,173)	(1)	Net 60 days after monthly closing	None	None	52,013	1	-
	Toshiba Memory Corporation	Subsidiary of parent company of the Corporation’s legal entity board of directors	Sale	(427,255)	(2)	Net 60 days after monthly closing	None	None	269,176	5	-
	Hefei Core Storage Electronic Limited	Sub-subsidiary	Sale	(261,277)	(1)	Net 30 days after monthly closing	None	None	62,102	1	
Hefei Core Storage Electronic Limited	Power Flash (HK) Limited	Fellow subsidiary	Sale	(216,621)	(77)	Net 30 days after monthly closing	None	None	36,286	53	

TABLE 4

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss
					Amount	Action Taken		
Phison Electronics Corp.	Toshiba Memory Corporation	Subsidiary of parent company of the Corporation's legal entity board of directors	$ 269,176	6.35	$ -	-	$ 173,499	$ -

Note: As of July 31, 2017

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
JUNE 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number	Company Name	Counterparty	Flow of Transaction	Transaction Details			Percentage of Transaction Amount to Consolidated Operating Revenue or Total Assets (%)
				Account	Amount	Transaction Terms	
0	Phison Electronics Corp.	Hefei Core Storage Electronic Limited	1	Sales revenue	$ 261,277	Based on regular terms	1
		Hefei Core Storage Electronic Limited	1	Accounts receivable	62,102	Based on regular terms	-
		Hefei Core Storage Electronic Limited	1	Research and development expenses	40,378	Based on regular terms	-
		Hefei Core Storage Electronic Limited	1	Other accounts payable	14,386	Based on regular terms	-
		Ostek Corporation	1	Purchases	2,287	Based on regular terms	-
		Ostek Corporation	1	Accounts payable	2,408	Based on regular terms	-
		Ostek Corporation	1	Manufacturing expenses	10,263	Based on regular terms	-
		Phison Electronics Japan Corp.	1	Sales expenses	4,165	Based on regular terms	-
		Phison Electronics Japan Corp.	1	Other accounts payable	2,308	Based on regular terms	-
		Emtops Electronics Corp.	1	Purchases	19,152	Based on regular terms	-
		Phisontech Electronics (Malaysia) Sdn. Bhd	1	Purchases	4,906	Based on regular terms	-
1	Hefei Core Storage Electronic Limited	Power Flash (HK) Limited	2	Sales revenue	216,621	Based on regular terms	1
		Power Flash (HK) Limited	2	Accounts receivable	36,286	Based on regular terms	-

Note: The following numerals represent the corresponding directional flow of transactions.

a. Parent company to subsidiary: 1.
b. Between subsidiaries: 2.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

INFORMATION OF INVESTEES
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2017			Net (Loss) Income of the Investee	Investment (Loss) Income	Note
				June 30, 2017	December 31, 2016	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Phison Electronics Corp.	Kingston Solutions Inc.	Taiwan	Embedded flash product and market development	$ 106,050	$ 106,050	10,605,000	32.91	$ 1,422,746	$ 830,541	$ 273,331	Equity-method investee
	Emtops Electronics Corporation	Taiwan	Sale of flash memory controllers and peripheral system applications	95,000	95,000	9,500,000	100.00	71,169	(2,783)	(2,783)	Subsidiary
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	400,000	65,000,000	100.00	620,594	(2,425)	(2,425)	Subsidiary
	Flexmedia Electronics Corporation	Taiwan	R&D, sales and production of high-tech multimedia design	8,077	8,077	482,142	21.43	-	(4,969)	(1,063)	Equity-method investee
	Microtops Design Corporation	Taiwan	Research and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00	21,634	(5,259)	(2,577)	Equity-method investee
	Phison Electronics Japan Corp.	Japan	Sales and service office	28,982	28,982	900	100.00	9,127	(539)	(539)	Subsidiary
	Global Flash Limited	Samoa	Investment and trade	665,823	635,696	21,000,000	100.00	616,106	15,841	15,841	Subsidiary
	Phisontech Electronics (Malaysia) Sdn. Bhd.	Malaysia	Design, production and sale of flash memory controllers and peripheral system applications	91,422	81,771	10,000,000	100.00	59,063	3,194	2,876	Subsidiary
	Epostar Electronics (BVI) Corporation	British Virgin Islands	Investment	133,988	133,988	10,600,000	44.21	68,624	(25,127)	(11,109)	Equity-method investee
	Power Flash (Samoa) Limited	Samoa	Investment and trade	105,440	105,440	3,200,000	100.00	99,991	630	630	Subsidiary
	Everspeed Technology Limited	Samoa	Trade of electronic components	-	-	1,000,000	100.00	148,334	(7,274)	(7,274)	Subsidiary
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	56,167	(5,861)	-	Sub-subsidiary
	PMS Technology Corporation	Taiwan	Research and design of flash memory controllers and related products	2,000	2,000	200,000	33.33	7,549	16,054	-	Equity-method investee
Phisontech Electronics (Malaysia) Sdn. Bhd.	Phisontech Electronics Taiwan Corp.	Taiwan	Design of ASIC and R&D, manufacture, and sale of ASIC for IP and technical support service	10,000	10,000	1,000,000	100.00	37,058	5,251	-	Sub-subsidiary
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	576,229	576,229	18,050,000	100.00	542,184	10,934	-	Sub-subsidiary

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2017			Net (Loss) Income of the Investee	Investment (Loss) Income	Note
				June 30, 2017	December 31, 2016	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Hong Kong	Trade of electronic products	$ 98,754	$ 98,754	3,000,000	100.00	$ 93,932	$ 990	$ -	Sub-subsidiary
Everspeed Technology Limited	Memoryexchange Corporation	Taiwan	Design and sale of flash memory related products	391,986	391,986	40,950,000	100.00	12,042	(1,476)	-	Sub-subsidiary
	Fast Choice Global Limited	British Virgin Islands	Trade of electronic components	1,482	1,482	50,000	100.00	2,694	(42)	-	Sub-subsidiary
	Cloud Solution Global Limited	British Virgin Islands	Trade of electronic components	186,963	186,963	5,950,440	100.00	20,270	2	-	Sub-subsidiary
Cloud Solution Global Limited	Asadhya Enterprises Private Limited	India	Trade of electronic products	611	611	122,255	49.00	-	(9)	-	Equity-method investee

(Concluded)

TABLE 7

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2017	Percentage of Ownership (%)	Investment (Loss) Income (Note 2)	Carrying Amount as of June 30, 2017	Accumulated Inward Remittance of Earnings as of June 30, 2017
					Outflow	Inflow					
Phisontech (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronics	$ 53,096	2	$ 23,006	$ 30,090	$ -	$ 53,096	100.00	$ 5,325	$ 35,946	$ -
Hefei Core Storage Electronic Limited	Design, R&D, production and sale of integrated circuits, systems and electronics hardware and software and rendering of related services	576,780	2	576,780	-	-	576,780	100.00	11,000	541,059	-

Accumulated Investments in Mainland China as of June 30, 2017	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investments (Note 3)
$ 629,876 (US$ 19,790)	$ 629,876 (US$ 19,790)	$ 13,903,124

Note 1: Indirectly invested in a China-based company through a third-region company, Global Flash Limited and subsidiaries.

Note 2: Amount was recognized based on unreviewed financial statements.

Note 3: The limit of investments in mainland China, which is based on Regulations Governing the Approval of Investments on Technical Corporation in Mainland China, is 60% of the net asset value, which is $23,171,873 x 60% = $13,903,124.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Phison Electronics Corp.	Hefei Core Storage Electronic Limited	Subsidiary	Sale	$ 261,277	1	Net 30 days after monthly closing	None	None	$ 62,102	1	-
Hefei Core Storage Electronic Limited	Power Flash (HK) Limited	Fellow subsidiaries	Sale	216,621	77	Net 30 days after monthly closing	None	None	36,286	53	-