

**TOPCO SCIENTIFIC CO., LTD.
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

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

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Representation Letter

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

Company name: Topco Scientific Co., Ltd.
Chairman: Zhong-Liang Pan
Date: March 22, 2017



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of Topco Scientific Co., Ltd.:

Opinion

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

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Other Matter

We did not audit the financial statements for certain investments accounted for using equity method in the consolidated financial statements of Topco Scientific Co., Ltd. for 2016 and 2015. Investments accounted for using equity method constituting 7.63% and 8.53% of the total consolidated assets as of December 31, 2016 and 2015; and the share of gains of associates and joint ventures accounted for using equity method constituting 10.53% and 13.48% of profit before tax for 2016 and 2015, respectively. These financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts of subsidiaries and investments accounted for equity method, is based solely on the reports of the other auditors.

Topco Scientific Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Recognition of Operating Revenue

Refer to Note 4(r) "Revenue recognition" for accounting policies related to revenue recognition; refer to Note 5(c) for revenue recognition of construction and the percentage of completion method for construction contracts; refer to Note 6(d) "Construction Contracts" for related disclosures of construction contracts; and refer to Note 6(s) "Revenue" for details of revenue.

Description of Key Audit Matters:

Due to the wide variety of the Group's products, different trading modes were generated according to different customers and product mix. Identification of methods for revenue recognition has significant influence on the presentation of the consolidated financial statements. In addition, budgets for construction contracts involve the Management's high-level judgments, and evaluation of budgets for construction may result in significant changes in income and losses in the reporting period. Therefore, testing over revenue recognition is considered a key matter in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing related manual and systematic control over sales and receipts cycle to assess if the revenue recognition policies of the Group is in accordance with related standards; in addition, we examined the sales contracts between the Group and its customers to understand trading modality and conditions, evaluating and comparing if revenue recognition is consistent with terms of contracts and related trading conditions; acquiring construction contracts that have significant effects on financial results to verify that there is no difference in the percentage of completion calculated by the Group; conducting testing for details of revenue before and after the balance sheet date and verifying if operating revenue and its trading conditions is in accordance with the timing of revenue recognition.

2. Valuation of inventories

Refer to note 4(h) "Inventories" for accounting policies related to valuation of inventories; refer to note 5(b) for uncertainty in valuation of inventories; and refer to related description for valuation of inventories.

Description of Key Audit Matters:

Valuation of inventories is measured by cost and net realizable value. The Group stocks up according to demand from customer orders, and the carrying value may be exposed to risk of being less than realizable value due to price quotation and business cycle of the industry. Therefore, valuation of inventories is considered a key matter in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: evaluating if the Group's valuation of inventories is conducted in accordance with the Group's accounting policies and related standards; examining inventory aging reports and analyzing changes of age of inventories in each period, including conducting sampling procedures to examine the accuracy of inventory aging reports and understanding the sales prices adopted by the management and subsequent fluctuation in market price to assess the rationality of net realizable value of inventories.

3. Valuation of Accounts Receivable

Refer to note (4)(g) "Financial assets" for accounting policies related to valuation of accounts receivable; refer to note 5(a) for uncertainties in valuation of accounts receivable; and refer to note 6(c) "Notes and accounts receivable and other receivables".

Description of Key Audit Matters:

Allowance for uncollectible accounts receivable is assessment on customers' credit risk and subjective judgments of recoverable amount based on accounts overdue or with imperfect credit record. Therefore, valuation of accounts receivable is considered a key matter in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: analyzing allowance for uncollectible accounts receivable by accounts receivable aging report, examining collection record of the past and the subsequent period, economic condition of the industry, concentration of credit risk, and the Group's assessment on the ability to repay of customers with imperfect credit record to evaluate the rationality of the recognition of allowance for uncollectible accounts receivables and amount recognized.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yiu-Kwan Au and Kuan-Ying Kuo.



KPMG

Taipei, Taiwan (Republic of China)
March 22, 2017

Notes to Readers

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

TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

		2016		2015	
		Amount	%	Amount	%
	Operating Revenues: (notes 6(s) and 7)				
4110	Net sales revenue	\$ 20,105,958	89	17,416,294	91
4520	Construction revenue	1,814,399	8	1,078,932	6
4800	Other operating revenue	709,079	3	583,644	3
	Operating revenue, net	22,629,436	100	19,078,870	100
	Operating costs: (notes 6(e), 7 and 12)				
5110	Cost of sales	17,983,011	79	15,472,760	81
5500	Construction costs	1,494,863	7	1,001,479	5
5800	Other operating costs	231,883	1	168,276	1
		19,709,757	87	16,642,515	87
5910	Less: Unrealized profit (loss) from sales	1,245	-	-	-
	Gross profit	2,918,434	13	2,436,355	13
	Operating expenses: (notes 6(t), 7 and 12)				
6100	Selling expenses	786,108	4	727,352	4
6200	Administrative expenses	770,275	3	640,610	3
	Total operating expenses	1,556,383	7	1,367,962	7
	Net operating income	1,362,051	6	1,068,393	6
	Non-operating income and expenses:				
7010	Other income (notes 6(g), 6(u) and 12(b))	60,468	-	52,684	-
7020	Other gains and losses (notes 6(b), 6(f) and 6(v))	8,571	-	(33,762)	-
7050	Finance costs	(22,000)	-	(16,474)	-
7060	Share of gain of associates and joint ventures accounted for using equity method (note 6(f))	103,306	-	168,633	-
7670	Impairment loss (notes 6(b), 6(f) and 6(i))	(5,607)	-	(25,706)	-
		144,738	-	145,375	-
	Profit before tax	1,506,789	6	1,213,768	6
7950	Less: Income tax (note 6(p))	302,518	1	254,307	1
	Profit	1,204,271	5	959,461	5
8300	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	(14,754)	-	(5,940)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(1)	-	-	-
8349	Less: income tax relating to components of other comprehensive income that may not be reclassified subsequently to profit or loss	2,508	-	1,010	-
		(12,247)	-	(4,930)	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Other comprehensive income, before tax, exchange differences on translation	(66,721)	-	(15,045)	-
8362	Changes in unrealized gains (losses) on available-for-sale	(36,023)	-	14,487	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method that may be reclassified subsequently to profit or loss	(4,166)	-	138	-
8399	Less: income tax relating to components of other comprehensive income that may be reclassified subsequently to profit or loss	(12,764)	-	(1,953)	-
		(94,146)	-	1,533	-
8300	Other comprehensive income, net	(106,393)	-	(3,397)	-
	Comprehensive income	\$ 1,097,878	5	956,064	5
	Profit, attributable to:				
8610	Profit, attributable to owners of parent	\$ 1,203,347	5	958,221	5
8620	Profit, attributable to non-controlling interests	924	-	1,240	-
		\$ 1,204,271	5	959,461	5
	Comprehensive income attributable to:				
	Comprehensive income, attributable to owners of parent	\$ 1,096,954	5	954,824	5
	Comprehensive income, attributable to non-controlling interests	924	-	1,240	-
		\$ 1,097,878	5	956,064	5
	Earnings per share: (note 6(r))				
	Basic net income per share	\$ 7.25		5.78	
	Diluted net income per share	\$ 7.21		5.73	

See accompanying notes to consolidated financial statements.

TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Other equity interest	
	Retained earnings											
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized differences on gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	Total equity	
Balance on January 1, 2015	\$ 1,579,094	1,463,952	725,942	1,729,225	2,455,167	57,086	6,676	63,762	5,561,975	39,251	5,601,226	
Profit for the year ended December 31, 2015	-	-	-	958,221	958,221	-	-	-	958,221	1,240	959,461	
Other comprehensive income	-	-	-	(4,930)	(4,930)	(12,581)	14,114	1,533	(3,397)	-	(3,397)	
Total comprehensive income	-	-	-	953,291	953,291	(12,581)	14,114	1,533	954,824	1,240	956,064	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	85,970	(85,970)	-	-	-	-	-	-	-	
Dividends of ordinary share (cash and stock)	47,373	-	-	(631,637)	(631,637)	-	-	-	(584,264)	-	(584,264)	
Changes in equity of associates accounted for using equity method	-	82	-	-	-	-	-	-	82	-	82	
Changes in ownership interests in subsidiaries	-	-	-	(105)	(105)	-	-	-	(105)	-	(105)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(31,422)	(31,422)	
Balance on December 31, 2015	1,626,467	1,464,034	811,912	1,964,804	2,776,716	44,505	20,790	65,295	5,932,512	9,069	5,941,581	
Profit for the year ended December 31, 2016	-	-	-	1,203,347	1,203,347	-	-	-	1,203,347	924	1,204,271	
Other comprehensive income	-	-	-	(12,247)	(12,247)	(58,693)	(35,453)	(94,146)	(106,393)	-	(106,393)	
Total comprehensive income	-	-	-	1,191,100	1,191,100	(58,693)	(35,453)	(94,146)	1,096,954	924	1,097,878	
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	95,822	(95,822)	-	-	-	-	-	-	-	
Dividends of ordinary share (cash and stock)	32,529	-	-	(666,851)	(666,851)	-	-	-	(634,322)	-	(634,322)	
Changes in equity of associates accounted for using equity method	-	23	-	-	-	-	-	-	23	-	23	
Changes in ownership interests in subsidiaries	-	-	-	(124)	(124)	-	-	-	(124)	-	(124)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(159)	(159)	
Balance at December 31, 2016	\$ 1,658,996	1,464,057	907,734	2,393,107	3,300,841	(14,188)	(14,663)	(28,851)	6,395,043	9,993	6,405,036	

See accompanying notes to consolidated financial statements.

TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,506,789	1,213,768
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	113,998	107,290
Amortization expense	2,387	7,101
Provision (reversal of provision) for bad debt expense	(4,826)	(6,150)
Interest expense	22,000	16,474
Interest income	(8,098)	(5,765)
Dividend income	(17,694)	(17,651)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(103,306)	(168,633)
Loss (gain) on disposal of investments	(33,477)	-
Impairment loss	5,607	25,706
Others	3,156	6,823
Total adjustments to reconcile profit (loss)	(20,253)	(34,805)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes and accounts receivable	(51,031)	(376,773)
Decrease (increase) in inventories	(815,878)	(170,308)
Decrease (increase) in financial assets at fair value through profit or loss	(126,951)	132,220
Decrease (increase) in other current assets	37,171	689
Decrease (increase) in other current financial assets	(61,316)	5,454
Decrease (increase) in amount due from customers for contract work	58,155	(3,268)
Total changes in operating assets	(959,850)	(411,986)
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	621,299	55,152
Increase (decrease) in amount due to customers for contract work	513,808	(830)
Increase (decrease) in other current financial liabilities	62,158	38,311
Increase (decrease) in current provisions	69,664	(26,793)
Increase (decrease) in unearned revenue	71,920	(44,596)
Increase (decrease) in other current liabilities	18,898	7,643
Others	7,416	(8,100)
Total changes in operating liabilities	1,365,163	20,787
Total changes in operating assets and liabilities	405,313	(391,199)
Total adjustments	385,060	(426,004)
Cash inflow generated from operations	1,891,849	787,764
Interest received	7,842	6,335
Dividends received	121,764	122,750
Interest paid	(22,313)	(16,347)
Income taxes paid	(265,455)	(190,444)
Net cash flows from operating activities	1,733,687	710,058
Cash flows from (used in) investing activities:		
Proceeds from disposal of associates accounted for using equity method and available-for-sale financial assets	63,042	-
Proceeds from capital reduction of available-for-sale financial assets and non-current financial assets at cost	10,161	32,752
Acquisition of investments accounted for using equity method and non-current financial assets at cost	(42,033)	-
Net cash flow from acquisition of subsidiaries	-	(19,829)
Acquisition of property, plant and equipment	(671,997)	(626,414)
Proceeds from disposal of property, plant and equipment	21,496	1,013
Acquisition of intangible assets	(921)	(13,343)
Decrease in refundable deposits	8,662	5,571
Decrease (increase) in restricted assets	(9,763)	63,551
Others	(744)	(96)
Net cash used in investing activities	(622,097)	(556,795)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	17,005	306,524
Cash dividends paid	(634,322)	(584,264)
Proceeds from long-term borrowings	132,000	150,000
Repayments of long-term borrowings	(55,328)	(46,403)
Decrease in guarantee deposits received	(5,272)	-
Change in non-controlling interests	(283)	(32,537)
Net cash used in financing activities	(546,200)	(206,680)
Effect of exchange rate changes on cash and cash equivalents	(51,846)	(88)
Net increase (decrease) in cash and cash equivalents	513,544	(53,505)
Cash and cash equivalents at beginning of period	1,374,472	1,427,977
Cash and cash equivalents at end of period	\$ 1,888,016	1,374,472

See accompanying notes to consolidated financial statements.

TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

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

(1) Company history

TOPCO SCIENTIFIC CO., LTD. (the "Company") was incorporated on February 17, 1990, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 6F., No. 483, Sec. 2, Tiding Blvd., Neihu District, Taipei City. The Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") engage in the trading of electronics products, high technology products and related materials and components, pollution prevention equipment, the design and installation of water purification and recycling systems, as well as solar energy materials and providing solar energy system integration services. Please refer to note 13 for related information.

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

The consolidated financial statements were authorized for issuance by the board of directors on March 22, 2017.

(3) New standards, amendments and interpretations adopted:

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

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

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

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

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

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

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

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

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

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the presented periods in the financial statements.

The consolidated financial statements have been translated into English. The translated information is consistent with the Chinese language financial statements from which it is derived.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and IFRSs endorsed by the FSC.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on the historical cost basis:

- 1) Financial instruments (including derivative financial instruments) measured at fair value through profit or loss are measured at fair value;
- 2) Available-for-sale financial assets are measured at fair value;
- 3) The defined benefit asset (liabilities) is recognized as plan assets, less the present value of the defined benefit obligation and the effect of the asset ceiling mentioned in note 4(s).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

The details of the subsidiaries included in the consolidated financial statements are as follows:

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership		Description
			December 31, 2016	December 31, 2015	
The Company	Taiwan E&M System Inc. (Taiwan E&M)	Sales of electronic material	100%	100%	
"	Topco Group Ltd. (Topco Group)	Investment	100%	100%	
"	Topco International Investment Co., Ltd. (Topco International Investment)	Investment	100%	100%	
"	Topco Investment Co., Ltd. (Topco Investment)	Investment	100%	100%	
"	Chien Yueh Technology Engineering Co., Ltd. (Chien Yueh)	Water purification and construction of dust-proof room	100%	100%	
"	Yasunaga Biotechnology, Inc. (Yasunaga Biotechnology)	Aquaculture and strategic partnership with fish processing	98%	98%	The Company and Topco International Investment Co., Ltd. held its 100% share.
"	Ren Yueh Trading Co., Ltd. (Ren Yueh)	Sales of electronic material	-%	50%	The Company has the control over the personnel, business and finance of Ren Yueh. Besides, Ren Yueh was dissolved on June 22, 2015. Ren Yueh completed its liquidation procedure on April 13, 2016.
"	Yasunaga Fresh Mart. Inc. (Yasunaga Fresh Mart.)	Wholesale and retail sales of fishery products	100%	100%	
"	Kanbo Biomedical Co., Ltd. (Kanbo Biomedical)	Sales of health food products	91%	91%	The Company and Topco International Investment held its 100% share.
"	Kuan Yueh Technology Engineering Co., Ltd. (Kuan Yueh Technology)	Development of renewable energy project Configure pipeline construction and device installation	32%	32%	The Company and Topco International Investment held its 100% share.
"	Xiang Yue Co., Ltd. (Xiang Yue)	Restaurant	100%	100%	
"	Jia Yi Energy Co., Ltd. (Jia Yi Energy)	Manufacture of machinery and electronic spare parts	76%	76%	The Company and Topco International Investment held its 100% share.
"	Yilan Yasunaga Lohas, Inc. (Yasunaga Lohas)	Restaurant and retail sales of food products	100%	-%	It was incorporated in the second quarter of 2016.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership		Description
			December 31, 2016	December 31, 2015	
Topco Group	Asia Topco Investment Ltd.(Asia Topco)	Investment	100%	100%	
"	Topscience (s) Pte Ltd. (Topscience (s))	Sales of parts of semiconductor and optoelectronic industries	100%	100%	
"	Hong Kong Topco Trading Limited	Wholesale of semiconductor material and electronic material	100%	100%	
Asia Topco	Topco Scientific (Shanghai) Co., Ltd. (Topco shanghai)	Wholesale of semiconductor material and electronic material	100%	100%	
"	Suzhou Topco Construction Ltd. (Topco Suzhou)	Water purification and cleanroom construction	100%	100%	
Topco Shanghai	Shanghai Chongyao Trading Co., Ltd. (Shanghai Chongyao)	Wholesale of semiconductor material and electronic material	98%	98%	Topco Shanghai and Topco Suzhou held its 100% share.
Topco Suzhou	Shanghai Chongyao	Wholesale of semiconductor material and electronic material	2%	2%	
Topco International Investment	Cai Yan International Co., Ltd.(Cai Yan)	Wholesale and sales of cosmetic	67%	67%	
"	Topco Scientific (Japan) Co., Ltd. (Topco Japan)	Sales of facilities of semiconductor and clean room	100%	100%	
"	Kuan Yueh Technology	Sales of fishery products Development of renewable energy projects Configure pipeline construction and device installation	68%	68%	
"	Jia Yi Energy	Manufacture of machinery and electronic spare parts	24%	24%	
"	Kanbo Biomedical	Sales of health food products	9%	9%	
"	DIO Energy GmbH	"	100%	100%	
"	Yasunaga Biotechnology	Aquaculture and strategic partnership with fish processing	2%	2%	
"	Qun Yueh Materials Co., Ltd. (Qun Yueh Materials)	Antifouling surface protection, light-blocking material and the manufacture of other chemicals	100%	100%	
"	Jing Yueh Energy Co., Ltd. (Jing Yueh Energy)	Development of renewable energy projects	100%	100%	
Topco Investment	You Fu Technology Co., Ltd.(You Fu Technology)	Wholesale of fishery products	98%	97%	
"	Ding Yue Foods Co., Ltd. (Ding Yue Foods)	Wholesale and retail sales of food products	100%	100%	
"	Fu Shan Fishery, Inc. (Fu Shan Fishery)	Aquaculture and wholesale of fishery products	97%	-%	It was incorporated in the fourth quarter of 2016.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership		Description
			December 31, 2016	December 31, 2015	
Jia Yi Energy	Jing Chen Energy Co., Ltd. (Jing Chen)	Development of renewable energy projects.	100%	100%	
"	Jing Yang Energy Co., Ltd. (Jing Yang)	"	100%	100%	
Taiwan E&M	Chinese Quartz Tech. Co., Ltd. (Chinese Quartz)	Process and sales of quartz products	98%	95%	

(d) Foreign currencies

(i) Foreign currency transactions

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

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

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- 1) available-for-sale financial assets;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent the hedge is effective

(ii) Foreign operations

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

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

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

The business cycle of the construction contracts is usually longer than a year, therefore, the balance sheet accounts related to the construction contracts are classified as current.

An entity shall classify an asset as current when:

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

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

An entity shall classify a liability as current when:

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

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

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(g) Financial instruments

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

(i) Financial assets

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

1) Financial assets at fair value through profit or loss

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

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

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

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and guarantee deposits. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

4) Impairment of financial assets

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

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

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

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

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

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

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

Loss on and reversal of doubtful accounts are included in operating expense. Impairment losses on and recoveries of financial assets other than accounts receivable are included in non-operating income and expenses.

5) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity-unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss, and included in non-operating income and expenses.

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

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in non-operating income or expenses.

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in non-operating income and expenses.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(h) Inventories

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

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

(i) Construction contracts

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contracts in progress is presented as the amount due from customers for contract work in the balance sheet for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as amount due to customers for contract work in the balance sheet.

(j) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are reclassified as held for sale. For those non-current assets or disposal group classified into this category, the assets or disposal group must be available for immediate sale in their present condition and the sale must be highly probable within one year. Immediately before classification as held for sale, the assets, or components of a disposal group are re-measured in accordance with the Group's accounting policies. Generally the assets or disposal group are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When the assets classified as held for sale are intangible assets or property, plant and equipment, they are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(k) Investment in associates

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

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the changes in ownership interests of its associate in capital surplus in proportion to its ownership.

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

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

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

(1) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of raw materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and its carrying amount) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(m) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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

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

(ii) Subsequent cost

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

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

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

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

- 1) Buildings: 35~51 years
- 2) Building improvement: 1~10 years

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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3) Machine and others: 3~20 years

4) Office equipment and others: 3~10 years

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

(iv) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(n) Lease

(i) The Group as lessee

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

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

(ii) The Group as lessor

A finance leased asset is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(o) Intangible assets

(i) Intangible assets

Intangible assets that are acquired by the Group are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

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(iii) Amortization

The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- 1) Computer software: 1~5 years
- 2) Right of using: the contract period

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(p) Impairment – non-derivative financial assets

The Group assesses the assets for impairment for and estimates the recoverable amounts for any impaired assets at the end of each reporting period other than the following:

- (i) Inventories
- (ii) Construction contracts assets
- (iii) Deferred tax assets
- (iv) Non-current assets classified as held-for-sale

If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for an individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss and shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(q) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(r) Revenue

(i) Goods sold

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

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(ii) Construction Contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of the contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(iii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

(iv) Electricity generating income

Revenue from the sale of electricity is recognized after the electricity transmission is completed through the grid, and the revenue is calculated according to the fee agreed with Taiwan Power Company.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested.

Re-measurement of net defined benefit liability (asset) (including actuarial gains, losses and the return on plan asset and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-measurement of the defined benefit plan is charged to retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation.

(iii) Short-term employee benefits

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

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

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(t) Share-based payment

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

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(u) Income taxes

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

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

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

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

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

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

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

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

The 10% surtax on the Company and the domestic subsidiaries' unappropriated earnings is recorded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

The Group's income tax returns are calculated and filed based on the Company's and each subsidiary's local tax law. The Group's income tax expenses are the aggregation of all consolidated entities' income tax expenses.

(v) Business combination

Goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and as an amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

All the transaction costs incurred for business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

If the business combination is achieved in stages, the Group shall measure any non-controlling equity interest in the acquire, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other non-controlling interest is measured (1) at fair value at the acquisition date or (2) by using other valuation techniques acceptable under the IFRS as endorsed by the FSC.

In a business combination achieved in stages, the Group shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

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(w) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Group. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Group divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Group divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee stock options and employee bonuses and employee compensation not yet resolved by the shareholders.

(x) Operating segments

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

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

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

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

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Impairment of trade receivable

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 the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses) 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. Refer to note 6(c) for further description of the impairment of trade receivable.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(b) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

(c) Revenue recognition

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs or actually completion of the contracts. Estimated total contract costs of contracted items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts. Refer to note 6(d) for further description of construction revenue.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	\$ 6,727	5,556
Checking accounts and demand deposits	1,212,254	1,036,398
Time deposits	647,035	240,518
Bonds purchased under resale agreements	22,000	92,000
	<u>\$ 1,888,016</u>	<u>1,374,472</u>

Please refer to note 6(x) for the disclosure of the exchange rate risk and the sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets

	December 31, 2016	December 31, 2015
Financial assets at fair value through profit or loss:		
Mutual funds—V open-end fund	\$ 494,913	367,962
Available-for-sale financial assets	35,329	85,394
Financial assets at cost	218,212	196,077
	<u>\$ 748,454</u>	<u>649,433</u>
Current	\$ 530,242	453,356
Non—current	218,212	196,077
	<u>\$ 748,454</u>	<u>649,433</u>

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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- (i) The aforementioned investments held by the Group are measured at cost less accumulated impairment losses on the reporting date given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Group management had determined that the fair value cannot be measured reliably.
- (ii) For the year ended 2016, the Group disposed all the stocks of Ultra Chip, Inc. for \$37,494, resulting in a gain on disposal amounting to \$27,044, which was recognized as other gains and losses in its consolidated statements of comprehensive income. The gain includes the amount which was previously recognized as other comprehensive income deriving from its investee company.
- (iii) The value of part of the Group's investments classified as current available-for-sale financial assets declined materially and permanently, and the Group therefore recognized an impairment loss amounting to \$3,592 and \$3,339, which were recorded as impairment losses for the years ended December 31, 2016 and 2015, respectively.
- (iv) As of December 31, 2016 and 2015, the Group did not provide financial assets as collateral for its loans.

If the equity securities price changes, and if it is on the same basis for both years and assumes that all other variables remain the same, the impact on other comprehensive income will be as follows:

Price of equity securities at reporting date	2016		2015	
	Other comprehensive income (pre-tax)	Profit (loss) (pre-tax)	Other comprehensive income (pre-tax)	Profit (loss) (pre-tax)
Increase 5%	\$ <u>1,766</u>	<u>-</u>	<u>4,270</u>	<u>-</u>
Decrease 5%	\$ <u>(1,766)</u>	<u>-</u>	<u>(4,270)</u>	<u>-</u>

(c) Notes and accounts receivable and other receivables

	December 31, 2016	December 31, 2015
Notes receivable	\$ 27,459	14,917
Accounts receivable	3,198,002	3,159,513
Other receivables	100,055	37,136
	3,325,516	3,211,566
Less: allowance for uncollectible accounts	(92,529)	(102,648)
	<u>\$ 3,232,987</u>	<u>3,108,918</u>
Notes and accounts receivable	<u>\$ 3,061,268</u>	<u>3,014,568</u>
Notes and accounts receivable—related parties	<u>\$ 75,419</u>	<u>62,080</u>
Other receivables—current (recorded as other current financial assets)	<u>\$ 96,300</u>	<u>32,270</u>

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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As of December 31, 2016 and 2015, the Group did not provide any aforementioned notes and accounts receivable and other receivables as collaterals for its loans.

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

	December 31, 2016	December 31, 2015
Overdue 1 to 120 days	\$ 191,756	172,197
Overdue over 121 days	40,785	33,122
	<u>\$ 232,541</u>	<u>205,319</u>

The change of allowance for receivable and other receivables for the years ended December 31, 2016 and 2015 were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	\$ 15,066	87,582	102,648
Impairment loss recognized	63	2,351	2,414
Impairment loss reversed	(1,111)	(6,129)	(7,240)
Effect of changes in exchange rates	-	(5,293)	(5,293)
Balance at December 31, 2016	<u>\$ 14,018</u>	<u>78,511</u>	<u>92,529</u>

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2015	\$ 23,753	85,045	108,798
Impairment loss recognized	-	5,394	5,394
Impairment loss reversed	(8,687)	(1,500)	(10,187)
Effect of changes in exchange rates	-	(1,357)	(1,357)
Balance at December 31, 2015	<u>\$ 15,066</u>	<u>87,582</u>	<u>102,648</u>

(d) Construction contracts

- (i) Construction contract revenue of the Group has been determined based on the stage-of-completion method (the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs). Any expected excess of total contract costs over total contract revenue for the contract is recognized as an expense immediately.

	2016	2015
Construction revenue recognized in current profit or loss	<u>\$ 1,814,399</u>	<u>1,078,932</u>

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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	December 31, 2016	December 31, 2015
Accumulated cost incurred	\$ 2,652,634	1,792,900
Add: accumulated profit and losses recognized arising from the construction	396,597	108,821
Accumulated costs and profit recognized (less losses recognized)	3,049,231	1,901,721
Less: progress billings	3,353,130	1,633,657
Net amount due from customers for contract work	<u>\$ (303,899)</u>	<u>268,064</u>
Amount due from customers for contract work-presented as an asset	\$ 236,763	294,918
Amount due to customers for contract work-presented as a liability	540,662	26,854
	<u>\$ (303,899)</u>	<u>268,064</u>
Advance received	\$ -	-
Retention payable from construction contract	<u>\$ 269</u>	<u>-</u>

- (ii) The material construction in progress as of December 31, 2016 and 2015, is summarized below (contract price in excess of \$150,000):

December 31, 2016					
Construction item	Estimated construction revenue	Estimated construction cost	% of completion	Estimated year of completion	Accumulated gain (loss)
W08012	\$ 157,956	157,206	Note	Note	707
CW14001	548,000	502,444	96.26	2017	43,850
CC15020	319,048	296,097	29.81	2017	6,841
CW15011	255,000	199,373	75.35	2017	41,913
CC16005	150,000	130,748	1.06	2017	204
RPC14004R	199,834	185,486	83.67	2017	11,448
RPW15015R	362,539	305,731	68.65	2017	38,997
RPW15017R	1,150,773	899,479	56.23	2017	135,589
RPW15018R	519,977	386,313	39.57	2017	50,229
RPC16001R	340,377	284,208	87.76	2017	48,878

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December 31, 2015					
Construction item	Estimated construction revenue	Estimated construction cost	% of completion	Estimated year of completion	Accumulated gain (loss)
W08012	\$ 157,956	157,206	Note	Note	706
CW13016	234,520	244,514	95.99	2016	(9,994)
CW14001	548,000	496,926	84.54	2016	43,181
CW14004	222,000	240,201	93.26	2016	(18,201)
CW15011	255,000	221,121	8.44	2016	2,860
RPC14004R	205,893	191,110	82.43	2016	11,613
RPW15017R	262,593	90,818	19.14	2017	28,124

Note: As of December 31, 2014, the amount due from customers for contract work was \$2,794.
The construction had been suspended due to the customer's request.

(e) Inventories

	December 31, 2016	December 31, 2015
Merchandise inventories	\$ 2,490,303	1,708,715
Work in progress	649	1,482
Raw materials	11,026	14,126
Goods in transit	89,399	48,827
	<u><u>\$ 2,591,377</u></u>	<u><u>1,773,150</u></u>

Inventory-related expenses were as follows:

	105	104
Cost of sales	\$ 18,045,951	15,639,945
Provision (recovery) for inventory valuation loss and obsolescence	(64,874)	(171,820)
Loss on scrapping of inventory and others	1,934	4,635
	<u><u>\$ 17,983,011</u></u>	<u><u>15,472,760</u></u>

- (i) In 2016 and 2015, the Group reversed allowance for inventory valuation loss and obsolescence because of disposal of obsolete inventories.
- (ii) As of December 31, 2016 and 2015, the Group did not provide inventories as collateral for its loans.

(f) Investments accounted for using equity method

- (i) The Group's equity-accounted investment in all individually immaterial associates and the Group's share of the operating results are summarized below:

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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	December 31, 2016	December 31, 2015
The carrying amount of the Group's interests in all individually immaterial associates	\$ <u>1,119,957</u>	<u>1,134,242</u>
	<u>2016</u>	<u>2015</u>
The Group's share of the net gain of associates		
Profit (loss) from continuing operations	\$ 103,306	168,633
Other comprehensive income	<u>(4,167)</u>	<u>138</u>
Total comprehensive income	\$ <u>99,139</u>	<u>168,771</u>

- (ii) For the year ended 2016, the Group disposed all the stocks of one of its associates for \$25,548, resulting in a gain on disposal amounting to \$6,433, which was recognized as other gains and losses in its consolidated statements of comprehensive income. The gain includes the amount which was previously recognized as other comprehensive income deriving from its investee company.
- (iii) The value of part of the Group's investment accounted for using equity method declined materially and permanently. The Group recognized an impairment loss amounting to \$22,367, which was recorded as impairment losses for the year ended December 31, 2015.
- (iv) As of December 31, 2016 and 2015, the Group did not provide any investments accounted for using equity method as collaterals for its loans.

(g) Subsidiaries and non-controlling interests

(i) Acquisition of subsidiary

- 1) The Group purchased 95% of Chinese Quartz's equity in April and July of 2015 for a total of \$25,266. Therefore, the Group has taken control over Chinese Quartz starting July 2015.

As of the acquisition date, the identifiable assets acquired and liabilities assumed were as follows:

Cash and cash equivalents	\$ 5,437
Notes and accounts receivable, net	23,612
Inventories, net	23,040
Other current assets	5,390
Property, plant and equipment	12,888
Other non-current assets	123
Short-term borrowing	(30,000)
Notes and accounts payable	(9,267)
Accrued expenses and other current liabilities	<u>(5,843)</u>
Total net identifiable assets	\$ <u>25,380</u>

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(h) Property, plant and equipment

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

	Land	Buildings and building improvement	Machinery and others	Total
Cost or deemed cost:				
Balance on January 1, 2016	\$ 832,224	766,047	1,406,310	3,004,581
Additions	76,804	461	650,257	727,522
Disposals	-	(2,572)	(96,706)	(99,278)
Reclassifications	-	-	(3,938)	(3,938)
Reclassification to investment property	-	(68,263)	-	(68,263)
Effect of movements in exchange rates	-	(23,499)	(1,790)	(25,289)
Balance on December 31, 2016	<u>\$ 909,028</u>	<u>672,174</u>	<u>1,954,133</u>	<u>3,535,335</u>
Balance on January 1, 2015	\$ 577,566	767,846	984,809	2,330,221
Additions	254,580	1,334	370,500	626,414
Acquisition through business combination	-	-	69,208	69,208
Disposals	-	-	(14,601)	(14,601)
Reclassifications	78	2,302	(3,174)	(794)
Effect of movements in exchange rates	-	(5,435)	(432)	(5,867)
Balance on December 31, 2015	<u>\$ 832,224</u>	<u>766,047</u>	<u>1,406,310</u>	<u>3,004,581</u>
Depreciation and impairments loss:				
Balance on January 1, 2016	\$ -	143,381	228,132	371,513
Depreciation	-	33,961	78,630	112,591
Disposals	-	(2,548)	(75,495)	(78,043)
Reclassification to investment property	-	(1,934)	-	(1,934)
Effect of movements in exchange rates	-	(4,058)	(900)	(4,958)
Balance on December 31, 2016	<u>\$ -</u>	<u>168,802</u>	<u>230,367</u>	<u>399,169</u>
Balance on January 1, 2015	\$ -	105,768	111,819	217,587
Depreciation	-	35,547	71,743	107,290
Disposal	-	-	56,320	56,320
Acquisition through business combination	-	-	(11,543)	(11,543)
Effect of movements in exchange rates	-	2,066	(207)	1,859
Balance on December 31, 2015	<u>\$ -</u>	<u>143,381</u>	<u>228,132</u>	<u>371,513</u>
Carrying amounts:				
Balance on December 31, 2016	<u>\$ 909,028</u>	<u>503,372</u>	<u>1,723,766</u>	<u>3,136,166</u>
Balance on January 1, 2015	<u>\$ 577,566</u>	<u>662,078</u>	<u>872,990</u>	<u>2,112,634</u>
Balance on December 31, 2015	<u>\$ 832,224</u>	<u>622,666</u>	<u>1,178,178</u>	<u>2,633,068</u>

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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- (i) In order to expand its business, the Group purchased pieces of land to build a tourism factory and a fish processing factory, respectively. The registration procedures of the land have been completed and the payment was fully paid. According to the law, the land in Yilan city is an agricultural land and cannot be owned by any legal corporation, thus, the title is temporarily held by the citizen, with whom the Group entered into an agreement clarifying the rights and obligations of both parties. The construction of the factory was still in progress. The tourism factory is expected to begin operation in 2017.
- (ii) At 1 January 2016, parts of the offices were transferred at book value to investment property, because it was no longer used by the Group and that parts of the office space was leased to a third party.
- (iii) As of December 31, 2016 and 2015, part of the Group's property, plant and equipment are provided as collateral for long-term borrowings. Please see note 8.

(i) Investment property

The investment properties of the Group were as follows:

	<u>Buildings</u>
Cost:	
Balance as at January 1, 2016	\$ -
Reclassification from property, plant and equipment	<u>68,263</u>
Balance as at December 31, 2016	<u>\$ 68,263</u>
Accumulated depreciation and impairment losses:	
Balance as at January 1, 2016	\$ -
Depreciation for the year	1,407
Impairment loss	2,015
Reclassification from property, plant and equipment	1,934
Effect of changes in foreign exchange rates	<u>(157)</u>
Balance as at December 31, 2016	<u>\$ 5,199</u>
Carrying amount:	
Balance as at December 31, 2016	<u>\$ 63,064</u>
Fair value:	
Balance as at December 31, 2016	<u>\$ 63,064</u>

- (i) Parts of the Group's offices were leased to third parties. The fair value of the investment properties is measured at the market price.
- (ii) As of December 31, 2016 and 2015, the Group did not provide any investment properties as collaterals for its loans.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(j) Other non-current assets

The other non-current assets of the Group were as follows:

	December 31, 2016	December 31, 2015
Restricted assets	\$ 13,164	1,404
Refundable deposits	16,600	25,262
Computer software cost and others	15,729	16,451
	<u>\$ 45,493</u>	<u>43,117</u>

(k) Short-term borrowings

The short-term borrowings of the Group were as follows:

	December 31, 2016	December 31, 2015
Loans for purchase of materials	\$ 8,141	11,604
Unsecured bank loans	579,140	558,672
	<u>\$ 587,281</u>	<u>570,276</u>
Unused credit line for short-term borrowings	<u>\$ 4,718,011</u>	<u>4,376,090</u>
Annual interest rates	<u>0.75%~4.35%</u>	<u>0.6%~5%</u>

For information on the Group's interest risk, foreign currency risk and liquidity risk, please see note 6(v).

(l) Long-term borrowings

The details were as follows:

	December 31, 2016		
	Currency	Rate	Maturity year
Unsecured bank loans	TWD	1.82%~2.3%	109.9~120.8
			\$ 509,927
Less: current portion			(44,336)
Total			<u>\$ 465,591</u>
Unused long-term credit lines			<u>-</u>

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

December 31, 2015				
	Currency	Rate	Maturity year	Amount
Unsecured bank loans	TWD	2.15%~2.5%	109.9~119.3	\$ 416,396
Secured bank loans	SGD	1.25%~1.5%	108.5	<u>16,773</u>
				433,169
Less: current portion				<u>(40,518)</u>
Total				<u><u>\$ 392,651</u></u>
Unused long-term credit lines				<u><u>-</u></u>

(i) Issuance and repayments of long-term borrowings

The Group issued new long-term loans amounting to \$132,000 and \$150,000 in 2016 and 2015, respectively, with maturity dates in August 2031 and March 2030. The amounts paid were \$55,328 and \$46,403 in 2016 and 2015, respectively.

(ii) As of December 31, 2016, the repayment schedule for the long-term borrowings was as follows:

Period	Amount
2017.1.1~2017.12.31	\$ 44,336
2018.1.1~2018.12.31	44,336
2019.1.1~2019.12.31	44,336
2020.1.1~2020.12.31	117,336
After 2021.1.1	<u>259,583</u>
	<u><u>\$ 509,927</u></u>

(iii) The Group paid part of the long-term borrowings in advance for \$13,013 and \$13,950 in 2016 and 2015, respectively.

(iv) The Group provides part of the property, plant and equipment as collateral for its long-term borrowings. Please see note 8.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(m) Provisions

	Warranties	Sales returns and allowances	Total
Balance at January 1, 2016	\$ 5,951	16,316	22,267
Provisions made during the period	11,745	70,005	81,750
Provisions used during the period	(3,710)	(6,795)	(10,505)
Provisions reversed during the period	<u>(1,581)</u>	<u>-</u>	<u>(1,581)</u>
Balance at December 31, 2016	<u>\$ 12,405</u>	<u>79,526</u>	<u>91,931</u>
Balance at January 1, 2015	\$ 10,536	38,524	49,060
Provisions made during the period	1,405	92,948	94,353
Provisions used during the period	(3,010)	(115,156)	(118,166)
Provisions reversed during the period	<u>(2,980)</u>	<u>-</u>	<u>(2,980)</u>
Balance at December 31, 2015	<u>\$ 5,951</u>	<u>16,316</u>	<u>22,267</u>

Provisions relate to construction revenue and sales of products, and are assessed based on historical experience. The aforementioned provisions are expected to occur over the next year.

(n) Operating leases

(i) Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2016	December 31, 2015
Less than one year	\$ 58,747	46,173
Between one and five years	105,039	87,886
More than five years	<u>88,505</u>	<u>86,872</u>
	<u>\$ 252,291</u>	<u>220,931</u>

The Group leased several office space, warehouses, operational sites and buildings for erecting solar power generation equipment under operating leases with lease terms of 1 to 20 years and had an option to renew the leases.

The lease period of the building lease contracts for erecting solar power generation equipment systems is 20 years. According to the contracts, the monthly rent is 7% of the revenue which Taiwan Power Company paid to the Group for sale of power.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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The office space and buildings were combined leases of the land and buildings. The rent paid to the lessor is increased to market rent at regular intervals, and ownership of the land and buildings were not transferred. As a result, it was determined that substantially, all the risks and rewards of the land and buildings are attributed to the lessor. Therefore, the Group determined that the land, office space, and building leases are accounted for as operating leases.

For the years ended December 31, 2016 and 2015, expenses recognized in profit or loss in respect of operating leases amounted to \$110,776 and \$105,780, respectively.

(ii) Leases as lessor

The Group leases out its investment properties (see Note 6(i)). The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2016	December 31, 2015
Less than one year	\$ <u>1,546</u>	<u>-</u>

Rental income from investment properties was \$2,062 in 2016. The depreciation arising from investment properties amounting to \$1,407 was recognized as a reduction of rental income.

(o) Employee benefits

(i) Defined benefit plans

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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	\$ (225,142)	(200,262)
Fair value of plan assets	<u>45,352</u>	<u>42,642</u>
Net defined benefit liabilities	\$ <u>(179,790)</u>	<u>(157,620)</u>

The Group makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$45,352 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of defined benefit obligations

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

	2016	2015
Defined benefit obligation at January 1	\$ (200,262)	(192,819)
Current service costs and interest costs	(7,010)	(7,707)
Effect of plan amendment	(3,608)	(5,918)
Remeasurements of net defined liabilities	(14,262)	(6,227)
Benefits paid	-	12,409
Defined benefit obligations at December 31	<u>\$ (225,142)</u>	<u>(200,262)</u>

3) Movements of defined benefit plan assets

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

	2016	2015
Fair value of plan assets at January 1	\$ 42,642	39,657
Contributions paid by the employer	2,400	1,920
Expected return on plan assets	802	778
Remeasurements of net defined benefit liabilities	(492)	287
Fair value of plan assets at December 31	<u>\$ 45,352</u>	<u>42,642</u>
Actual return on plan assets	<u>\$ 310</u>	<u>1,065</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Service cost	\$ 6,883	9,789
Net interest of net liabilities for defined benefit obligations	2,933	3,059
	<u>\$ 9,816</u>	<u>12,848</u>
Selling expenses	3,994	10,234
Administrative expenses	5,822	2,614
	<u>\$ 9,816</u>	<u>12,848</u>

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

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

	2016	2015
Accumulated amount at January 1	\$ 9,956	4,016
Recognized during the period	14,754	5,940
Accumulated amount at December 31	<u>\$ 24,710</u>	<u>9,956</u>

- 6) Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting date:

	December 31, 2016	December 31, 2015
Discount rate	1.375 %	1.88 %
Future salary increases	3.00 %	3.00 %

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date is \$2,400.

The weighted-average duration of the defined benefit obligation is 16.43 years.

- 1) Sensitivity analysis

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

	Effects to the defined benefit obligation	
	Increased 0.25%	Decreased 0.25%
December 31, 2016		
Discount rate	\$ (6,374)	6,633
Future salary increasing rate	6,403	(6,188)
December 31, 2015		
Discount rate	(5,756)	5,989
Future salary increasing rate	5,812	(5,617)

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

There is no change in other assumptions when performing the above-mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net defined benefit liability.

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

(ii) Defined contribution plans

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

The domestic Group entities recognized the pension costs under the defined contribution method amounting to \$33,474 and \$31,333 for the years ended December 31, 2016 and 2015, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expense, basic endowment insurance expense, and social welfare expenses amounting to \$7,486 and \$7,670 for the years ended December 31, 2016 and 2015, respectively.

(p) Income taxes

(i) Income tax expenses

- 1) The amount of income tax for the years ended December 31, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Current tax expense		
Recognized during the period	\$ 250,714	186,883
10% surtax on unappropriated earnings	<u>19,062</u>	<u>12,701</u>
	269,776	199,584
Deferred tax expense		
Recognition and reversal of temporary differences	<u>32,742</u>	<u>54,723</u>
	<u>32,742</u>	<u>54,723</u>
Income tax expense	<u>\$ 302,518</u>	<u>254,307</u>

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

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

	<u>2016</u>	<u>2015</u>
Items that may not be reclassified subsequently to profit or loss:		
Remeasurements of the net defined benefit liability	\$ (2,508)	(1,010)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	(12,194)	(2,326)
Unrealized gain (loss) of available-for-sale financial assets	<u>(570)</u>	<u>373</u>
	<u>\$ (15,272)</u>	<u>(2,963)</u>

- 3) The income tax that was reconciled with the actual income tax expense for 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Profit before tax	\$ 1,506,789	1,213,768
Income tax calculated based on local tax rate	334,947	228,882
Estimated tax effect of tax exemption on investment income, net	(25,414)	(9,355)
Changes in unrecognized temporary differences	(20,893)	8,628
Estimated difference adjustment and others	(5,184)	13,451
10% surtax on unappropriated earnings	<u>19,062</u>	<u>12,701</u>
	<u>\$ 302,518</u>	<u>254,307</u>

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets and liabilities

The Group's deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Tax effect of deductible temporary differences	\$ 19,920	24,568
Tax carryforward of unused tax losses	<u>83,216</u>	<u>66,105</u>
	<u>\$ 103,136</u>	<u>90,673</u>

Deferred tax assets were not recognized because the deductible temporary differences may not be realized in the future.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES

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The ROC Income Tax Act allows losses for tax purposes, as assessed by the tax authorities, to be offset against taxable income in the following ten years. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits.

As of December 31, 2016, the Group's loss carryforward not recognized as deferred tax assets was as follows:

<u>Year of loss</u>	<u>Expiry year</u>	<u>Deductible amount</u>
2007 (Assessed)	2017	\$ 89
2008 (Assessed)	2018	63
2009 (Assessed)	2019	679
2010 (Assessed)	2020	1,006
2011 (Assessed)	2021	4,710
2012 (Assessed)	2022	30,658
2013 (Assessed)	2023	57,103
2014 (Assessed)	2024	102,930
2015 (Filed/Assessed)	2025	184,587
2016 (Estimated)	2026	<u>107,681</u>
		<u><u>\$ 489,506</u></u>

2) Recognized deferred tax assets and liabilities

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

	<u>Deferred benefit plan</u>	<u>Foreign investment loss under equity method</u>	<u>Loss on inventory valuation</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:					
Balance on January 1, 2016	\$ 29,643	-	3,785	11,932	45,360
Recognized in profit or loss	(849)	12,539	(3,425)	21,126	29,391
Recognized in other comprehensive income	<u>2,508</u>	<u>-</u>	<u>-</u>	<u>1,764</u>	<u>4,272</u>
Balance on December 31, 2016	<u>\$ 31,302</u>	<u>12,539</u>	<u>360</u>	<u>34,822</u>	<u>79,023</u>
Balance on January 1, 2015	\$ 26,775	-	18,802	18,931	64,508
Recognized in profit or loss	1,858	-	(15,017)	(6,999)	(20,158)
Recognized in other comprehensive income	<u>1,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,010</u>
Balance on December 31, 2015	<u>\$ 29,643</u>	<u>-</u>	<u>3,785</u>	<u>11,932</u>	<u>45,360</u>

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

	Foreign investment income under equity method	Foreign currency translation adjustment	Others	Total
Deferred tax liabilities:				
Balance on January 1, 2016	\$ 73,885	10,430	584	84,899
Recognized in profit or loss	61,706	-	427	62,133
Recognized in other comprehensive income	-	(10,430)	(570)	(11,000)
Balance on December 31, 2016	<u>\$ 135,591</u>	<u>-</u>	<u>441</u>	<u>136,032</u>
Balance on January 1, 2015	\$ 38,459	12,756	1,072	52,287
Recognized in profit or loss	35,426	-	(861)	34,565
Recognized in other comprehensive income	-	(2,326)	373	(1,953)
Balance on December 31, 2015	<u>\$ 73,885</u>	<u>10,430</u>	<u>584</u>	<u>84,899</u>

(iii) The ROC tax authorities have examined the income tax returns of the Company through 2014, of Jing Chen, Jing Yueh, Chien Yueh, Topco Investment, Topco International Investment, Kuan Yueh, Taiwan E&M, Jia Yi Ennergy, Jing Yuen Energy and Chinese Quartz through 2014, Xiang Yue, Kanbo Biomedical, Yasunaga Fresh Mart, Yasunaga Biotechnology, Qun Yueh Materials, Ding Yue Foods, You Fu Technology and Cai Yan through 2015.

(iv) The Company's imputation credit account and creditable ratio were as follows:

	December 31, 2016	December 31, 2015
Unappropriated earnings prior to January 1, 1997	\$ 8,747	8,871
Unappropriated earnings after January 1, 1997	2,384,360	1,955,933
	<u>\$ 2,393,107</u>	<u>1,964,804</u>
ICA balance	<u>\$ 292,406</u>	<u>288,227</u>
	2016 (estimated)	2015 (actual)
Creditable ratio for earnings distribution to ROC residents	<u>16.15 %</u>	<u>19.34 %</u>

The above stated information was prepared in accordance with the information letter No. 10204562810 announced by the Ministry of Finance of R.O.C. on October 17, 2013.

(q) Capital and other equities

(i) Common stock

As of December 31, 2016 and 2015, the authorized common stock were both \$1,700,000 (both including \$100,000 for the issuance of employee stock options), with a par value of \$10 (dollars) per share. All issued shares were paid up upon issuance.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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Reconciliations of shares outstanding for 2016 and 2015 are as follows (in thousands of shares):

	Ordinary Shares	
	2016	2015
Balance on January 1	162,647	157,909
Stock dividends	3,253	4,738
Balance on December 31	<u>165,900</u>	<u>162,647</u>

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2016	December 31, 2015
Additional paid-in capital	\$ 1,462,556	1,462,556
Changes in equity of associates and joint ventures accounted for using equity method	1,185	1,162
Others	<u>316</u>	<u>316</u>
	<u>\$ 1,464,057</u>	<u>1,464,034</u>

In accordance with the ROC Company Act realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

In accordance with the Company's articles of incorporation, 10% of the Company's annual net income after paying all taxes and deducting losses from the prior years, if any, should be set aside as legal reserve.

According to the Company's dividend policy, the type of dividends should be determined after considering the remaining portion of retained earnings, the business environment, etc. The dividends could be paid whether by cash or stock. No less than 10% of total stockholders' dividends may be distributed in the form of cash dividends. Any remaining profit didn't distributed in the form of cash dividends could be distributed in the form of stock dividends according to the Company Act proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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1) Legal reverse

In accordance with the amended Company Act, 10% of net income should be set aside as statutory earnings reserve until it is equal to share capital. When a company incurs no loss, it may, in pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares and distributing stock dividends or distributing cash to shareholders. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

2) Special reverse

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2015 and 2014 was approved by the shareholders during their annual meeting held on June 15, 2016 and June 9, 2015, respectively. The relevant information was as follows:

	2015		2014	
	Amount per share NT (dollars)	Total amount	Amount per share NT (dollars)	Total amount
Distributed to common shareholder:				
Cash dividends	\$ 3.9	634,322	3.7	584,264
Stock dividends	0.3	32,529	0.3	47,373
Total		<u>\$ 666,851</u>		<u>631,637</u>

Earnings distributed using cash and stock dividends amounting to \$829,498 for 2016 was approved at the board of directors' meeting held on March 22, 2017. The relevant information was as follows:

	2016	
	Amount per share NT (dollars)	Total amount
Dividends to common shareholder:		
Cash dividends	\$ 5.0	<u>829,498</u>

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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The information on 2016 earning distribution can be accessed from the Market Observation Post System after the shareholders' meeting.

(r) Earnings per share

The calculation of basic and diluted earnings per share for the years 2016 and 2015 are as follows:

	2016	2015
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company \$	<u>1,203,347</u>	<u>958,221</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u>165,900</u>	<u>165,900</u>
Basic earnings per share (dollars)	<u>\$ 7.25</u>	<u>5.78</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares) \$	<u>1,203,347</u>	<u>958,221</u>
Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares (thousands)	165,900	165,900
Employee bonuses	-	380
Effect of employee share bonuses	<u>949</u>	<u>1,067</u>
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u>166,849</u>	<u>167,347</u>
Diluted earnings per share (dollars)	<u>\$ 7.21</u>	<u>5.73</u>

(s) Revenue

The details of revenue for the years 2016 and 2015 were as follows:

	2016	2015
Sale of goods	\$ 19,999,255	17,319,005
Construction revenue	1,814,399	1,078,932
Rendering of services	410,972	380,945
Electricity revenue	106,703	97,289
Other operating revenue	<u>298,107</u>	<u>202,699</u>
	<u>\$ 22,629,436</u>	<u>19,078,870</u>

(i) Refer to note 6(d) for further description of construction contract revenue.

(ii) The Group played a role of an agent instead of a client in rendering its service which is regarded as commission transaction.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(t) Remuneration to employees, directors and supervisors

The Company's articles of incorporation require that earning shall first be offset against any deficit, then, a minimum of 4% net profit before tax will be distributed as employee remuneration and a maximum of 3% will be allocated as directors' and supervisors' remuneration. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.

For the year ended December 31, 2016 and 2015, the Company estimated its employee remuneration amounting to \$63,580 and \$52,546, and directors' and supervisors' remuneration amounting to \$16,265 and \$13,442, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2016 and 2015. The numbers of shares to be distributed for 2016 and 2015 were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors, respectively. Related information would be available at the Market Observation Post System website.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2016 and 2015.

(u) Other income

The details of other income for the years 2016 and 2015 were as follows:

	2016	2015
Interest income	\$ 8,098	5,765
Dividend income	17,694	17,651
Government grants	9,367	9,059
Overdue payable reserved as other income	23	10,411
Recovery of overdue accounts receivable	16,607	-
Other	8,679	9,798
	<u>\$ 60,468</u>	<u>52,684</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(v) Other gains and losses

The other gains and losses for the years 2016 and 2015 were as follows:

	2016	2015
Foreign currency exchange gains (losses), net	\$ (19,178)	(24,331)
Gain on disposal of investments	33,477	-
Gain on valuation of financial asset	1,297	2,590
Other	(7,025)	(12,021)
	<u>\$ 8,571</u>	<u>(33,762)</u>

(w) Reclassification adjustments of the components of other comprehensive income

The reclassification adjustments of the components of other comprehensive income for the years 2016 and 2015 were as follows:

	2016	2015
Available-for-sale financial assets		
Net change in fair value (net of tax)	\$ (12,001)	10,775
Net change in fair value reclassified to profit or loss (net of tax)	(23,452)	3,339
Net change in fair value recognized in other comprehensive income (net of tax)	<u>\$ (35,453)</u>	<u>14,114</u>

(x) Financial instruments

(i) Credit risk

1) Credit risk – exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration to credit risk

The customers of the Group are diverse instead of concentrating on specific customers; therefore, the Group has never suffered any significant credit loss. The Group periodically evaluates the financial positions of these customers to reduce the credit risk of accounts receivables.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payments.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
December 31, 2016					
Short-term and long-term borrowings	\$ 1,097,208	(1,097,208)	(631,617)	(44,336)	(421,255)
Notes and accounts payable (including related parties)	4,013,070	(4,013,070)	(4,013,070)	-	-
Other financial liabilities	201,768	(201,768)	(201,768)	-	-
	<u>\$ 5,312,046</u>	<u>(5,312,046)</u>	<u>(4,846,455)</u>	<u>(44,336)</u>	<u>(421,255)</u>
December 31, 2015					
Short-term and long-term borrowings	\$ 1,003,445	(1,003,445)	(610,794)	(40,518)	(352,133)
Notes and accounts payable (including related parties)	3,391,771	(3,391,771)	(3,391,771)	-	-
Other financial liabilities	113,230	(113,230)	(113,230)	-	-
	<u>\$ 4,508,446</u>	<u>(4,508,446)</u>	<u>(4,115,795)</u>	<u>(40,518)</u>	<u>(352,133)</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

(in thousands)

	December 31, 2016			December 31, 2015		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
USD	\$ 47,050	USD/TWD= 32.25	1,517,363	34,019	USD/TWD= 32.825	1,116,674
USD	22,432	USD/CNY= 6.9851	723,437	19,842	USD/CNY= 6.5716	651,316
JPY	2,071,351	JPY/TWD= 0.2756	570,864	1,970,088	JPY/TWD= 0.2727	537,243
JPY	240,640	JPY/CNY= 0.0597	66,329	207,424	JPY/CNY= 0.0546	56,570
Financial liabilities						
USD	\$ 46,254	USD/TWD= 32.25	1,491,692	31,745	USD/TWD= 32.825	1,042,030
USD	25,672	USD/CNY= 6.9851	827,927	32,471	USD/CNY= 6.5716	1,065,865
JPY	2,183,528	JPY/TWD= 0.2756	601,780	1,965,059	JPY/TWD= 0.2727	535,872
JPY	231,899	JPY/CNY= 0.0597	63,919	69,842	JPY/CNY= 0.0546	19,048

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables that are denominated in foreign currency. A weakening (strengthening) of 5% of appreciation (depreciation) of the each major foreign currency against the TWD as of December 31, 2016 and 2015 would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	December 31, 2016	December 31, 2015
USD (against the TWD)		
Strengthening 5%	\$ 1,284	3,732
Weakening 5%	(1,284)	(3,732)
JPY (against the TWD)		
Strengthening 5%	(1,546)	69
Weakening 5%	1,546	(69)
USD (against the CNY)		
Strengthening 5%	(5,225)	(20,727)
Weakening 5%	5,225	20,727
JPY (against the CNY)		
Strengthening 5%	121	1,876
Weakening 5%	(121)	(1,876)

As the Group deals in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. In 2016 and 2015, the foreign exchange gains or losses, including both realized and unrealized, were as follows:

	2016	2015
Foreign exchange gains (losses)	<u>\$ (19,178)</u>	<u>(24,331)</u>

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(iv) Interest rate analysis

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

	Carrying amount	
	December 31, 2016	December 31, 2015
Variable rate instruments:		
Financial assets	\$ 1,365,403	1,170,477
Financial liabilities	637,989	406,097

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by the amounts listed below for the years ended December 31, 2016 and 2015, respectively, which would be mainly resulted from the bank savings, time deposits with variable interest rates and short-term and long-term borrowings with variable interest rates.

	December 31, 2016	December 31, 2015
Interest rate increased by 0.25%	\$ 1,819	2,926
Interest rate decreased by 0.25%	(1,819)	(2,926)

(v) Fair value of financial instruments

1) Fair value hierarchy

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

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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	December 31, 2016				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	<u>\$ 494,913</u>	494,913	-	-	494,913
Available-for-sale financial assets					
Stocks listed on domestic market and other	35,329	35,329	-	-	35,329
Non-current financial assets at cost	<u>218,212</u>	-	-	-	-
Subtotal	<u>253,541</u>				
Loans and receivables					
Cash and cash equivalents	1,888,016	-	-	-	-
Notes and accounts receivable (including related parties)	3,136,687	-	-	-	-
Other current financial assets	106,227	-	-	-	-
Other non-current assets (refundable deposits and pledged assets-time deposits)	<u>29,765</u>	-	-	-	-
Subtotal	<u>5,160,695</u>				
Total	<u><u>\$ 5,909,149</u></u>				
Financial liabilities at amortized cost through profit or loss					
Long-term and short-term borrowings	\$ 1,097,208	-	-	-	-
Notes and accounts payable (including related parties)	4,013,070	-	-	-	-
Other current financial liabilities	<u>201,768</u>	-	-	-	-
Total	<u><u>\$ 5,312,046</u></u>				

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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	December 31, 2015				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	<u>\$ 367,962</u>	367,962	-	-	367,962
Available-for-sale financial assets					
Stocks listed on domestic market and other	85,394	85,394	-	-	85,394
Non-current financial assets at cost	<u>196,077</u>	-	-	-	-
Subtotal	<u>281,471</u>				
Loans and receivables					
Cash and cash equivalents	1,374,472	-	-	-	-
Notes and accounts receivable (including related parties)	3,076,648	-	-	-	-
Other current financial assets	45,541	-	-	-	-
Other non-current assets (refundable deposits and pledged assets-time deposits)	<u>26,666</u>	-	-	-	-
Subtotal	<u>4,523,327</u>				
Total	<u><u>\$ 5,172,760</u></u>				
Financial liabilities at amortized cost through profit or loss					
Long-term and short-term borrowings	\$ 1,003,445	-	-	-	-
Notes and accounts payable (including related parties)	3,391,771	-	-	-	-
Other current financial liabilities	<u>113,230</u>	-	-	-	-
Total	<u><u>\$ 4,508,446</u></u>				

2) Fair value valuation technique of financial instruments not measured at fair value

The Group estimate instruments, that are not measured at fair value, by method and presumption as follows:

a) Financial liabilities at amortized cost

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

3) Fair value valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and the government bond with high trading volume can be used as a basis to determine the fair value of the listed companies' equity instrument and the debt instrument of the quoted price in an active market.

4) There were no transfers from one level to another in 2016 and 2015.

(y) Financial risk management

(i) Briefings

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

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

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

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

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

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

1) Accounts receivable and other receivables

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

Trade and other receivables mainly relate to a wide range of customers from different industries and geographic regions. The Group continued to assess the financial condition and credit risk of its customers, by grouping trade and other receivables based on their characteristics.

The Group set the allowance for bad debt account to reflect the estimated losses for trade receivable, other receivables, and investment. The allowance for bad debt account consists of individually assessed impairment and collectively assessed impairment. Collectively assessed impairment is based on the historical collection record of similar financial assets.

2) Investments

The credit risks exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and the contractually obligated counterparties are banks and financial institutes with good credits, there are no compliance issues, and therefore, no significant credit risk.

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries, companies that the Group has business with, and the investees, based on the percentage of ownership by each shareholder. As of December 31, 2016 and 2015, the guarantees provided to non-subsidiaries amounted to \$67,000 and \$111,000, respectively.

(iv) Liquidity risk

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

The loans and borrowings from the bank is an important source of liquidity for the Group. The Group has unused short-term bank facilities of \$4,718,011 and \$4,376,090 as of December 31, 2016 and 2015, respectively.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(v) Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of the Group, primarily USD and JPY.

As for monetary assets and liabilities denominated in foreign currencies, when short-term imbalance takes place, the Group buys or sells foreign currencies at spot rate to ensure that the net exposure is kept on an acceptable level.

2) Interest rate risk

The Group borrows funds on fixed and variable interest rates, which has a risk exposure to changes in fair value and cash flow.

3) Other price risk

The Group is exposed to equity price risk arising from mutual funds, listed companies equity investments and emerging stock investments.

(z) Capital management

The policy of board of directors is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings and non-controlling interests. The board of directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group monitors the capital structure by way of periodical review on the liability ratio. The management decides to optimize its capital by using appropriate debt-to-equity ratio. The capital of the Group represents the total equity stated in the consolidated balance sheets, that is equal to the total assets, minus, total liabilities.

As of December 31, 2016 and 2015, the liability ratio was as follows:

	December 31, 2016	December 31, 2015
Total liabilities	\$ 6,867,505	5,286,694
Total assets	13,272,382	11,228,275
Liability ratio	52 %	47 %

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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As of December 31, 2016, there were no changes in the Group's approach to capital management during the year ended December 31, 2016.

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Transactions with key management personnel

Key management personnel compensation comprised:

	2016	2015
Short-term employee benefits	\$ 159,921	143,087
Post-employment benefits	7,557	3,293
	<u>\$ 167,478</u>	<u>146,380</u>

(c) Significant related party transactions

(i) Sale of goods and services provided to related parties

The amounts of significant transactions between the Group and related parties were as follows:

	Sales		Services		Receivable to related parties	
	2016	2015	2016	2015	December 31, 2016	December 31, 2015
Associates	<u>\$ 91,641</u>	<u>12,642</u>	<u>86,288</u>	<u>102,897</u>	<u>43,333</u>	<u>30,626</u>
Other related parties	<u>\$ 57,094</u>	<u>45,815</u>	<u>158,631</u>	<u>151,499</u>	<u>32,086</u>	<u>31,454</u>

Sales prices for related parties were similar to those of the third-party customers. The collection period was within 30 to 90 days after monthly closing, and within 30 to 90 days after monthly closing for third-parties.

The terms of services provided to relate parties is based on the contracts signed between both parties, and there is no significant difference between the related parties and the third-parties.

(ii) Purchase of goods from related parties

The amounts of significant purchase transactions between the Group and related parties were as follows:

	Purchases and construction cost		Payable to related parties	
	2016	2015	December 31, 2016	December 31, 2015
Associates	<u>\$ 1,001,102</u>	<u>348,221</u>	<u>395,604</u>	<u>94,481</u>
Other related parties	<u>\$ 3,143,347</u>	<u>1,934,195</u>	<u>753,490</u>	<u>596,418</u>

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Purchase prices from related parties were similar to those from third-party suppliers. Besides some trading terms are prepaid before transactions, the payment period were within 45 to 60 days after monthly closing for related parties, and within to 30 to 60 days after monthly closing for third-parties.

(iii) Guarantees

As of December 31, 2016 and 2015, the Group provided guarantees to associates amounting to \$67,000 and \$111,000, respectively.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2016	December 31, 2015
	Guarantees for construction		
Other current financial assets -- time deposits	contracts, coupons and credit card readers	\$ 6,748	8,745
Other non-current assets -- time deposits	Guarantees for lawsuit deposits and long-term borrowings	13,164	1,404
Property, plant and equipment -- Building	Long-term borrowings	-	108,654
		<u>\$ 19,912</u>	<u>118,803</u>

(9) Commitments and contingencies:

(a) The Group's unrecognized contractual commitments as follow:

	December 31, 2016	December 31, 2015
Commitments for construction contracts	\$ <u>644,209</u>	<u>561,767</u>
Bank guarantees to construction contract	\$ <u>157,290</u>	<u>149,240</u>

(b) The Group's unused and outstanding letters for purchasing are as follow:

	December 31, 2016	December 31, 2015
Unused and outstanding letters of credit	\$ <u>502,335</u>	<u>560,578</u>

(c) Refer to note 13(a) for the disclosure of guarantees provided to associates by the Group.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

- (a) The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function By item	2016			2015		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salaries	154,380	898,004	1,052,384	235,894	763,344	999,238
Labor and health insurance	16,633	51,920	68,553	13,172	51,795	64,967
Pension	4,392	46,383	50,775	4,675	47,176	51,851
Others	4,083	57,325	61,408	3,603	33,761	37,364
Depreciation	50,212	63,786	113,998	43,681	63,609	107,290
Amortization	6	2,381	2,387	30	7,071	7,101

- (b) Dispute on contract performance

The Company had a contractual dispute with a certain customer (the Customer) and filed an application for arbitration against the customer with the International Chamber of Commerce (ICC) on February 8, 2008. On January 27, 2010, the Company received an award of ICC regarding the aforementioned dispute. In the award, the arbitrators held that the Company was not in default nor liable for the dispute in issue. On October 12, 2011, the Company received the outcome of arbitration, and therein, the arbitrators decided the Customer shall pay to the Company damage indemnification about US\$1,716. In May 2013, the Company recovered parts of the aforementioned indemnification amounting to \$21,110, which was recognized as other income. The Customer had suffered bankruptcy in 2015, and had no residual assets after its liquidation, the remaining amount of the Company's receivables has no possibility of recovery.

(13) Other disclosures:

- (a) Information on significant transactions:

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

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 1)
													Item	Value		
0	The Company	Jing Yueh Energy	Other current financial assets	Yes	130,000	40,000	36,500	1.9%	Short-term financing	-	Operating demand	-	-	-	1,279,009	2,558,017
"	"	Kuan Yueh Technology	"	"	22,000	-	-	0%	"	-	"	-	-	-	1,279,009	2,558,017
1	Topco Shanghai	Shanghai Chongyao	"	"	213,528	-	-	0%	"	-	"	-	-	-	546,763	820,144
"	"	Topco Suzhou	"	"	61,008	-	-	0%	"	-	"	-	-	-	546,763	820,144
2	Topco Group	Topco Shanghai	"	"	61,008	-	-	0%	"	-	"	-	-	-	1,269,363	1,904,044

Note 1 : According to the Company's "Operational Procedures for Lending of Capital", the total amount of loans to others shall not exceed 40% of the net worth of the Company, and the amount of loans to a single enterprise shall not exceed 20% of the Company's net worth.

Note 2 : According to Topco Shanghai's "Operational Procedures for Lending of Capital to Others", the total amount of loans to the parent company's 100% directly or indirectly owned overseas subsidiaries or the amount to a single enterprise among them shall not exceed 150% and 100%, respectively, of the net monetary amount of the financial reports of the latest month when transaction occurs. The period of loans for funding shall not exceed three years.

Note 3 : According to Topco Group's "Operational Procedures for Lending of Capital to Others", the total amount of loans to the parent company's 100% directly or indirectly owned overseas subsidiaries or the amount to a single enterprise among them shall not exceed 150% and 100%, respectively, of the net monetary amount of the financial reports of the latest month when transaction occurs. The period of loans for funding shall not exceed three years.

Note 4 : The aforementioned transactions had been written-off upon the preparation of the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (note 4)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary (note 2)	Subsidiary endorsements/ guarantees to third parties on behalf of parent company (note 2)	Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 2)
		Name	Relationship with the Company										
0	The Company	Fortune Energy Corporation	(Note 2)	(Note 5)	111,000	67,000	67,000	-	1.05 %	(Note 5)	Y	-	-
"	"	Topco Shanghai	(Note 3)	(Note 5)	1,963,814	1,341,492	912,739	-	20.98 %	(Note 5)	Y	-	Y
"	"	Topco Suzhou	(Note 3)	(Note 5)	683,152	428,622	76,227	-	6.70 %	(Note 5)	Y	-	Y
"	"	Chien Yueh	(Note 3)	(Note 5)	933,362	816,723	166,319	-	12.77 %	(Note 5)	Y	-	-
"	"	Jia Yi Energy	(Note 3)	(Note 5)	50,000	-	-	-	- %	(Note 5)	Y	-	-
"	"	Asia Topco	(Note 3)	(Note 5)	66,900	-	-	-	- %	(Note 5)	Y	-	-
"	"	Jing Chen	(Note 3)	(Note 5)	142,696	129,160	127,360	-	2.02 %	(Note 5)	Y	-	-
"	"	Topsience(s)	(Note 3)	(Note 5)	28,630	13,780	13,780	-	0.22 %	(Note 5)	Y	-	-
"	"	Jing Yang	(Note 3)	(Note 5)	135,000	123,000	121,000	-	1.92 %	(Note 5)	Y	-	-
"	"	Qun Yueh Materials	(Note 3)	(Note 5)	15,000	15,000	15,000	-	0.23 %	(Note 5)	Y	-	-
"	"	Jing Yueh Energy	(Note 3)	(Note 5)	119,000	119,000	116,356	-	1.86 %	(Note 5)	Y	-	-
"	"	Kuan Yueh Technology	(Note 3)	(Note 5)	163,000	147,022	145,211	-	2.30 %	(Note 5)	Y	-	-
"	"	Hong Kong Topco Trading Limited	(Note 3)	(Note 5)	461,318	354,750	354,750	-	5.55 %	(Note 5)	Y	-	Y
"	"	Shanghai Chongyao	(Note 3)	(Note 5)	1,026,850	814,994	405,310	-	12.74 %	(Note 5)	Y	-	Y

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (note 4)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary (note 2)	Subsidiary endorsements/ guarantees to third parties on behalf of parent company (note 2)	Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note 2)
		Name	Relationship with the Company										
1	Topco Suzhou	Shanghai Chongyao	(Note 4)	5,416,634 (Note 6)	62,132	11,270	11,270	-	5.20 %	5,416,634 (Note 6)	-	-	Y
2	Shanghai Chongyao	Topco Suzhou	(Note 4)	2,839,364 (Note 7)	45,446	4,335	4,335	-	3.05 %	2,839,364 (Note 7)	-	-	Y
3	Taiwan E&M	Chinese Quartz	(Note 4)	134,028 (Note 8)	140,000	70,000	-	-	15.67 %	134,028 (Note 8)	-	-	-

Note 1 : The Company is coded as "0", and its subsidiaries are coded consecutively in a numerical order starting from "1"

Note 2 : Investee companies under equity method.

Note 3 : Investee companies which have 50% of ordinary shares, directly or indirectly, owned by the Company.

Note 4 : Same parent company.

Note 5 : According to the Company's "Operational Procedures for Making Endorsements/Guarantees", the total amount of endorsements/guarantees for others shall not exceed \$10,232,069, which is 160% of the net value of the Company's latest financial reports, and the amount of endorsements/guarantees for a single enterprise shall not exceed \$6,395,043, which is the net value of the Company's latest financial reports.

Note 6 : According to Topco Suzhou's "Operational Procedures for Making Endorsements/Guarantees", the total amount of endorsements/guarantees for others shall not exceed 25 times of the net value of Topco Suzhou's latest financial reports, and shall not exceed of the amount of the Group's endorsements/guarantees for a single enterprise that is restricted by the parent company.

Note 7 : According to Shanghai Chongyao's "Operational Procedures for Making Endorsements/Guarantees", the total amount of endorsements/guarantees for others shall not exceed 20 times of the net value of Shanghai Chongyao's latest financial reports, and shall not exceed of the amount of the Group's endorsements/guarantees for a single enterprise that is restricted by the parent company.

Note 8 : According to Taiwan E&M's "Operational Procedures for Making Endorsements/Guarantees", the total amount of endorsements/guarantees for others shall not exceed 30% of the net value of Shanghai Chongyao's latest financial reports, and shall not exceed of the amount of the Group's endorsements/guarantees for a single enterprise that is restricted by the parent company.

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

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	Fund : Mega Diamond Money Market Fund	None	Current financial assets at fair value through profit or loss	825	10,248	-	10,248	825	-	
The Company	Stock : NEO Solar Power Corporation	None	Current available-for-sale financial assets	188	2,841	0.02	2,841	188	0.02	
"	Eversol Corporation	"	"	230	-	0.08	-	230	0.08	
"	TSEC Corporation	"	"	1,694	17,533	0.40	17,533	1,694	0.40	
"	Shin-Etsu Opto Electronic CO., Ltd.	The company is the institutional directors of the related party	Non-current financial assets at cost	2,000	20,000	10	-	2,000	10	Note1
"	Shin-Etsu Handotai Taiwan CO., Ltd.	"	"	12,000	120,000	8	-	12,000	8	Note1
"	Quan ShengXing Resources Technology Co., Ltd.	None	"	2,000	16,500	8.18	-	2,000	8.18	Note1
"	Tenx Technology, Inc.	"	"	1,040	11,000	2.56	-	1,040	2.56	Note1
"	Top Taiwan III Venture Capital CO., Ltd.	"	"	1,341	13,415	4.07	-	2,358	4.07	Note1
"	Grand Fortune Venture Capital Co., Ltd.	"	"	3,000	30,000	4.12	-	3,000	4.12	Note1
"	ECGAS ASIA CORP.LTD.	"	"	55	1,733	10	-	55	10	Note1
Topco International Investment	Fund : Mega Diamond Money Market Fund	None	Current financial assets at fair value through profit or loss	1,866	23,176	-	23,176	1,866	-	
"	Taishin Ta-Chong Money Market Stock :	"	"	3,775	53,116	-	53,116	3,775	-	

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
Topco International Investment	Tynsolar Corporation	None	Current available-for-sale financial assets	138	1,513	1.05	1,513	550	1.05	
"	Win Win Precision Technology Co., Ltd.	"	"	734	4,512	1.61	4,512	734	1.61	
"	Grand Fortune Securities Financial Group	"	"	1,128	8,930	0.47	8,930	1,128	0.47	
"	Mylight Technology CO., Ltd.	"	Non-current financial assets at cost	250	2,000	0.76	-	250	0.76	Note1
"	Archers Inc.	"	"	625	-	2.23	-	625	2.23	Note1
"	Cyber-Key Tech CO., Ltd.	"	"	300	-	13.04	-	300	13.04	Note1
"	Ultramed Technology CO., Ltd.	"	"	100	1,000	10	-	100	10	Note1
"	3XL Energy Solutions Holding CO., Ltd.	"	"	250	264	13.16	-	250	13.16	Note1
"	Syu Yang Technology Corporation	"	"	30	300	10	-	30	10	Note1
Fund :										
Topco Investment	Jih Sun Money Market	None	Current financial assets at fair value through profit or loss	2,189	32,106	-	32,106	2,189	-	
"	Stock :									
"	Mylight Technology CO., LTD.	None	Non-current financial assets at cost	250	2,000	0.76	-	250	0.76	Note1
Fund :										
Taiwan E&M	Hua Nan Phoenix Money Market Fund	None	Current financial assets at fair value through profit or loss	1,310	21,101	-	21,101	1,931	-	
"	KGI Victory Money Market Fund	"	"	3,398	39,021	-	39,021	3,401	-	
"	Taishin Ta-Chong Money Market	"	"	3,679	51,760	-	51,760	3,679	-	
"	Mega Diamond Money Market Fund	"	"	4,176	51,864	-	51,864	4,176	-	
"	Hua Nan Kirin Money Market Fund	"	"	1,752	20,782	-	20,782	2,596	-	
"	Franklin U.S. Government Money Fund	"	"	4,187	42,850	-	42,850	4,677	-	
"	FSITC Money Market	"	"	103	18,118	-	18,118	103	-	
Fund :										
Cai Yan	Eastspring Investments Well Pool Money Market Fund	None	Current financial assets at fair value through profit or loss	456	6,147	-	6,147	605	-	
Fund :										
Yasunaga Fresh Mart.	Jih Sun Money Market	None	Current financial assets at fair value through profit or loss	1,159	17,005	-	17,005	1,636	-	
Fund :										
Ding Yueh	FSITC Money Market	None	Current financial assets at fair value through profit or loss	9	1,514	-	1,514	43	-	
Fund :										
Yasunaga Lohas	FSITC Money Market	None	Current financial assets at fair value through profit or loss	198	35,049	-	35,049	255	-	
"	Jih Sun Money Market	"	"	3,071	45,046	-	45,046	3,071	-	
Fu Shan Fishery, Inc.	FSITC Money Market	None	Current financial assets at fair value through profit or loss	74	13,005	-	13,005	74	-	
"	Jih Sun Money Market	None	"	887	13,005	-	13,005	887	-	

Note 1 : The carrying value is the remaining balance after deducting the accumulated impairment.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	
The Company	Shin-Etsu Handotai Taiwan CO., Ltd.	The company is the institutional directors of the related party	Sale	(215,483)	(1)%	Net 30 days from the end of the month of delivery	-	-	32,028	2 %	
The Company	Topco Quartz products Co., Ltd.	The Company's subsidiary	Purchase	914,850	7 %	Net 60 days from the end of the month of delivery	-	-	(372,740)	(15)%	"
Topco Shanghai	Shin-Etsu Handotai Taiwan CO., Ltd.	The company is the institutional directors of the related party	Purchase	3,056,755	88 %	Net 90 days from the end of the month of delivery	-	-	(727,780)	(82)%	"

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None

- (ix) Trading in derivative instruments:None.

- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions				Percentage of the consolidated net revenue or total assets
				Accounts name	Amount	Terms		
0	The Company	Yasunaga Biotechnology	1	Rental Revenue	12,834	The credit conditions are based on the agreement between both parties.		0.06 %
"	"	Topco Shanghai	1	Sales Revenue	7,224	There is no significant difference of price between general customers'. The credit period is net 60 days from the end of the month of delivery.		0.03 %
"	"	"	1	Accounts Receivable	3,199	Based on the agreement between both parties		0.02 %
"	"	Jing Yueh Energy	1	Other Accounts Receivable	36,656	"		0.28 %
1	Jia Yi Energy	The Company	2	Sales Revenue	52,508	"		0.23 %
"	"	"	2	Amount due to customers fot contract work	64,406	"		0.49 %
"	"	"	2	Accounts Receivable	8,509	"		0.06 %
"	"	Jing Chen	3	Sales Revenue	2,354	"		0.01 %
"	"	Jing Yang	3	Sales Revenue	2,799	"		0.01 %
"	"	Kuan Yueh	3	Sales Revenue	2,861	"		0.01 %
"	"	Jing Yueh Energy	3	Amount due to customers fot contract work	26,872	"		0.20 %
"	"	"	3	Sales Revenue	72,824	"		0.32 %
"	"	"	3	Accounts Receivable	8,730	"		0.07 %

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			
				Accounts name	Amount	Terms	Percentage of the consolidated net revenue or total assets
2	Yasunaga Biotechnology	Yasunaga Fresh Mart.	3	Sales Revenue	33,563	There is no significant difference of price between general customers'. The credit period is net 30 days from the end of the month of delivery.	0.15 %
"	"	"	3	Accounts Receivable	4,088	"	0.03 %
"	"	You Fu Technology	3	Sales Revenue	8,122	"	0.04 %
3	Yasunaga Fresh Mart.	The Company	2	Sales Revenue	7,342	There is no significant difference of price between general customers'. The credit period is net 30 days from the end of the month of delivery.	0.03 %
4	Chien Yueh	The Company	2	Sales Revenue	6,611	Based on the agreement between both parties	0.03 %
"	"	Topco Suzhou	3	Sales Revenue	2,502	There is no significant difference of price between general customers'. The credit period is net 60 days from the end of the month of delivery.	0.01 %
5	Topco Shanghai	The Company	2	Sales Revenue	5,513	There is no significant difference of price between general customers'. The credit period is net 60 days from the end of the month of delivery.	0.02 %
6	Taiwan E&M	Topscience(s)	3	Sales Revenue	3,902	There is no significant difference of price between general customers'. The credit period is net 60 days from the end of the month of delivery.	0.02 %
"	"	Topco Shanghai	3	Sales Revenue	2,953	There is no significant difference of price between general customers'. The credit period is net 60 days from the end of the month of delivery.	0.01 %
7	Qun Yueh Materials	The Company	2	Sales Revenue	6,972	There is no significant difference of price between general customers'. The credit period is net 60 days from the end of the month of delivery.	0.03 %

Note 1: The numbers filled in as follows:

1.0 represents the Company.

2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

1 represents the transactions from the parent company to its subsidiaries.

2 represents the transactions between the subsidiaries and the parent company.

3 represents the transactions between subsidiaries.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(b) Information on investees:

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

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2016			Net income (losses) of investee	Share of profits/ losses of investee	Highest balance during the year		Note
				December 31, 2016	December 31, 2015	Shares (thousands)	Percentage of ownership	Carrying value			Shares/Units (thousands)	Percentage of ownership	
The Company	Topco Quartz products Co., Ltd.	Hsinchu County	Manufacture and repair of quartz equipment, quartz tube e.g.	99,232	99,232	13	40%	679,029	365,084	119,706	13	40 %	
	Taiwan E&M	Hsinchu City	Sales of electronic material	425,000	425,000	42,500	100%	446,301	19,764	19,304	42,500	100 %	Note 3
	Fortune Energy Corporation	Taipei City	Clean up of waste and environmental management service	187,000	187,000	18,700	25%	332,752	155,841	38,857	18,700	25 %	
	Topco Group	Samoa	Investment activities	493,981	493,981	15,518	100%	1,269,363	344,281	344,317	15,518	100 %	Note 3
	Topco International Investment	Taipei City	Investment activities	340,000	340,000	34,000	100%	245,433	14,522	14,522	34,000	100 %	"
	Topco Investment	Taipei City	Investment activities	120,000	40,000	12,000	100%	98,293	(11,146)	(11,146)	12,000	100 %	"
	Chien Yueh	Taipei City	Water purification and construction of dust-proof room	150,000	100,000	15,000	100%	143,071	52,605	51,156	15,000	100 %	"
	Chang Tai Energy Co., Ltd.	Taipei City	Installation of pipeline and electrical appliances and investment activities	-	73,500	-	-%	-	-	-	1,372	49 %	
	Winaico	Germany	Investment activities	184,929	184,929	5,000	28%	95,753	(175,652)	(48,796)	5,000	28 %	
	Yasunaga Biotechnology	Taipei City	Aquaculture and strategic partnership with fish processing	260,000	205,000	16,213	98%	80,485	(35,579)	(34,820)	23,000	98 %	Note 3
	Ren Yueh	Taipei City	Sales of electronic material	-	22	-	-%	-	-	-	2	50 %	
	Winfull Bio-tech Co., Ltd.	Tainan City	Manufacture of organic fertilizer	35,000	35,000	3,500	39%	-	-	-	3,500	39 %	
	Yasunaga Fresh Mart.	Taipei City	Wholesale and retail sales of fishery products	266,350	176,350	17,000	100%	85,192	(82,087)	(82,087)	22,000	100 %	Note 3
	Kanbo Biomedical	Taipei City	Sales of health food products	50,000	50,000	5,000	91%	17,162	(8,647)	(7,861)	5,000	91 %	"
	Kuan Yueh	Taipei City	Development of renewable energy project / Configure pipeline construction and device installation	19,000	19,000	2,170	32%	23,406	4,425	1,401	1,972	32 %	"
	Jia Yi Energy	Taipei City	Manufacture of machinery and electronic spare parts	130,000	130,000	13,000	76%	122,664	6,770	(205)	13,000	76 %	"
	Xiang Yue	Taipei City	Restaurant	30,000	20,000	3,000	100%	10,935	(5,945)	(5,945)	3,000	100 %	"
	Yasunaga Lohas	Yilan County	Restaurant and retail sales of food products	102,000	-	10,200	100%	100,743	(1,257)	(1,257)	102,000	100 %	"
	Luisun herb biotech Co., Ltd.	Taipei City	Wholesale of eastern herbal tonic and health food products	10,000	-	1,000	31%	8,504	(4,785)	(1,496)	10,000	31 %	
Topco Group	Asia Topco	Mauritius	Investment activities	407,963 (USD12,650)	407,963 (USD12,650)	12,650	100%	771,043	268,625	395,650	12,650	100 %	Note 3
	Topscience(s)	Singapore	Sales of parts of semiconductor and optoelectronic industries	11,145 (SGD500)	11,145 (SGD500)	500	100%	178,720	31,016	"	500	100 %	"
	Hong Kong Topco Trading Limited	Hong Kong	Wholesale of semiconductor material and electronic material	48,375 (USD1,500)	48,375 (USD1,500)	1,500	100%	217,914	47,535	"	1,500	100 %	"

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2016			Net income (losses) of investee	Share of profits/losses of investee	Highest balance during the year		Note
				December 31, 2016	December 31, 2015	Shares (thousands)	Percentage of ownership	Carrying value			Shares/Units (thousands)	Percentage of ownership	
Topco International Investment	Cai Yan	Taipei City	Wholesale and sales of cosmetic	12,000	12,000	1,267	67%	16,257	4,085	Investment gain(losses) recognized by Topco International Investment	1,267	67 %	"
	Topco Japan	Japan	Sales if facilities of semiconductor and clean room	15,094	15,094	5	100%	1,699	44	"	5	100 %	"
	Asia IC Micro-processing Inc.	Taipei City	Manufacture and sales of semiconductor material	-	35,742	-	-%	-	(17,993)	"	1,445	23 %	"
	Kuan Yueh	Taipei City	Development of renewable energy projects / Configure pipeline construction and device installation	51,000	51,000	4,683	68%	50,500	4,425	"	4,255	68 %	Note 3
	Jia Yi Energy	Taipei City	Manufacture of machinery and electronic spare parts	24,000	24,000	4,000	24%	42,787	6,770	"	4,000	24 %	"
	Kanbo Biomedical	Taipei City	Sales of health food products	5,000	5,000	500	9%	1,716	(8,647)	"	500	9 %	"
	Ruey Sheng Industrial Co., Ltd.	Samoa	Investment activities	4,197	4,197	142	36%	2,984	(666)	"	142	36 %	"
	DIO	Germany	Development of renewable energy project	23,849	23,849	592	100%	14,258	(312)	"	592	100 %	Note 3
	Yasunaga Biotechnology	Taipei City	Aquaculture and strategic partnership with fish processing	5,000	5,000	287	2%	1,425	(35,579)	"	500	2 %	"
	3XL Energy Solutions Holding CO., Ltd.	Taipei City	Manufacture of machinery and electronic spare parts	-	5,000	-	-%	-	(8)	"	250	13 %	Note 2
	Qun Yueh Materials	Taipei City	Antifouling surface protection, light-blocking material and the manufacture of other chemicals	16,000	16,000	2,000	100%	23,481	3,027	"	1,734	100 %	Note 3
	Jing Yueh Energy	Taipei City	Development of renewable energy project	33,000	33,000	3,300	100%	36,643	3,699	"	3,300	100 %	"
Topco Investment	Fortune Energy Corporation	Taipei City	Clean up of waste and environmental management service	871	871	50	0.07%	934	155,841	"	50	0.07 %	"
	Asia IC Micro-processing Inc.	Taipei City	Manufacture and sales of semiconductor material	-	5,106	-	-%	-	(17,993)	Investment gain(losses) recognized by Topco Investment	206	3 %	"
	You Fu Technology	Taipei City	Wholesale of fishery products	20,500	14,500	2,050	98%	10,649	(4,977)	"	2,050	98 %	Note 3
	Ding Yue Foods	Taipei City	Wholesale and retail sales of food products	9,000	9,000	900	100%	4,291	(4,185)	"	900	100 %	"
Jia Yi Energy	Fu Shan Fishery, Inc.	Taipei City	Aquaculture industry and wholesale of fishery products	29,000	-	2,900	97%	27,662	(1,384)	"	2,900	97 %	"
	Jing Chen	Taipei City	Development of renewable energy project	61,050	61,050	6,440	100%	68,336	2,337	Investment gain(losses) recognized by Jia Yi Energy	6,440	100 %	Note 3
	Jing Yang	Taipei City	Development of renewable energy project	70,497	70,497	6,300	100%	71,831	6,972	"	6,300	100 %	"
Taiwan E&M	Chinese Quartz	Hsinchu County	Process and sales of quartz products	45,266	25,266	3,333	98%	24,660	(9,336)	Investment gain(losses) recognized by Taiwan E&M	3,333	98 %	"

Note 1: The amounts in foreign currencies were translated into New Taiwan Dollars at the exchange rates at the ending date of the reporting period.

Note 2: The amount had been reclassified to non-current financial assets at cost in the second accounting period in 2016.

Note 3: The aforementioned transactions had been written-off upon the preparation of the consolidated financial statements.

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TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES
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(c) Information on investment in mainland China:

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

(In Thousands of US Dollars and CNY)

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 2)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2015 (Note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2016 (Note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Topco Shanghai	Wholesale of electronic material and equipment	283,478 (USD8,790) (Note 4)	Note 1	219,300 (USD6,800)	-	-	219,300 ((USD6,800)	165,942	100 %	165,942 (USD5,145)	546,763 (USD6,954)	-
Shanghai Chongyao		60,021 (CNY13,000)	Note 5	Note 5	-	-	-	69,083	100 %	69,083 (CNY14,250)	141,968 (CNY30,749)	-
Topco Suzhou	Water purification and construction of dust-proof room	87,075 (USD2,700)	Note 1	87,075 (USD2,700)	-	-	87,075 (USD2,700)	102,763	100 %	102,763 (USD3,186)	216,665 (USD6,718)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
404,738 (USD12,550) (Note 6)	517,290 (USD16,040)	(Note 7)

Note 1 : Investment in Mainland China companies through an investee established in a third region.

Note 2 : The investment gains and losses of the current period are recognized based on the financial statements which have been audited and certified by the investee companies' independent auditors and CAPs.

Note 3 : The amounts in New Taiwan Dollars were translated at the exchange rate of USD32.25 and CNY4.1670, respectively, based on the year-end date.

Note 4 : Including the capital increase transferred from retained earnings amounting to USD1,990.

Note 5 : Shanghai Chongyao is jointly invested by Topco Shanghai and Topco Suzhou, both of which are the sub-subsidiary of the Company.

Note 6 : Including the written-off investment funds of USD3,050.

Note 7 : The Company has acquired the approval of the investment regulations governing by the MOEAJC. Therefore, there is no restriction to the Company's investing amount in Mainland China.

(iii) Significant transactions:

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

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(14) Segment information:

(a) General information

The basis of segmentation of the Group are different products and services. The reportable segments include advanced material division, semiconductor division, environmental engineering group, electronics division, and wafer material division. Other segments engage mainly in sales of used machine equipment business and retail sales. Segments revenue means revenue from external customers (includes sell products and other revenue, exclude investment revenue accounted for using equity method). There was no transfer of revenue between segments.

(b) Reportable segments and operating segment information

The Group did not allocate tax expense to the reportable segments. The amounts of the Group's reportable segments are the same as those in the reports used by the chief operating decision maker. The accounting policies for the operating segments are the same as those in Note 2. The profit or loss of the Group's operating segments is measured by profit or loss before tax, and is considered as the basis for performance assessment.

	Advanced material div.	Semiconductor div.	Environmental engineering group	Electronics div.	Wafer material div.	Other segment	Adjustment and elimination	Total
2016								
Revenue								
Revenue from external								
customers	\$ 8,628,227	9,783,337	2,041,177	1,278,232	480,499	417,964	-	22,629,436
Revenue from segments	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	-	-	8,098
Total revenue	\$ 8,628,227	9,783,337	2,041,177	1,278,232	480,499	417,964	-	22,637,534
Interest expenses	-	-	-	-	-	-	-	22,000
Depreciation and								
amortization	5,950	20,777	2,281	1,270	-	86,107	-	116,385
Share of profit of equity-								
accounted investees								
(associates, and jointly								
controlled entities)	-	-	-	-	-	-	-	103,306
Reportable segment								
profit or loss	\$ 763,989	723,406	284,134	157,545	165,598	(587,883)	-	1,506,789

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	Advanced material div.	Semiconductor div.	Environmental engineering group	Electronics div.	Wafer material div.	Other segment	Adjustment and elimination	Total
2015								
Revenue								
Revenue from external								
customers	\$ 7,625,150	7,746,254	1,483,388	1,027,580	490,622	705,876	-	19,078,870
Revenue from segments	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	-	-	5,765
Total revenue	<u>\$ 7,625,150</u>	<u>7,746,254</u>	<u>1,483,388</u>	<u>1,027,580</u>	<u>490,622</u>	<u>705,876</u>	<u>-</u>	<u>19,084,635</u>
Interest expenses	-	-	-	-	-	-	-	16,474
Depreciation and								
amortization	5,511	26,199	1,808	1,181	-	79,692	-	114,391
Share of profit of equity-								
accounted investees								
(associates, and jointly								
controlled entities)	-	-	-	-	-	-	-	168,633
Reportable segment								
profit or loss	<u>\$ 809,119</u>	<u>578,217</u>	<u>53,181</u>	<u>113,043</u>	<u>142,718</u>	<u>(482,510)</u>	<u>-</u>	<u>1,213,768</u>

(c) Industry information

(i) Product and service information

The Group's segment information is based on different products and services. Product and service information does not have to be disclosed.

(ii) Geographical information

Stated below are the geographic information on the Group's sales presented by destination of sales and non-current assets presented by location.

1) Revenue from external customers:

Location	2016	2015
Taiwan	\$ 13,790,595	12,571,791
China	7,768,610	5,585,342
Other countries	1,070,231	921,737
	<u>\$ 22,629,436</u>	<u>19,078,870</u>

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2) Non-current assets:

	2016	2015
Taiwan	\$ 2,940,777	2,345,264
Other countries	<u>290,782</u>	<u>329,517</u>
	<u>\$ 3,231,559</u>	<u>2,674,781</u>

(iii) Information about major customers

Sales to individual customers constituting over 10% of the total revenue in the consolidated statements of income of 2016 and 2015 are summarized as follows:

	2016	2015
A Company	<u>\$ 4,833,804</u>	<u>3,694,888</u>

The sales revenue of A Company is from advanced material division, semiconductor division, electronics division and wafer material division.