Array Inc. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Array Inc.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Impairment Assessment of Goodwill

As described in Notes 5 and 12 of the consolidated financial statements, the goodwill was recognized when the Group obtained the control of Array US in 2003. The consolidated balance of goodwill amounted to US$3,521 thousand as of December 31, 2016, which is material to the consolidated financial statements as a whole. Furthermore, determining whether goodwill is impaired requires management to estimate the future cash flows expected to generate from the cash-generating unit to determine the recoverable amounts. The estimation of future cash flows is based on management's observation of industry conditions and expectation of the financial performance of the cash-generating unit. Once the change of assumption and estimation occurs, a material impairment loss may arise.

With the assistance provided by our internal valuation specialist, the major audit procedures performed include obtaining the assessment report of goodwill impairment prepared by the management, and assessing the reasonableness of recoverable amount calculated by the evaluation model. We also evaluated the assumptions used by the valuation model including discount rate, growth rate, WACC (including risk-free rate, volatility and risk premium), together with a comprehensive consideration of operating history, industry environment and future expectancies to evaluate the reasonableness of goodwill impairment.

Income Tax

The Group's operation involves multi-location by different business functions and the intercompany transactions are related to complicated US tax regulations. As described in Note 5 of the consolidated financial statements, the income tax is estimated by the management based on the tax position held in different tax jurisdictions and future earnings-generating ability. Consequently, the estimation of income tax is deemed to be a key audit matter.

With the assistance provided by our internal tax specialist, the major audit procedures performed include understanding and evaluating management's tax position, re-calculating and verifying the related income tax to make a comprehensive evaluation on the reasonableness of management's estimation on income tax expenses and deferred income tax. Refer to Note 17 for the details of income tax information.

Emphasize Matter

As described in Note 10 of the consolidated financial statements, the disposal of investment of 75.1% equity of Array China has been approved in the shareholders' meeting held on December 29, 2016. Certain accounts in the financial statements for the year ended December 31, 2015 have been reclassified to conform to the presentation of discontinued operations in the financial statements for the year ended December 31, 2016.

Other Matter

On June 26, 2015, the Group sold and passed ownership and control of Beijing Infosec Information Security WOFE and its subsidiary, Beijing Infosec Technologies Co., Ltd. to the acquirer under a share transfer agreement.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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, including the audit committee, 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 the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 and appropriate audit evidence regarding the financial information of 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 for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yi-Wen Wang and Cheng-Ming Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2017

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

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

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

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of United States Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 23,049	50	$ 36,122	68
Available-for-sale financial assets - current (Notes 4)	257	1	259	-
Notes receivable (Note 4)	-	-	1,754	3
Trade receivable (Notes 4 and 7)	3,349	7	6,700	13
Inventories (Notes 4 and 8)	2,128	5	2,027	4
Non-current assets held for sale (Notes 4 and 10)	12,338	27	-	-
Other current assets (Note 14)	200	-	456	1
Total current assets	41,321	90	47,318	89
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4 and 11)	418	1	951	2
Goodwill (Notes 4, 5 and 12)	3,521	8	3,521	6
Other intangible assets (Notes 4 and 13)	699	1	1,008	2
Deferred tax assets (Notes 4 and 17)	107	-	91	-
Refundable deposits (Notes 4 and 14)	33	-	395	1
Pledge deposits (Notes 25)	32	-	32	-
Total non-current assets	4,810	10	5,998	11
TOTAL	$ 46,131	100	$ 53,316	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payable	$ 753	2	$ 507	1
Other payable (Note 14)	1,215	3	3,036	6
Current tax liabilities (Notes 4 and 17)	74	-	48	-
Deferred revenue - current (Notes 4 and 5)	3,975	9	5,478	10
Liabilities directly associated with non-current assets held for sale (Notes 4 and 10)	3,443	7	-	-
Other current liabilities	94	-	78	-
Total current liabilities	9,554	21	9,147	17
NON-CURRENT LIABILITIES				
Deferred revenue - non-current (Notes 4 and 5)	2,432	5	3,195	6
Other non-current liabilities	26	-	7	-
Total non-current liabilities	2,458	5	3,202	6
Total liabilities	12,012	26	12,349	23
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 15)				
Share capital - ordinary shares	23,036	50	23,986	45
Capital surplus	11,163	24	11,583	22
Retained earnings				
Legal reserve	339	1	191	-
Special reserve	20	-	20	-
Unappropriated earnings	3,890	8	6,180	12
Total retained earnings	4,249	9	6,391	12
Other equity	(1,532)	(3)	48	-
Treasury shares	(2,797)	(6)	(1,041)	(2)
Total equity	34,119	74	40,967	77
TOTAL	$ 46,131	100	$ 53,316	100

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

(With Deloitte & Touche audit report dated March 24, 2017)

ARRAY INC. AND SUBSIDIARIES

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

	2016		2015	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Sales	$ 16,784	100	$ 15,375	100
Sales returns and allowances	10	-	23	-
Total operating revenue (Notes 4 and 5)	16,774	100	15,352	100
OPERATING COSTS				
Cost of goods sold (Notes 4, 8 and 16)	3,716	22	3,575	23
GROSS PROFIT	13,058	78	11,777	77
OPERATING EXPENSES (Notes 4 and 16)				
Selling and marketing expenses	7,614	46	7,278	47
General and administrative expenses	2,836	17	2,840	19
Research and development expenses	2,049	12	2,838	19
Total operating expenses	12,499	75	12,956	85
PROFIT (LOSS) FROM OPERATIONS	559	3	(1,179)	(8)
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 4)	99	1	22	-
Other income (Note 4)	26	-	19	-
Exchange loss, net (Note 4)	(139)	(1)	(411)	(2)
Others	(20)	-	(18)	-
Total non-operating income and expenses	(34)	-	(388)	(2)
PROFIT (LOSS) BEFORE INCOME TAX	525	3	(1,567)	(10)
INCOME TAX EXPENSE (Notes 4 and 17)	190	1	139	1
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	335	2	(1,706)	(11)
NET (LOSS) PROFIT FROM DISCONTINUED OPERATIONS (Notes 10 and 20)	(2,477)	(15)	3,324	22
NET (LOSS) PROFIT FOR THE YEAR	(2,142)	(13)	1,618	11

(Continued)

ARRAY INC. AND SUBSIDIARIES

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

	2016		2015	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (1,575)	(9)	$ (2,530)	(17)
Unrealized loss on available-for-sale financial assets	(5)	-	(2)	-
Other comprehensive loss for the year	(1,580)	(9)	(2,532)	(17)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (3,722)	(22)	$ (914)	(6)
NET (LOSS) PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ (2,142)	(13)	$ 1,618	11
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO				
Owners of the Company	$ (3,722)	(22)	$ (914)	(6)
EARNINGS (LOSS) PER SHARE (Note 18)				
From continuing and discontinued operations				
Basic	$ (0.029)		$ 0.021	
Diluted			$ 0.021	
From continuing operations				
Basic	$ 0.004		$ (0.022)	
Diluted	$ 0.004			

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

(With Deloitte & Touche audit report dated March 24, 2017) (Concluded)

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of United States Dollars)

	Equity Attributable to Owners of the Company													
		Capital Surplus				Retained Earnings				Other Equity				
	Share Capital	Additional Paid-in Capital Ordinary Shares	Treasury Share Transactions	Share Options	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2015	$ 23,824	$ 10,787	$ 422	$ 226	$ 11,435	$ 149	$ 589	$ 4,035	$ 4,773	$ 2,584	$ (4)	$ 2,580	$ (1,242)	$ 41,370
Appropriated of 2014 earnings														
Legal reserve	-	-	-	-	-	42	-	(42)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(569)	569	-	-	-	-	-	-
Net profit for the year ended December 31, 2015	-	-	-	-	-	-	-	1,618	1,618	-	-	-	-	1,618
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	-	-	-	-	-	(2,530)	(2)	(2,532)	-	(2,532)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	-	-	1,618	1,618	(2,530)	(2)	(2,532)	-	(914)
Issue of ordinary shares under share options	162	(28)	-	(50)	(78)	-	-	-	-	-	-	-	-	84
Share-based compensation for the year ended December 31, 2015	-	-	-	223	223	-	-	-	-	-	-	-	-	223
Reissue of treasury shares transferred to employees - 292 thousand shares	-	-	46	(43)	3	-	-	-	-	-	-	-	201	204
BALANCE AT DECEMBER 31, 2015	23,986	10,759	468	356	11,583	191	20	6,180	6,391	54	(6)	48	(1,041)	40,967
Appropriated of 2015 earnings														
Legal reserve	-	-	-	-	-	148	-	(148)	-	-	-	-	-	-
Net loss for the year ended December 31, 2016	-	-	-	-	-	-	-	(2,142)	(2,142)	-	-	-	-	(2,142)
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	-	-	-	(1,575)	(5)	(1,580)	-	(1,580)
Total comprehensive loss for the year ended December 31, 2016	-	-	-	-	-	-	-	(2,142)	(2,142)	(1,575)	(5)	(1,580)	-	(3,722)
Issue of ordinary shares under share options	55	11	-	(5)	6	-	-	-	-	-	-	-	-	61
Share-based compensation for the year ended December 31, 2016	-	-	-	254	254	-	-	-	-	-	-	-	-	254
Buy-back of ordinary shares - 6,500 thousand shares	-	-	-	-	-	-	-	-	-	-	-	-	(3,441)	(3,441)
Cancellation of treasury shares - 3,250 thousand shares	(1,005)	(451)	(229)	-	(680)	-	-	-	-	-	-	-	1,685	-
BALANCE AT DECEMBER 31, 2016	$ 23,036	$ 10,319	$ 239	$ 605	$ 11,163	$ 339	$ 20	$ 3,890	$ 4,249	$ (1,521)	$ (11)	$ (1,532)	$ (2,797)	$ 34,119

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

(With Deloitte & Touche audit report dated March 24, 2017)

ARRAY INC. AND SUBSIDIARIES

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax		
Income (loss) before income tax from continuing operations	$ 525	$ (1,567)
Income (loss) before income tax from discontinued operations	(2,477)	(4,561)
	(1,952)	(6,128)
Adjustments for:		
Net gain on foreign currency exchange	(628)	(450)
Depreciation	617	795
Amortization	533	527
Write-down of inventories	48	391
Impairment loss recognized on trade receivables	196	359
Interest income	(212)	(234)
Share-based compensation	254	223
Loss on disposal of property, plant and equipment	37	43
Net changes in operating assets and liabilities:		
Notes and trade receivable	1,214	3,853
Inventories	(917)	(1,030)
Other current assets	(113)	(608)
Trade payable	247	289
Other payable	(216)	(635)
Deferred revenue	(565)	2,045
Other current liabilities	151	(622)
Other liabilities	18	(12)
Cash used in operations	(1,288)	(1,194)
Interest received	212	249
Income tax paid	(180)	(183)
Net cash used in operating activities	(1,256)	(1,128)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash inflow on disposal of subsidiaries	-	7,695
Increase in refundable deposits	14	384
Payment for property, plant and equipment	(245)	(327)
Payment for intangible assets	(225)	(268)
Purchase of available-for-sale financial assets	(3)	(4)
Net cash (used in) generated from investing activities	(459)	7,480
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for buy-back of treasury shares	(3,441)	-
Exercise of share options	61	84
Proceeds from reissue of treasury shares	-	204
Net cash (used in) generated from financing activities	(3,380)	288

(Continued)

ARRAY INC. AND SUBSIDIARIES

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

	2016	2015
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	$ (607)	$ (1,013)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,702)	5,627
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	36,122	30,495
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 30,420	$ 36,122

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheet at December 31, 2016 and 2015:

	December 31	
	2016	2015
Cash and cash equivalents in consolidated balance sheets	$ 23,049	$ 36,122
Cash and cash equivalents included in a disposal group held for sale	7,371	-
Cash and cash equivalents in consolidated statements of cash flow	$ 30,420	$ 36,122

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

(With Deloitte & Touche audit report dated March 24, 2017) (Concluded)

(In Thousands of United States Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Array Inc. (the "Company") was incorporated on December 19, 2008 in the Cayman Islands for the purpose of reorganizing Array Networks, Inc. ("Array Cayman") and its subsidiaries. The reorganization was completed on May 1, 2009 pursuant to a share swap agreement. Following the reorganization, Array Cayman became a wholly-owned subsidiary of the Company.

The Company and subsidiaries (hereinafter referred to as the "Group") mainly research, manufacture and sell Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions, Application Acceleration and WAN Optimization Controllers.

On June 26, 2015, the Company sold and passed ownership and control of Beijing Infosec Information Security WOFE and Beijing Infosec Technologies Co., Ltd. under a sale agreement (Note 9).

The functional currency of the Company is U.S. dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 24, 2017.

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

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

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

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

(Continued)

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Concluded)

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

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

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

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

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

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

Impairment of financial assets

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

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

2) IFRS 16 "Leases"

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

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

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

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

3) Amendment to IFRS 3 "Business Combinations"

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 9, Tables 5 and 6 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

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

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

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

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

The exchange differences accumulated in equity which resulted from the translation of the assets and liabilities of the Group entities into the presentation currency are not subsequently reclassified to profit or loss.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

f. Inventories

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

g. Property, plant and equipment

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

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

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

h. Goodwill

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) De-recognition of intangible assets

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

j. Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

k. Non-current assets held for sale

Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When a sale plan would result in loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in that subsidiary after the sale.

Disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell. Recognition of depreciation of those assets would cease.

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Available-for-sale financial assets

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

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

ii. Loans and receivables

Loans and receivables (including cash and cash equivalent, trade receivables, notes receivables, other receivables, refundable deposits and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 12 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

m. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

Revenue from sales of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the good, primarily upon shipment, because the earning process has completed and the economic benefits associated with the transaction have been realized or are realizable.

Revenue is measured at the fair value of the consideration received or receivable agreed between the Group and the customers for goods sold, net of sales discounts and volume rebates. For the trade receivables due within one year from the balance sheet date, as the normal value of the consideration to be received approximates fair value and transaction are frequent, consideration fair value of the revenue is not determined by discounting all future receipts using an impute rate of interest.

2) Rendering of services

Service income is recognized when services are provided.

When the selling price of a product includes an identifiable amount for subsequent sales support, that amount is deferred and recognized as revenue over the period during which the service is performed. If the subsequent sales support is included in the selling price of the product, the amount for subsequent sales support that includes the expected cost of the service under the agreement and together with a reasonable profit on the service should be identified, deferred and recognized as revenue over the period during which the service is performed.

3) Interest income

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

n. Leasing

<u>The Group as lessee</u>

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

p. Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the stock options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of stock options that will eventually vest, with a corresponding increase in capital surplus - stock options. The fair value determined at the grant date of the stock options is recognized as an expense in full at the grate date when the stock options granted vest immediately.

At the end of each reporting period, the Group revises its estimate of the number of stock options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - stock options.

q. Taxation

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

1) Current tax

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for research and development expenditures, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Impairment of goodwill

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

b. Income taxes

Income tax is estimated by management based on the tax positions held in different tax jurisdictions and the respective future earnings-generating ability. Due to the unpredictability of future earnings-generating ability and the changes of tax regulations in different tax jurisdictions, a material difference of the estimated tax expenses and deferred income tax may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Checking accounts and demand deposits	$ 23,030	$ 25,434
Time deposits	-	10,667
Cash on hand	19	21
	$ 23,049	$ 36,122
Bank deposits	0.01%-0.55%	0.01%-0.55%
Time deposits	-	1.35%-1.60%

7. TRADE RECEIVABLES

	December 31	
	2016	2015
Accounts receivable	$ 3,603	$ 7,557
Less: Allowance for impairment loss	(254)	(857)
	$ 3,349	$ 6,700

The average credit period on sales of goods was 90 days. No interest was charged on trade receivables. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all receivables over a year. Allowance for impairment loss were recognized against trade receivables between 6 months and a year based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31	
	2016	2015
Up to 180 days	$ 3,323	$ 6,684
181-270 days	18	26
271-360 days	64	35
More than 360 days	198	812
	$ 3,603	$ 7,557

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

	December 31	
	2016	2015
Up to 180 days	$ 1,004	$ 2,267

Movements in the collectively assessed allowance for impairment loss recognized on trade receivables were as follows:

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 857	$ 4,324
Add: Impairment losses recognized on receivables		
Continuing operations	161	193
Discontinued operations	35	166
Less: Amounts written off during the year as uncollectable	(202)	-
Less: Disposal of subsidiaries (Notes 20)	-	(3,799)
Less: Reclassified as held for sale	(560)	-
Effect of exchange rate changes	(37)	(27)
Balance at December 31	$ 254	$ 857

In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The clients of the Group are widely spread and unrelated; thus, credit risk is limited.

8. INVENTORIES

	December 31	
	2016	2015
Raw materials	$ 1,815	$ 1,290
Finished goods	313	737
	$ 2,128	$ 2,027

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was $3,716 thousand and $3,575 thousand, respectively. The cost of goods sold included inventory write-downs of $80 thousand and $128 thousand, respectively.

9. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements:

The consolidated entities of the consolidated financial report were as follows:

			Percentage of Ownership December 31		
Investor	Investee	Main Business	2016	2015	Remark
Company	Array Networks, Inc. (Array Cayman)	Investment	100	100	
Array Cayman	Array Networks, Inc. (Array US)	Research, manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions, WAN Optimization Controllers and Application Acceleration	100	100	
	Array Networks (China) Co., Ltd. (Array China)	Research, manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100	100	See Note 10
	Infosec Technologies Holdings, Inc. (Infosec Cayman)	Investment	-	-	Dissolved on December 31, 2015

(Continued)

Investor	Investee	Main Business	Percentage of Ownership December 31 2016	2015	Remark
Array US	Array Networks Japan Kabishiki Kaisha	Research, manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100	100	
Infosec Cayman	Beijing Infosec Information Security WOFE (Infosec WOFE)	Research and sale of full life cycle management of Public Key Infrastructure (PKI) and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	-	-	See Notes 10 and 20
Infosec WOFE	Beijing Infosec Technologies Co., Ltd. (Infosec Technologies)	Research and sale of full life cycle management of Public Key Infrastructure (PKI) and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	-	-	See Notes 10 and 20

(Concluded)

b. Subsidiaries excluded from consolidated financial statements: None.

c. Details of subsidiaries that have material non-controlling interests: None.

10. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

a. Discontinued operations

On June 26, 2015, the Group entered into a sale agreement to dispose of Infosec WOFE and Infosec Technologies, which carried out all of the Group's research on the management of digital Public Key Infrastructure (PKI) in the PRC, on which date control of Infosec WOFE and Infosec Technologies passed to the acquirer.

Under the regulation and control of network safety and active implementation of localization policy by China government, to several key executives of Array China (hereinafter called as "Array China Operation Team"), the Company's board of directors has resolved to dispose of 75.1% equity of Array China to several key executives of Array China (hereinafter called as "Array China Operation Team"). A conditional MBO (Management Buy Out) is adopted by the Company, the content of trade includes that the Company will become the exclusive product supplier of Array China, and trade conditions such as outsourcing development agreement has been settled to expect creating benefits and a long-term business relationship between both parties. Array China Operation Team has proposed the acquisition intention, and established Beijing Array Junheng Technology Co., Ltd. and Beijing Heli Junheng Technology Center (Limited Partnership) as the subject of the trade. Array US will enter an agreement for product procurement and outsourcing development with Array China to enable the Company to continue maintaining their market share in China by virtrue of research and development resources and channels of Array China. The proposal has been resolved on shareholders' meeting held on December 29, 2016, and the shareholders was authorized the chairman to handle the negotiation and settlement of the relevant agreement. The board of directors was also authorized, at any stage, to determine upon the exercise of due care if the disposal should proceed further, to protect the interest of the Company and all of the shareholders. The status of the disposal should be reported to the shareholders at next shareholders' meeting.

The preliminary transaction conditions as below has been negotiated by the Company and Array China Operation Team:

1) Prior to the transaction, the Company will lead Array China to distribute US$4.2 million cash dividend first;

2) Cancel US$13 million related-party accounts receivable accrued by reason of transfer pricing of both parties;

3) After cash dividend is distributed, Array China Operation Team will require 75.1% equity of Array China from the company at a transaction price of US$3.98 million.

In accordance with OTC Commitment required from Taipei Exchange (TPEx), the Company has informed the TPEx in writing of the change of operation mode of Array China, and TPEx has granted and issued its approval in October 2016, without prejudice to shareholders' rights.

Certain accounts in the financial statements for the year ended December 31, 2015 have been reclassified to conform to the presentation of discontinued operations in the financial statements for the year ended December 31, 2016.

Profit (loss) from discontinued operations was as follows:

	2016	2015
Net loss for the year	$ (2,477)	$ (4,561)
Gains on disposal (see Note 20)	-	7,885
	$ (2,477)	$ 3,324

The details of profit (loss) from discontinued operations and the related cash flows information were as follows:

	2016	2015
Operating revenue	$ 10,035	$ 14,021
Operating costs	(3,289)	(4,228)
Gross profit	6,746	9,793
Selling and marketing expenses	(3,633)	(7,776)
General and administrative expenses	(1,000)	(1,988)
Research and development expenses	(6,305)	(7,341)
Loss from operations	(4,192)	(7,312)
Non-operating income and expenses	1,715	2,751
Net loss for the year	$ (2,477)	$ (4,561)
Profit from discontinued operations attributable to:		
Owners of the Company	$ (2,477)	$ (4,561)
Net cash (used in) generated from operating activities	$ (4,361)	$ 2,129
Net cash (used in) generated from investing activities	(55)	337
Net cash (outflows) inflows	$ (4,416)	$ 2,466

There was no tax expense/benefit related to the loss on discontinuance.

The carrying amounts of assets and liabilities of Infosec WOFE and Infosec Technologies at the date of disposal were disclosed in Note 20.

b. Non-current assets held for sale

The non-current assets classified as held for sale and the directly associated liabilities were as follows:

	December 31, 2016
Cash and cash equivalents	$ 7,371
Trade receivables	3,421
Inventories	488
Property, plant and equipment	340
Others	718
Non-current assets classified as held for sale	$ 12,338
Trade and other payables	$ 1,606
Deferred revenue	1,701
Other liabilities	136
Liabilities directly associated with non-current assets classified as held for sale	$ 3,443

11. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Office Equipment	Equipment Held under Finance Leases	Other Equipment	Total
Cost					
Balance, January 1, 2015	$ 3,590	$ 1,149	$ 449	$ 1,704	$ 6,892
Addition	98	109	-	120	327
Disposals	(135)	-	-	(30)	(165)
Reclassification	81	-	-	-	81
Disposal of subsidiaries (Note 20)	(443)	-	(270)	(189)	(902)
Effect of foreign currency exchange differences	(147)	(9)	(9)	(2)	(167)
Balance, December 31, 2015	$ 3,044	$ 1,249	$ 170	$ 1,603	$ 6,066
Accumulated depreciation and impairment					
Balance, January 1, 2015	$ 2,595	$ 1,027	$ 426	$ 1,272	$ 5,320
Disposals	(122)	-	-	-	(122)
Depreciation	436	73	18	268	795
Reclassification	(62)	-	-	-	(62)
Disposal of subsidiaries (Note 20)	(285)	-	(270)	(127)	(682)
Effect of foreign currency exchange differences	(118)	(7)	(9)	-	(134)
Balance, December 31, 2015	$ 2,444	$ 1,093	$ 165	$ 1,413	$ 5,115
Carrying amounts at December 31, 2015	$ 600	$ 156	$ 5	$ 190	$ 951
Cost					
Balance, January 1, 2016	$ 3,044	$ 1,249	$ 170	$ 1,603	$ 6,066
Addition	65	64	24	92	245
Disposals	(383)	(16)	(84)	(11)	(494)

(Continued)

	Equipment	Office Equipment	Equipment Held under Finance Leases	Other Equipment	Total
Reclassification	$ 188	$ -	$ -	$ -	$ 188
Reclassified as held for sale (Note 10)	(2,016)	(96)	(49)	(32)	(2,193)
Effect of foreign currency exchange differences	(143)	-	(6)	(3)	(152)
Balance, December 31, 2016	$ 755	$ 1,201	$ 55	$ 1,649	$ 3,660
Accumulated depreciation and impairment					
Balance, January 1, 2016	$ 2,444	$ 1,093	$ 165	$ 1,413	$ 5,115
Disposals	(346)	(14)	(84)	(11)	(455)
Depreciation	336	86	9	186	617
Reclassification	(48)	-	-	-	(48)
Reclassified as held for sale (Note 10)	(1,688)	(89)	(49)	(27)	(1,853)
Effect of foreign currency exchange differences	(119)	(7)	(5)	(3)	(134)
Balance, December 31, 2016	$ 579	$ 1,069	$ 36	$ 1,558	$ 3,242
Carrying amounts at December 31, 2016	$ 176	$ 132	$ 19	$ 91	$ 418

(Concluded)

For the impairment evaluation for the years ended December 31, 2016 and 2015, refer to Note 12.

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

Equipment	3-5 years
Office equipment	3-5 years
Equipment held under finance lease	The shorter of the lease term and useful lives
Other equipment	3-5 years

12. GOODWILL

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 3,521	$ 5,594
Derecognized on disposal of subsidiaries (Note 20)	-	(2,073)
Balance at December 31	$ 3,521	$ 3,521

Goodwill in the amount of US$3,521 thousand was recognized when the Group obtained the control of Array US in 2003. The Group viewed Array Cayman, Array US and Array China as a group of cash-generating units (CGU). Determining whether goodwill is impaired requires management to estimate the future cash flows expected to be generated from a cash-generating unit in order to determine the respective recoverable amounts. The critical assumptions to estimate the recoverable amounts were as follows:

a. Operating revenue was estimated on the basis of changes in the industry and competitive landscape.

b. The estimates of costs and expenses were based on the proportion of the actual costs and expenses to operating revenue in the consolidated financial statements.

c. Assumptions in the discount rates.

The discount rates used to calculate the recoverable amounts for Array Group were 23% and 22.45% for the years ended December 31, 2016 and 2015.

Based on the above key assumptions, the Group's management believes that the carrying amounts of these operating assets and goodwill will not exceed their recoverable amounts even if there are changes in the critical assumptions used to estimate recoverable amounts as long as these changes are within reasonable levels for the years ended December 31, 2016 and 2015.

13. OTHER INTANGIBLE ASSETS

	December 31	
	2016	**2015**
Carrying amounts of each class of		
Computer software (a)	$ 456	$ 594
Intellectual Property (b)	243	414
Trademarks (c)	-	-
Other intangible assets	$ 699	$ 1,008

a. Computer software

	2016	**2015**
Cost		
Balance, January 1	$ 1,890	$ 1,662
Addition	225	268
Derecognized on disposal of a subsidiary (Note 20)	-	(40)
Reclassified as held for sale	(8)	-
Effect of foreign currency exchange differences	-	-
Balance, December 31	$ 2,107	$ 1,890
Accumulated amortization and impairment		
Balance, January 1	$ 1,296	$ 951
Amortization expense	362	356
Derecognized on disposal of a subsidiary (Note 20)	-	(10)
Reclassified as held for sale	(7)	-
Effect of foreign currency exchange differences	-	(1)
Balance, December 31	$ 1,651	$ 1,296

b. Intellectual property

	2016	2015
Cost		
Balance at January 1	$ 870	$ 870
Balance at December 31	$ 870	$ 870
Accumulated depreciation and impairment		
Balance at January 1	$ 456	$ 285
Amortization expense	171	171
Balance at December 31	$ 627	$ 456

c. Trademarks

	For the Year Ended December 31, 2015
Balance at January 1	$ 952
Derecognized on disposal of a subsidiary (Note 20)	(952)
Balance at December 31	$ -

Other intangible assets are depreciated on a straight-line basis over the estimated useful lives as follows:

Computer software	1-10 years
Intellectual property	5 years

14. OTHER LIABILITIES

	December 31	
	2016	2015
Other payables		
Accrued salary and bonus	$ 451	$ 1,441
Accrued vacation	493	467
Others	271	1,128
	$ 1,215	$ 3,036

15. EQUITY

a. Ordinary shares

	December 31	
	2016	2015
Number of shares authorized (in thousands)	105,000	105,000
Shares authorized (in thousands N.T. dollars)	$ 1,050,000	$ 1,050,000
Number of shares issued and fully paid (in thousands)	74,735	77,804
Shares issued	$ 23,036	$ 23,986

The differences of the shares issued were due to options exercise and cancellation of treasury shares.

b. Capital surplus

The Company resolved to capitalize an amount standing to the credit of reserves (including a share premium account, capital redemption reserve, special capital reserve and profit and loss account), whether or not available for distribution under Cayman legislation.

c. Retained earnings and dividend policy

Under the Company's amended Articles of Association, the Company may distribute profits for each fiscal year in the form of cash dividends, bonus shares or others upon a proposal for distribution of profits by the board of directors and approved by the shareholders at the general meeting. The directors shall prepare such proposal to allocate the earnings for each fiscal year according to the following sequence:

1) Payment of taxes;

2) Making up losses from previous years;

3) Setting aside 10% as legal reserve, until the accumulated legal reserve has equaled the total issued capital of the Company;

4) Setting aside special reserve from the remaining earnings together with any undistributed retained earnings accrued from prior years in accordance with the applicable listing rules or as requested by the competent authorities;

5) Up to 3% of the residual amount after deducting the amounts stated in items (1) through (4) above as bonus to directors;

6) The rest could be distributed as cash dividends and/or bonus shares to the shareholders according to the distribution plan proposed by the board;

Because the Company is still at the growth stage, any balance earnings together with any undistributed retained earnings accrued from prior years of the Company may be distributed as cash dividends and/or bonus shares in accordance with the Law and Applicable Listing Rules, after taking into consideration the investment environment, capital requirement, domestic and overseas competition environment and capital budget of the Company current or future, as well as shareholders interest, balance of dividend and long term financial plan of the Company. The directors shall specify the exact percentages or amounts to be paid to directors and distributed to the shareholders in the proposal for distribution of profits, and submit it for the shareholders' approval at the general meeting. Unless the board of directors determines otherwise after consideration to the withholding tax and associated expenses relating to the dividend distribution, dividends to be distributed to the shareholders shall not be less than

5% of the remaining balance after deducting the amounts stated in items (1) through (4) above. The cash dividends shall comprise no less than 10% of the dividends declared in such year.

For the policies on distribution of remuneration of directors, refer to “Employee benefits expense” in Note 16b.

If the Company has no loss by a Supermajority Resolution, it shall distribute its legal reserve to the shareholders in accordance with Applicable Listing Rules or the orders of the competent authorities; provided that, where the distribution are made out of from the legal reserve, only the portion of the legal reserve with exceeds 25% of the paid-in capital of the Company may be distributed.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” shall be appropriated to or reversed from a special reserve by the Company. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The appropriations of earnings for 2015 and 2014 were as follows:

	Appropriation of Earnings	
	2015	**2014**
Legal reserve	$ 148	$ 42
Special reserve	-	(569)

The deficit compensation for 2015 has been approved by the Company’s board of directors on March 24, 2017.

d. Treasury shares

Purpose of Buy-back	**Number of Shares, Beginning of Year**	**Increase During the Year**	**Decrease During the Year**	**Number of Shares, End of Year**
Year ended December 31, 2016				
Shares transferred to employees (in thousands of shares)	1,260	3,250	-	4,510
Shares cancelled (in thousands of shares)	-	3,250	3,250	-
	1,260	6,500	3,250	4,510
Year ended December 31, 2015				
Shares transferred to employees (in thousands of shares)	1,552	-	292	1,260

In order to motivate employees and enhance employees’ retention, on April 7, 2016, the board of directors resolved the plan to buy back 3,250 thousand shares of the Company’s outstanding shares as treasury shares from the securities exchange market. The buy-back of treasury shares was executed in the period between April 8, 2016 and May 7, 2016, and the total buy-back amount was $1,755 thousand.

Additionally, in order to maintain the Company's credit and shareholders' equity, on April 7, 2016, the board of directors resolved the plan to buy back 3,250 thousand shares of the Company's outstanding shares as treasury shares from the securities exchange market. The buy-back of treasury shares was executed in the period between May 8, 2016 and June 7, 2016, and the total buy-back amount was $1,686 thousand. The treasury shares were all cancelled on June 29, 2016.

The Company granted 1,310 units of treasury share options to the Group's employees based on the resolution of the board of directors on February 9, 2015. Each unit of treasury share option entitles the holder to subscribe for 1,000 shares of the Company's treasury shares. The treasury share options are valid for 35 months and vest 1/35 in equal monthly installments from January 1, 2015 to November 30, 2017, and holders may choose to exercise the vested treasury share options.

In addition, the Company granted 2,416 units of treasury share options to the Group's employees based on the resolution of the board of directors on November 11, 2016. Each unit of treasury share option entitles the holder to subscribe for 1,000 shares of the Company's treasury shares. The treasury share options are valid for 12 months. It is recognized as an expense in full at the grant date because of vesting immediately.

	Number of Exercisable Options (In Thousands)	
	2016	2015
Treasury share options		
Balance, beginning of year	1,260	242
Options granted	2,416	1,310
Options exercised	-	(292)
Balance, end of year	3,676	1,260

The share-based compensation costs recognized for the years ended December 31, 2016 and 2015 were $159 thousand and $91 thousand, respectively.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

16. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	$ 374	$ 419
Intangible assets	533	525
	$ 907	$ 944
An analysis of depreciation by function		
Operating costs	$ 106	$ 105
Operating expenses	268	314
	$ 374	$ 419

(Continued)

	For the Year Ended December 31	
	2016	2015
An analysis of amortization by function		
Operating costs	$ 211	$ 210
Operating expenses	322	315
	$ 533	$ 525

(Concluded)

b. Employee benefits expense

	For the Year Ended December 31	
	2016	2015
Share-based payments	$ 180	$ 110
Other employee benefits	9,550	10,913
	$ 9,730	$ 11,023
An analysis of employee benefits expense by function		
Operating costs	$ 1,175	$ 945
Operating expenses	8,555	10,078
	$ 9,730	$ 11,023

For the years ended December 31, 2016 and 2015, remuneration of directors are both zero, and the calculation was based on the policy and past experience.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

There was no difference between the actual amounts of remuneration of directors approved in the shareholders' meetings in 2016 and 2015, and the amounts recognized in the consolidated financial statements for the years ended December 31, 2015 and 2014, respectively.

Information on remuneration of directors resolved by the shareholders in their meeting is available on the Market Observation Post System website of the Taiwan Stock Exchange.

17. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	$ 206	$ 162
Deferred tax		
In respect of the current year	(16)	(23)
Income tax expense recognized in profit or loss	$ 190	$ 139

A reconciliation of accounting profit and income tax expenses and the applicable tax rate is as follows:

	For the Year Ended December 31	
	2016	2015
Gain/Loss before tax	$ 525	$ (1,567)
Income tax expense calculated at the statutory rate	$ (1,584)	$ (973)
Nondeductible expenses in determining taxable income	1,537	738
Unrecognized deductible temporary differences	476	(211)
Tax of Controlled Foreign Corporation	(239)	585
Income tax expense recognized in profit or loss	$ 190	$ 139

The applicable tax rate used above is the Federal tax rate of 34% payable and the state tax rate of 8.84% payable by the Group in the U.S., while the applicable tax rate used by subsidiaries in China is 25%.

b. Current tax assets and liabilities

	December 31	
	2016	2015
Current tax liabilities		
Income tax payable	$ 74	$ 48

c. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2016	2015
Loss carry-forwards	$ 17,302	$ 16,217
Investment credits		
Research and development	$ 1,647	$ 1,613
Purchase of machinery and equipment	152	50
	$ 1,799	$ 1,663
Deductible temporary differences	$ 2,039	$ 2,060

d. Information about unused investment credits, unused loss carryforwards and tax exemption

As of December 31, 2015, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Federal tax	Research and development expenditures	$ 144	2020
		341	2021
		213	2026
		188	2027
		92	2028
		54	2029
		46	2030
		53	2031
		70	2032
		93	2033
		76	2034
		82	2035
		14	2036
		$ 1,466	
State tax		$ 905	Indefinite

Loss carryforwards by federal tax as of December 31, 2016 comprised of:

Unused Amount	Expiry Year
$ 4,506	2021
20,167	2022
5,665	2023
5,383	2024
929	2025
4,529	2026
309	2027
400	2028
394	2031
3,106	2032
$ 45,388	

Loss carryforwards by state tax as of December 31, 2016 comprised of:

Unused Amount	Expiry Year
$ 2,009	2016
462	2032
490	2036
$ 2,961	

18. EARNINGS (LOSSES) PER SHARE

The earnings (losses) and weighted average number of ordinary shares outstanding in the computation of earnings (losses) per share were as follows:

Net Profit (Loss) for the Period

	For the Year Ended December 31	
	2016	**2015**
Profit (loss) for the period attributable to owners of the Company	$ (2,142)	$ 1,618
Less: Earnings (losses) used in the computation of basic earnings (losses) per share from discontinuing operations	(2,477)	3,324
Earnings (loss) used in the computation of basic earnings (losses) per share from continuing operations	$ 335	$ (1,706)

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2016	**2015**
Weighted average number of ordinary shares in computation of basic earnings per share	73,680	77,209
Effect of dilutive potential ordinary shares:		
Employee share option	387	750
Weighted average number of ordinary shares used in the computation of diluted earnings per share	74,067	77,959

19. SHARE-BASED PAYMENT ARRANGEMENTS

On January 15, May 20, 2015, 700 and 125 options were granted to qualified employees of the Group. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company when exercisable. The options granted are valid for 10 years and vest 50% two years after the date of grant and the remaining balance will vest 1/48 in equal monthly installments over the following 48 months.

The options were granted at an exercise price equal to the fair value of the Company's ordinary shares on the grant date. For any subsequent changes in the Company's ordinary shares, the exercise price will be adjusted accordingly.

Information about share options was as follows:

	For the Year Ended December 31			
	2016		2015	
	Number of Exercisable Options (In Thousands)	Weighted-average Exercise Price (US$)	Number of Exercisable Options (In Thousands)	Weighted-average Exercise Price (US$)
Balance, beginning of year	1,979	$ 0.43	1,985	$ 0.27
Options granted	-	-	825	0.84
Options exercised	(180)	0.34	(515)	0.16
Options expired	(29)	0.64	(316)	0.90
Balance, end of year	1,770	0.54	1,979	0.43
Options exercisable, end of year	1,105	0.34	1,288	0.34

The weighted-average share price at the date of exercise for share options exercised during the years ended December 31, 2016 and 2015 was US$0.51 and US$0.67, respectively.

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

December 31			
2016		2015	
Range of Exercise Price (US$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (US$)	Weighted-average Remaining Contractual Life (Years)
$0.34-$0.36	0.61	$0.34-$0.36	1.61
$0.73	4.60	$0.73	5.60
$0.60-$0.99	7.40	$0.60-$0.99	8.40

The share-based compensation cost recognized for the years ended December 31, 2016 and 2015 were $21 thousand and $19 thousand, respectively.

20. DISPOSAL OF SUBSIDIARIES

a. Consideration received from the disposal

Infosec WOFE is a wholly-owned foreign enterprise (WOFE) in the People's Republic of China (PRC), which has made numerous achievements in the research on the management of digital Public Key Infrastructure (PKI). However, current PRC laws and regulations limit foreign investment in businesses relating to PKI business development. Therefore, Infosec WOFE arranged structure contracts with Infosec Technologies to have the power to govern its financial and operating policies. The structure contracts were designed to provide Infosec WOFE with effective control over and the right to acquire the equity interests in the assets of Infosec Technologies.

For the past few years, PRC has placed great emphasis to network security. To give consideration to both the shareholders' equity of the Company and the limits and difficulties of foreign investment in business with PRC nationalized industries and banks, a sale agreement was approved in the shareholders' meetings on June 26, 2015 to authorize the Company's board of directors to handle the disposal of Infosec WOFE and Infosec Technologies. In the same meeting, the shareholders also approved and authorized the board chairman to handle the relevant transaction and contract execution matters. The Company signed the framework contract with the nominal shareholders (the managerial officers) of Infosec Technologies with the conditions as follows:

1) The nominal shareholders of Infosec Technologies shall return the Company for the total amount of RMB23,680 thousand as a compensation.

2) Infosec Technologies shall purchase Infosec WOFE's entire equity from Infosec Holding at the total transaction amount of $14,400 thousand.

The transaction was completed on September 18, 2015.

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

	Infosec WOFE and Infosec Technologies
Current assets	
Cash and cash equivalents	$ 10,579
Trade receivables	4,928
Other receivables	626
Inventories	2,225
Prepayments	322
Non-current assets	
Property, plant and equipment	220
Goodwill	2,073
Other intangible assets	982
Current liabilities	
Payables	(2,092)
Other payables	(6,012)
Other	(248)
Non-current liabilities	
Deferred revenue	(3,354)
Net assets disposed of	$ 10,249

c. Gain on disposal of subsidiary

	Infosec WOFE and Infosec Technologies
Consideration received	$ 18,274
Net assets disposed of	(10,249)
Non-controlling interests	
The reclassification of other comprehensive income in respect of the subsidiary	1,100
Gain on disposal	9,125
Tax expense	(1,240)
	$ 7,885

The gain on disposal was included in the profit from discontinued operations, see Note 10.

d. Net cash inflow on disposal of subsidiary

	Infosec WOFE and Infosec Technologies
Consideration received in cash and cash equivalents	$ 18,274
Less: Cash and cash equivalent balances disposed of	10,579
	$ 7,695

21. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of office with lease terms between 1 and 6 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Group does not have a bargain purchase option to acquire the leased office at the expiry of the lease periods.

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

	For the Year Ended December 31	
	2016	2015
Not later than 1 year	$ 439	$ 424
Later than 1 year and not later than 5 years	1,143	1,444
	$ 1,582	$ 1,868

22. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

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

23. FINANCIAL INSTRUMENTS

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

The management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

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

December 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	$ 257	$ -	$ -	$ 257

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	$ 259	$ -	$ -	$ 259

There were no transfers between Levels 1 and 2 in the current and prior periods.

c. Categories of financial instruments

	December 31	
	2016	2015
Financial assets		
Loans and receivables (1)	$ 26,481	$ 45,040
Available-for-sale financial assets	257	259
Financial liabilities		
Amortized cost (2)	1,968	3,543

1) The balances included cash and cash equivalents, note receivables, trade and other receivables, refundable deposit, other financial assets and financial assets measured at amortized cost.

2) The balances included financial liabilities measured at amortized cost, which comprise trade and other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, and trade receivables and trade payables. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 26.

Sensitivity analysis

The Group's exchange rate exposure was in the exchange rate of Renminbi (RMB), the functional currency of several subsidiaries, against the U.S. dollars.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis included borrowings to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in pre-tax profit and other equity associated with RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	U.S. Dollars	
	For the Year Ended December 31	
	2016	**2015**
Profit or loss	$ -*	$ 503*

* RMB was the functional currency of several subsidiaries. This was mainly attributable to the exposure to outstanding bank deposit, receivables and payables in U.S. dollars, which were not hedged, at the end of the reporting period.

b) Interest rate risk

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

	December 31	
	2016	**2015**
Fair value interest rate risk		
Financial assets	$ 32	$ 10,699
Cash flow interest rate risk		
Financial assets	19,109	23,905

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2016 and 2015 would decrease/increase by $48 thousand $60 thousand, respectively.

2) Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, the Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Group's concentration of credit risk by geographical locations was mainly in China, which accounted for 29% of the total trade receivable as of December 31, 2015.

3) Liquidity risk

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

Non-derivative financial liabilities which the Group holds were all non-interest, and the maturities of repayments were within one year.

The contractual amount at maturity was same as the carrying amount.

24. TRANSACTIONS WITH RELATED PARTIES

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

Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
Short-term benefits	$ 1,676	$ 1,684
Share-based payments	61	10
	$ 1,737	$ 1,694

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank credits and merchant service:

	December 31	
	2016	2015
Pledge deposits	$ 32	$ 32

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 15,270	6.4936 (USD:RMB)	$ 15,270
Financial liability			
Monetary items			
USD	5,206	6.4936 (USD:RMB)	5,206

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2016		2015	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	6.9370 (USD:RMB)	$ -	6.4936 (USD:RMB)	$ 917

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (None)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 1)

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

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

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

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 2)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 3)

9) Trading in derivative instruments. (None)

10) Intercompany relationships and significant intercompany transactions. (Table 4)

11) Information on investees. (Table 5)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 6)

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

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

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

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

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

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

28. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group’s reportable segments under IFRS 8 “Operating Segments” were as follows:

Network application - U.S.

Network application - China and Public Key Infrastructure (PKI) - China operations were discontinued in 2016 and 2015, respectively. The segment information reported on the following pages does not include any amounts for the discontinued operations, which are described in more detail in Note 10.

a. Segment revenues and results

	Segment Revenue		Segment Profit (Loss)	
	Year Ended December 31		Year Ended December 31	
	2016	2015	2016	2015
Network application				
U.S.	$ 16,774	$ 15,352	$ 1,148	$ (323)
Others	-	-	(589)	(856)
Total from continuing operations	$ 16,774	$ 15,352	559	(1,179)
Interest income			99	22
Other income			26	19
Exchange loss, net			(139)	(411)
Others			(20)	(18)
Profit (loss) before income tax			$ 525	$ (1,567)

Segment revenue reported above represents revenue generated from external customers. There were adjusted and reversed for the years ended December 31, 2016 and 2015.

Segment profit (loss) represented the profit before tax earned by each segment. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

	December 31	
	2016	2015
Network application		
U.S.	$ 14,427	$ 13,359
China	-	17,716
Others	19,366	22,241
Total department assets	33,793	53,316
Assets associated with discontinued operation	12,338	-
Consolidated total assets	$ 46,131	$ 53,316
Network application		
U.S.	$ 8,383	$ 8,337
China	-	3,599
Others	186	413
Total department assets	8,569	12,349
Assets associated with discontinued operation	3,443	-
Consolidated total liabilities	$ 12,012	$ 12,349

c. Other segment information

	Depreciation and Amortization		Additions to Noncurrent Assets	
	2016	2015	2016	2015
Network application				
U.S.	$ 907	$ 944	$ 570	$ 537
China	-	-	-	172
Discontinued operation	243	378	-	-
	$ 1,150	$ 1,322	$ 570	$ 709

d. Revenue from major products and services

The Group's revenue from continuing operations categorized by major products and services was as follows:

	For the Year Ended December 31	
	2016	2015
ADC	$ 8,315	$ 7,612
Service revenue	6,698	5,930
SSL VPN	1,444	1,102
WOC	317	708
	$ 16,774	$ 15,352

e. Geographical information

The Group operates in one principal geographical areas - U.S. The Group's revenue from continuing operations from external customers and information about its noncurrent assets by geographical location were as follows:

	Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2015	2016	2015
U.S.	$ 16,774	$ 15,352	$ 4,703	$ 5,093
China	-	-	-	814
	$ 16,774	$ 15,352	$ 4,703	$ 5,907

Noncurrent assets excluded deferred tax assets.

f. Information about major customers

Single customers who contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2016	**2015**
Customer A	$ 2,931	$ 2,423
Customer B	2,874	2,840
Customer C	1,766	1,571
Customer D	NA (Note)	1,995

Note: Less than 10% to the Group's revenue.

ARRAY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(In Thousands of United States Dollars, Unless Specified Otherwise)

Holding Company	Marketable Securities Type and Issuer's Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Array Networks, Inc. (Cayman)	Mutual fund Fidelity Advisor Short Inter Muni Inc. mutual fund	None	Available-for-sale financial assets - current	-	$ 257	-	$ 257	-

Note 1: In this table referred to securities, refer to IAS 39 "Financial Instrument" recognition and derived. Scope of stock, bonds, beneficiary certificates and of the projects within in securities.

Note 2: Investments in subsidiaries, associated companies and joint venture interest in related information, see Tables 5 and 6.

ARRAY INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of United States Dollars, Unless Specified Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Array Networks, Inc.	Array Networks (China), Co., Ltd.	Fellow subsidiaries	Sale	$ (5,925)	(17)	The price were determined after taking the selling and warrants expense into consideration	$ -	-	$ 1,038	15	-
Array Networks (China), Co., Ltd.	Array Networks, Inc.	Fellow subsidiaries	Purchase	5,925	99	The price were determined after taking the selling and warrants expense into consideration	-	-	(1,038)	(29)	

ARRAY INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2016
(In Thousands of United States Dollars, Unless Specified Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Array Networks (China), Co., Ltd.	Array Networks, Inc. (Array US)	Fellow subsidiaries	$ 18,045	0.48	$ 13,001	Note	$ -	$ -

Note: The period of receipt and payment was longer than those for third parties in accordance with the financial position of the Group.

TABLE 4

ARRAY INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of United States Dollars, Unless Specified Otherwise)

Number	Company Name	Counterparty	Nature of Relationship (Note 1)	Transaction Details			
				Account	Amount	Transaction Item	Percentage of Consolidated Total Operating Revenues or Total Assets
0	Array Cayman	Array US	a	Trade receivable	$ 140	Based on regular terms	-
1	Array US	Array China	c	Trade receivable	1,038	Note 3	2
			c	Trade payable	18,045	Note 3	39
			c	Operating revenue	5,925	Note 2	22
			c	Research and development expense	7,553	Note 2	28

Note 1: a. Parent to subsidiary.
b. Subsidiary to parent.
c. Between subsidiaries.

Note 2: The prices were determined after taking the selling and warranty expenses into consideration.

Note 3: The period of receipt and payment was longer than those for third parties in accordance with the financial position of the Group.

ARRAY INC. AND SUBSIDIARIES

INFORMATION ON INVESTEE
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of United States Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2016			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Note
				Ending Balance	Beginning Balance	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Array Inc.	Array Networks, Inc. (Cayman)	British Cayman Islands	Investment	NT$ 525,925	NT$ 525,925	52,592	100	US$ 34,119	US$ (2,142)	US$ (2,142)	
Array Networks, Inc. (Cayman)	Array Networks, Inc.	U.S.A.	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	US$ 6,019	US$ 6,019	-	100	(4,777)	(4,161)	(4,161)	
Array Networks, Inc.	Array Networks Japan Kabishiki Kaisha	Japan	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	JPY 10,000	JPY 10,000	200	100	325	21	21	

TABLE 6

ARRAY INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of United States Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (losses) of the Investee	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Array Networks (China), Co., Ltd.	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	$ 6,000	Through a third-region company invested by the Corporation.	$ -	$ -	$ -	$ -	$ 2,532	100	$ 2,532	$ 23,010	$ -

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
$ -	NA	NA