HERMES MICROVISION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

PWCR16000031

To Hermes Microvision, Inc.

We have reviewed the accompanying consolidated balance sheets of Hermes Microvision, Inc. and its subsidiaries as of June 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion of these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with the Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting " as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

PricewaterhouseCoopers, Taiwan
Hsinchu, Taiwan
Republic of China

July 29, 2016

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2016 and 2015 are reviewed, not audited)

	Assets	Notes	June 30, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%	June 30, 2015 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 7,732,961	45	$ 8,559,779	51	$ 8,379,252	50
1110	Financial assets at fair value through profit or loss - current	6(2)	40,379	-	-	-	918,364	6
1147	Investments in debt instrument without active markets	6(4)	2,022,750	12	2,828,250	17	833,220	5
1170	Accounts receivable, net	6(5)	2,359,641	13	1,329,965	8	3,081,763	18
1180	Accounts receivable - related parties	7	26,793	-	29,332	-	16,996	-
1200	Other receivables		1,334,071	8	3,760	-	8,351	-
130X	Inventories, net	6(6)	2,368,892	14	2,634,265	16	2,368,490	14
1410	Prepayments		215,426	1	160,236	1	120,000	1
1470	Other current assets		44,661	-	60,856	-	29,647	-
11XX	**Current Assets**		16,145,574	93	15,606,443	93	15,756,083	94
	Non-current assets							
1523	Available - for - sale financial assets - noncurrent	6(3)	43,946	-	32,524	-	7,450	-
1600	Property, plant and equipment, net	6(7)	1,035,284	6	975,021	6	965,529	6
1780	Intangible assets, net	6(8)	21,137	-	25,203	-	24,709	-
1840	Deferred income tax assets		59,076	1	56,638	1	50,129	-
1900	Other non - current assets		8,130	-	9,452	-	7,990	-
15XX	**Non - current assets**		1,167,573	7	1,098,838	7	1,055,807	6
1XXX	**Total assets**		$ 17,313,147	100	$ 16,705,281	100	$ 16,811,890	100

(Continued)

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2016 and 2015 are reviewed, not audited)

	Liabilities and Equity	Notes	June 30, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%	June 30, 2015 AMOUNT	%
	Current liabilities							
2170	Accounts payable		$ 36,212	-	106,129	1	$ 226,757	1
2200	Other payables	6(9)	2,626,683	15	1,690,655	10	3,033,164	18
2220	Other payables - related parties	7	63,875	-	43,663	-	44,482	-
2230	Current income tax liabilities		165,972	1	182,404	1	229,700	2
2250	Provisions for liabilities - current	6(12)	1,833,748	11	1,808,182	11	1,687,980	10
2300	Other current liabilities		104,232	1	105,292	-	81,972	1
21XX	**Current Liabilities**		4,830,722	28	3,936,325	23	5,304,055	32
	Non-current liabilities							
2570	Deferred income tax liabilities		17,211	-	16,586	-	7,798	-
2600	Other non - current liabilities	6(10)	116,686	1	116,103	1	77,369	-
25XX	**Non - current liabilities**		133,897	1	132,689	1	85,167	-
2XXX	**Total Liabilities**		4,964,619	29	4,069,014	24	5,389,222	32
	Equity							
	Equity attributable to owners of parent company							
	Share capital							
3110	Share capital - common stock	6(13)	710,000	4	710,000	4	710,000	4
3200	Capital surplus	6(14)	5,493,240	32	5,436,908	33	5,432,495	33
	Retained earnings	6(15)						
3310	Legal reserve		1,022,142	6	789,999	5	789,999	5
3350	Unappropriated retained earnings		5,003,465	29	5,574,668	33	4,410,796	26
	Other equity interest	6(16)						
3400	Other equity interest		62,477	-	71,323	1	28,418	-
31XX	**Equity attributable to owners of the parent company**		12,291,324	71	12,582,898	76	11,371,708	68
36XX	**Non - controlling interest**		57,204	-	53,369	-	50,960	-
3XXX	**Total equity**		12,348,528	71	12,636,267	76	11,422,668	68
	Significant contingent liabilities and unrecognised contract commitments	9						
3X2X	**Total liabilities and equity**		$ 17,313,147	100	$ 16,705,281	100	$ 16,811,890	100

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

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

			For the three-month periods ended June 30				For the Six-month periods ended June 30			
			2016		2015		2016		2015	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(17) and 7	$ 1,493,238	100	$ 2,305,840	100	$ 2,479,459	100	$ 3,878,598	100
5000	**Operating costs**	6(6)	(445,944)	(30)	(684,318)	(30)	(736,511)	(30)	(1,148,099)	(30)
5900	**Net operating margin**		1,047,294	70	1,621,522	70	1,742,948	70	2,730,499	70
	Operating expenses	6(20)(21) and 7								
6100	Selling expenses		(112,478)	(8)	(144,215)	(6)	(200,640)	(8)	(293,404)	(7)
6200	General and administrative expenses		(125,293)	(8)	(129,181)	(6)	(243,378)	(10)	(255,184)	(7)
6300	Research and development expenses		(208,919)	(14)	(381,166)	(16)	(418,562)	(17)	(703,448)	(18)
6000	**Total operating expenses**		(446,690)	(30)	(654,562)	(28)	(862,580)	(35)	(1,252,036)	(32)
6900	**Operating profit**		600,604	40	966,960	42	880,368	35	1,478,463	38
	Non-operating income and expenses									
7010	Other income	6(18)	15,557	1	19,176	1	31,930	1	42,748	1
7020	Other gains and losses	6(19)	80,301	6	(68,229)	(3)	66,708	3	(113,956)	(3)
7000	**Total non-operating income and expenses**		95,858	7	(49,053)	(2)	98,638	4	(71,208)	(2)
7900	**Profit before tax**		696,462	47	917,907	40	979,006	39	1,407,255	36
7950	Income tax expense	6(22)	(150,785)	(10)	(228,244)	(10)	(180,194)	(7)	(277,373)	(7)
8200	**Profit for the period**		$ 545,677	37	$ 689,663	30	$ 798,812	32	$ 1,129,882	29
	Other comprehensive income for the period									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8311	Actuarial gain on defined benefit plan		$ -	-	$ 32	-	$ -	-	$ -	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	-	-	(6)	-	-	-	-	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		-	-	26	-	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Cumulative translation differences of foreign operations		5,514	-	(15,046)	(1)	(8,695)	-	(26,528)	-
8399	Income tax relating to the components of other comprehensive income	6(22)	(625)	-	2,489	-	1,812	-	4,349	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		4,889	-	(12,557)	(1)	(6,883)	-	(22,179)	-
8300	**Other comprehensive income (loss) for the period**		$ 4,889	-	($ 12,531)	(1)	($ 6,883)	-	($ 22,179)	-
8500	**Total comprehensive income for the period**		$ 550,566	37	$ 677,132	29	$ 791,929	32	$ 1,107,703	29
	Profit, attributable to:									
8610	Equity holders of the parent company		$ 545,139	37	$ 687,918	30	$ 796,940	32	$ 1,125,780	29
8620	Non-controlling interest		538	-	1,745	-	1,872	-	4,102	-
	Profit for the period		$ 545,677	37	$ 689,663	30	$ 798,812	32	$ 1,129,882	29
	Total comprehensive income attributable to:									
8710	Equity holders of the parent company		$ 548,189	37	$ 675,794	29	$ 788,094	32	$ 1,104,548	29
8720	Non-controlling interest		2,377	-	1,338	-	3,835	-	3,155	-
	Total comprehensive income for the period		$ 550,566	37	$ 677,132	29	$ 791,929	32	$ 1,107,703	29
9750	**Basic earnings per share**	6(23)	$ 7.68		$ 9.69		$ 11.22		$ 15.86	
9850	**Diluted earnings per share**	6(23)	$ 7.67		$ 9.68		$ 11.20		$ 15.84	

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

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent							
				Retained Earnings					
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Total	Non-controlling interest	Total equity
For the six-month period ended June 30, 2015									
Balance at January 1, 2015		$ 710,000	$ 5,431,196	$ 466,206	$ 5,170,809	$ 49,650	$ 11,827,861	$ 47,103	$ 11,874,964
Distribution of 2014 earnings:									
Legal reserve		-	-	323,793	(323,793)	-	-	-	-
Cash dividends		-	-	-	(1,562,000)	-	(1,562,000)	-	(1,562,000)
Profit for the period		-	-	-	1,125,780	-	1,125,780	4,102	1,129,882
Other comprehensive loss for the period	6(16)	-	-	-	-	(21,232)	(21,232)	(947)	(22,179)
Adjustments arising from changes in percentages of ownership in subsidiary		-	1,299	-	-	-	1,299	702	2,001
Balance at June 30, 2015		$ 710,000	$ 5,432,495	$ 789,999	$ 4,410,796	$ 28,418	$ 11,371,708	$ 50,960	$ 11,422,668
For the six-month period ended June 30, 2016									
Balance at January 1, 2016		$ 710,000	$ 5,436,908	$ 789,999	$ 5,574,668	$ 71,323	$ 12,582,898	$ 53,369	$ 12,636,267
Distribution of 2015 earnings:									
Legal reserve		-	-	232,143	(232,143)	-	-	-	-
Cash dividends		-	-	-	(1,136,000)	-	(1,136,000)	-	(1,136,000)
Profit for the period		-	-	-	796,940	-	796,940	1,872	798,812
Share-based payment transactions		-	56,332	-	-	-	56,332	-	56,332
Other comprehensive (loss) income for the period	6(16)	-	-	-	-	(8,846)	(8,846)	1,963	(6,883)
Balance at June 30, 2016		$ 710,000	$ 5,493,240	$ 1,022,142	$ 5,003,465	$ 62,477	$ 12,291,324	$ 57,204	$ 12,348,528

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

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the six-month periods ended June 30 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 979,006	$ 1,407,255
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(20)	55,119	33,657
Amortization	6(8)(20)	4,817	2,998
Revaluation of financial assets at fair value	6(19)	(21,664)	(3,337)
Loss on disposal of property, plant, equipment and intangible assets	6(19)	2,145	644
Compensation cost of employee stock option	6(11)(21)	56,332	1,406
Compensation cost of stock appreciation right	6(11)(21)	(117,671)	706,132
Interest income	6(18)	(29,880)	(34,731)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(1,029,676)	(419,980)
Accounts receivable - related parties		2,539	3,138
Other receivables		(1,330,639)	(788)
Inventories		197,291	(647,707)
Prepayments		(28,477)	(25,588)
Other current assets		16,195	(24,796)
Other non - current assets		(114)	(104)
Changes in operating liabilities			
Accounts payable		(69,917)	49,198
Other payables		(78,913)	(298,225)
Other payables - related parties		20,212	(33,695)
Provisions for liabilities		25,566	216,842
Other current liabilities		(1,060)	5,081
Other non - current liabilities		583	443
Cash (outflow) inflow generated from operations		(1,348,206)	937,843
Interest received		30,208	34,474
Income tax paid		(203,436)	(327,555)
Net cash flows (used in) from operating activities		(1,521,434)	644,762
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in financial assets at fair value through profit or loss		(18,715)	186,778
Proceeds from disposal of bond investments without active markets-current		805,500	405,327
Acquisition of available - for - sale financial assets - non - current		(11,422)	-
Acquisition of property, plant and equipment	6(24)	(72,928)	(282,500)
Proceeds from disposal of property, plant, equipment and intangible assets		-	148
Acquisition of intangible assets	6(8)	(799)	(15,445)
Increase in deposits - out		1,435	1,549
Net cash flows from investing activities		703,071	295,857
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from the exercise of subsidiaries' employee stock option		-	595
Effect of fluctuations in exchange rate		(8,455)	41,567
Net (decrease) increase in cash and cash equivalents		(826,818)	982,781
Cash and cash equivalents at beginning of period	6(1)	8,559,779	7,396,471
Cash and cash equivalents at end of period	6(1)	$ 7,732,961	$ 8,379,252

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

HERMES MICROVISION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

Hermes Microvision, Inc. (the "Company") was incorporated on May 19, 2003. The Company and its subsidiaries (collectively referred herein as the "Group") are engaged in the research, development, design, manufacturing and sale of precision instruments and machinery (electronic inspection equipment). The Company's stock was listed on the Taipei Exchange (formerly named GreTai Securities Market), effective from May 21, 2012. The Company obtained the certification of Corporate Governance Assessment 6009 by Taiwan Corporate Governance Association on September 30, 2014.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on July 29, 2016.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS endorsed by the FSC effective from 2017：

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contract with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1,2017

Except for the following, the above standards and interpretations have no significant impact to the

Group's financial condition and operating result based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'

The amendment clarifies that the fair value of a cash-settled award is determined on a basis consistent with that used for equity-settled awards. The amendment also clarifies the accounting for modifications that change an award from cash-settled to equity-settled. Besides, the amendment introduces an exception that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

B. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

C. IFRS 15 "Revenue from contracts with customers"

IFRS 15 "Revenue from contracts with customers" replaces IAS 11 "Construction contracts", IAS 18 "Revenue" and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

D. Amendments to IFRS 15, 'Clarification revenue from contracts with customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

E. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

F. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following, the accounting policies applied in the consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and IAS 34, "Interim Financial Reporting" as endorsed by the FSC.

B. Please refer to the Group's consolidated financial statements for the year ended December 31, 2015.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a)Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b)Available-for-sale financial assets measured at fair value.

(c)Liabilities on cash-settled share-based payment arrangement measured at fair value.

(d)Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership June 30, 2016	December 31, 2015	June 30, 2015
Hermes Microvision Inc.	HMI Holdings Inc.	Investment holdings	100	100	100
HMI Holdings Inc.	Hermes Microvision Korea Inc.	Marketing of e-Beam inspection equipment and its components and related technical support services	100	100	100
HMI Holdings Inc.	Hermes Microvision Japan Inc.	Marketing of e-Beam inspection equipment and its components and related technical support services	100	100	100
HMI Holdings Inc.	HMI Investment Corp.	Investment holdings	100	100	100
HMI Holdings Inc.	Hermes Microvision Co., Ltd. (Beijing)	Research, development and manufacturing of semiconductor machinery and equipment and related technical support services	100	100	100
HMI Investment Corp.	Hermes Microvision, Inc.	Research and development center	94	94	94

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Pensions

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(5) Income tax

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technological innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified periods in the future. Therefore, there might be material changes to the evaluation.

As of June 30, 2016, the carrying amount of inventories was $2,368,892.

B. Provision for warranty liability

Warranty liabilities are primarily arising from sales of equipment. The amount of the obligation is estimated based on the sufficient objective evidences, including the historical warranty records.

As of June 30, 2016, the carrying amount of accrued warranty liabilities was $1,833,748.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand	$ 954	$ 483	$ 255
Checking accounts and demand deposits	4,390,032	3,128,091	1,782,377
Time deposits	3,180,600	5,431,205	6,596,620
Repurchase agreements collateralized by bonds	161,375	-	-
Total	$ 7,732,961	$ 8,559,779	$ 8,379,252

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	June 30, 2016	December 31, 2015	June 30, 2015
Current items:			
Financial assets held for trading - beneficiary certificates	$ 40,000	$ -	$ 915,000
Valuation	379	-	3,364
Total	$ 40,379	$ -	$ 918,364

A.The Group recognized net gain (loss) of $18,023, ($453), $21,664, and $3,337 on financial assets held for trading for the three-month and six-month periods ended June 30, 2016 and 2015, respectively.

B.The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

Item	June 30, 2016	December 31, 2015	June 30, 2015
Non-listed and emerging stocks	$ 43,946	$ 32,524	$ 7,450
Valuation adjustment of available-for-sale financial assets	-	-	-
Total	$ 43,946	$ 32,524	$ 7,450

The Group did not recognize any other comprehensive income for fair value change for the three-month and six-month periods ended June 30, 2016 and 2015.

(4) Investments in debt instruments without active markets

Item	June 30, 2016	December 31, 2015	June 30, 2015
Time deposits	$ 2,022,750	$ 2,828,250	$ 833,220

A. The Group listed the time deposits more than 90 days in this account.

B. The Group recognized interest of $3,041, $4,801, $3,656 and $4,931 in profit or loss for the three-month and six-month periods ended June 30, 2016 and 2015, respectively.

C. The counterparties of the Group's investments have good credit quality.

(5) Accounts receivable

	June 30, 2016	December 31, 2015	June 30, 2015
Accounts receivable	$ 2,359,641	$ 1,329,965	$ 3,081,763
Less: allowance for bad debts	-	-	-
	$ 2,359,641	$ 1,329,965	$ 3,081,763

A. Analysis of movement of impaired accounts receivable:

As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group had no provisions for impairment of accounts receivable.

B. The Group's accounts receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability, which had good credit quality.

C. The Group does not hold any collateral as security.

(6) Inventories

	June 30, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,131,813	($ 244,728)	$ 887,085
Work - in - process	1,609,467	(281,727)	1,327,740
Finished goods	229,472	(75,405)	154,067
Total	$ 2,970,752	($ 601,860)	$ 2,368,892

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,210,342	($ 252,592)	$ 957,750
Work - in - process	1,728,143	(182,701)	1,545,442
Finished goods	228,434	(97,361)	131,073
Total	$ 3,166,919	($ 532,654)	$ 2,634,265

	June 30, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,017,673	($ 178,462)	$ 839,211
Work - in - process	1,671,314	(165,808)	1,505,506
Finished goods	171,323	(147,550)	23,773
Total	$ 2,860,310	($ 491,820)	$ 2,368,490

The cost of inventories recognized as expense for the period:

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Cost of goods sold	$ 454,826	$ 695,489
Loss (gain) on decline (recovery) in market value	(8,882)	(11,171)
	$ 445,944	$ 684,318

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Cost of goods sold	$ 674,523	$ 1,141,007
Loss on decline in market value	61,988	7,092
	$ 736,511	$ 1,148,099

(7) Property, plant and equipment

	Buildings	Machinery	Computer and communication equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Prepayments for equipment and construction in progress	Total
At January 1, 2016									
Cost	$ 815,321	$ 285,827	$ 10,913	$ 6,016	$ 62,167	$ 46,286	$ 48,226	$ 13,664	$ 1,288,420
Accumulated depreciation and impairment	(18,707)	(218,182)	(6,209)	(4,446)	(27,895)	(34,041)	(3,919)	-	(313,399)
	$ 796,614	$ 67,645	$ 4,704	$ 1,570	$ 34,272	$ 12,245	$ 44,307	$ 13,664	$ 975,021
Six-month period ended June 30, 2016									
Opening net book amount	$ 796,614	$ 67,645	$ 4,704	$ 1,570	$ 34,272	$ 12,245	$ 44,307	$ 13,664	$ 975,021
Additions	53,423	6,003	82	371	976	4,023	1,591	3,071	69,540
Disposals	-	(2,117)	(28)	-	-	-	-	-	(2,145)
Reclassifcations	3,274	50,687	-	-	-	-	7,427	(11,429)	49,959
Depreciation charge	(28,237)	(13,432)	(1,027)	(438)	(5,913)	(2,163)	(3,909)	-	(55,119)
Net exchange differences	-	(1,777)	(64)	(38)	166	(200)	-	(59)	(1,972)
Closing net book amount	$ 825,074	$ 107,009	$ 3,667	$ 1,465	$ 29,501	$ 13,905	$ 49,416	$ 5,247	$ 1,035,284
At June 30, 2016									
Cost	$ 872,017	$ 328,359	$ 10,453	$ 6,308	$ 63,177	$ 49,535	$ 57,243	$ 5,247	$ 1,392,339
Accumulated depreciation and impairment	(46,943)	(221,350)	(6,786)	(4,843)	(33,676)	(35,630)	(7,827)	-	(357,055)
	$ 825,074	$ 107,009	$ 3,667	$ 1,465	$ 29,501	$ 13,905	$ 49,416	$ 5,247	$ 1,035,284

	Buildings	Machinery	Computer and communication equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Prepayments for equipment and construction in progress	Total
At January 1, 2015									
Cost	$ -	$ 268,525	$ 9,258	$ 6,095	$ 37,338	$ 63,744	$ 17,302	$ 611,885	$ 1,014,147
Accumulated depreciation and impairment	-	(192,608)	(4,218)	(3,530)	(22,175)	(41,082)	(1,003)	-	(264,616)
	$ -	$ 75,917	$ 5,040	$ 2,565	$ 15,163	$ 22,662	$ 16,299	$ 611,885	$ 749,531
Six-month period ended June 30, 2015									
Opening net book amount	$ -	$ 75,917	$ 5,040	$ 2,565	$ 15,163	$ 22,662	$ 16,299	$ 611,885	$ 749,531
Additions	-	3,606	922	-	25,940	715	1,987	221,901	255,071
Disposals	-	(730)	-	(51)	(11)	-	-	-	(792)
Reclassifications	103,038	3,592	-	-	-	-	8,162	(117,735)	(2,943)
Depreciation charge	-	(18,000)	(957)	(474)	(3,218)	(9,431)	(1,577)	-	(33,657)
Net exchange differences	-	(1,098)	(125)	(39)	(66)	(300)	-	(53)	(1,681)
Closing net book amount	$ 103,038	$ 63,287	$ 4,880	$ 2,001	$ 37,808	$ 13,646	$ 24,871	$ 715,998	$ 965,529
At June 30, 2015									
Cost	$ 103,038	$ 265,274	$ 9,875	$ 5,947	$ 59,569	$ 45,022	$ 26,769	$ 715,998	$ 1,231,492
Accumulated depreciation and impairment	-	(201,987)	(4,995)	(3,946)	(21,761)	(31,376)	(1,898)	-	(265,963)
	$ 103,038	$ 63,287	$ 4,880	$ 2,001	$ 37,808	$ 13,646	$ 24,871	$ 715,998	$ 965,529

(8) Intangible assets

		Computer Software
At January 1, 2016		
Cost	$	50,186
Accumulated amortization and impairment	(	24,983)
	$	25,203
Six-month period ended June 30, 2016		
Opening net book amount	$	25,203
Additions - acquired separately		799
Amortization charge	(	4,817)
Net exchange differences	(	48)
Closing net book amount	$	21,137
At June 30, 2016		
Cost	$	50,727
Accumulated amortization and impairment	(	29,590)
	$	21,137

		Computer Software
At January 1, 2015		
Cost	$	29,396
Accumulated amortization and impairment	(	17,039)
	$	12,357
Six-month period ended June 30, 2015		
Opening net book amount	$	12,357
Additions - acquired separately		15,445
Amortization charge	(	2,998)
Net exchange differences	(	95)
Closing net book amount	$	24,709
At June 30, 2015		
Cost	$	44,604
Accumulated amortization and impairment	(	19,895)
	$	24,709

Details of amortization on intangible assets are as follows:

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Operating expenses	$ 2,384	$ 1,720

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Operating expenses	$ 4,817	$ 2,998

(9) Other payables

	June 30, 2016	December 31, 2015	June 30, 2015
Accrued salaries and bonuses	$ 1,125,607	$ 1,332,789	$ 1,179,143
Accrued employees' bonuses and directors' and supervisors' remuneration	255,022	202,757	155,669
Dividends payable	1,136,000	-	1,562,000
Accrued commission	22,929	23,648	31,772
Payables on equipment	411	3,799	18,109
Others	86,714	127,662	86,471
	$ 2,626,683	$ 1,690,655	$ 3,033,164

(10) Pension

A.(a)The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) For the aforementioned pension plan, the Group recognised pension costs of $538, $517, $1,174 and $1,035 for the three-month and six-month periods ended June 30, 2016 and 2015, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2016 amounts to $1,858.

B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The Company's indirect Mainland China subsidiary – Hermes Microvision Co., Ltd. (Beijing) has a funded defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (the "PRC") are based on certain percentage of the employees' monthly salaries and wages. Except for the monthly contributions, Hermes Microvision Co., Ltd. (Beijing) has no further obligations under the plan.

(c)The subsidiary Hermes Microvision, Inc. (USA) has established a 401(k) plan in accordance with Article 401(k) of the Internal Revenue Code of the U.S.A. Under the 401(k) plan, Hermes Microvision, Inc. (USA) may contribute monthly a certain amount of the employees' monthly salaries, not exceeding the maximum limit, to the employees' pension accounts based on its employee reward and retirement policy.

(d)The pension costs under defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2016 and 2015 were $8,580, $11,749, $22,150 and $23,541, respectively.

(11) Share-based payment

The Group:

A. The Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Stock appreciation rights plan	December 31, 2013	1,104,000	3 years	Note 1
Stock appreciation rights plan	January 1, 2014	729,700	5 years	Note 2
Stock appreciation rights plan	April 1, 2014	50,500	5 years	Note 2
Stock appreciation rights plan	July 1, 2014	40,000	5 years	Note 2
Stock appreciation rights plan	October 1, 2014	61,600	5 years	Note 2
Stock appreciation rights plan	January 1, 2015	78,800	5 years	Note 2
Stock appreciation rights plan	April 1, 2015	48,800	5 years	Note 2
Stock appreciation rights plan	July 1, 2015	20,000	5 years	Note 2
Employee stock options plan	December 22, 2015	750,000	5 years	Note 3

Note 1: 40% of the stock appreciation rights were vested since grant date and the others will be vested 7.5% every season in the next eight seasons.

Note 2: 25% of the stock appreciation rights will be vested after four seasons since grant date and the others will be vested 6.25% every season in the next 16 seasons from the first vesting date.

Note 3: This employee compensation plan was issued by the Company. The plan should be granted under the conditions below: 50% of the stock appreciation rights will be vested after 2 years' service. Moreover, another 25% of stock appreciation rights should be vested after 3 years, and the other 25% will be in the next year.

Each stock appreciation right represents the future appreciation of one share. The plan will be cash-settled by multiplying the execution rights of the employees and the price variance of the closing date's stock price and the executing price.

B. The fair value of stock appreciation rights are measured by using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Expected price volatility	Expected term	Expected dividends yield rate	Risk - free interest rate	Fair value per unit (in NT dollars)
Stock appreciation rights plan 1	December 31, 2013	56.53%	3 Years	0%	0.33%	$603.06
Stock appreciation rights plan 2	January 1, 2014	57.81%~65.35%	5 Years	0%	0.35%~ 0.39%	$549.19~582.47
Stock appreciation rights plan 3	April 1, 2014	56.53%~63.30%	5 Years	0%	0.35%~ 0.41%	$434.42~483.76
Stock appreciation rights plan 4	July 1, 2014	54.8%~61.37%	5 Years	0%	0.35%~ 0.44%	$527.76~575.19
Stock appreciation rights plan 5	October 1, 2014	53.13%~60.18%	5 Years	0%	0.36%~ 0.47%	$499.70~550.33
Stock appreciation rights plan 6	January 1, 2015	52.39%~58.87%	5 Years	0%	0.37%~ 0.50%	$393.50~459.89
Stock appreciation rights plan 7	April 1, 2015	51.81%~58.36%	5 Years	0%	0.38%~ 0.50%	$350.31~422.36
Stock appreciation rights plan 8	July 1, 2015	51.09%~57.81%	5 Years	0%	0.39%~ 0.51%	$309.83~384.40

C. The fair value of employee stock options are measured by using the Black-Scholes Option Pricing Model. Relevant information is as follows:

Employee stock options plan 1

Grant date: December 22, 2015

	Vested after 2 years' service	Vested after 3 years' service	Vested after 4 years' service
Dividend rate	1.5%	1.5%	1.5%
Expected price volatility	47.63%	49.10%	49.17%
Risk-free interest rate	0.57%	0.61%	0.66%
Expected option life	3.5 years	4 years	4.5 years
Options granted by Parent Company	375,000	187,500	187,500
Fair value of weighted-average (in NTD dollars/Unit)	$374.9	$407.9	$428.2

D. Details of the stock appreciation rights plan 1 are as follows:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	No. of Rights	No. of Rights
Rights outstanding at beginning of the period	423,170	691,643
Rights granted	-	-
Rights forfeited	(628)	(3,293)
Rights exercised	(76,907)	(198,054)
Rights outstanding at end of the period	345,635	490,296
Rights exercisable at end of the period	345,635	253,242

Details of the stock appreciation rights plan 2 are as follows:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	No. of Rights	No. of Rights
Rights outstanding at beginning of the period	518,045	695,300
Rights granted	-	-
Rights forfeited	(3,442)	(16,500)
Rights exercised	(22,160)	(100,252)
Rights outstanding at end of the period	492,443	578,548
Rights exercisable at end of the period	219,840	115,955

Details of the stock appreciation rights plan 3 are as follows:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	No. of Rights	No. of Rights
Rights outstanding at beginning of the period	42,285	48,500
Rights granted	-	-
Rights forfeited	(4,000)	-
Rights exercised	-	(5,665)
Rights outstanding at end of the period	38,285	42,835
Rights exercisable at end of the period	16,535	6,460

Details of the stock appreciation rights plan 4 are as follows:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	No. of Rights	No. of Rights
Rights outstanding at beginning of the period	35,618	40,000
Rights granted	-	-
Rights forfeited	(563)	-
Rights exercised	(1,825)	-
Rights outstanding at end of the period	33,230	40,000
Rights exercisable at end of the period	12,686	-

Details of the stock appreciation rights plan 5 are as follows:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	No. of Rights	No. of Rights
Rights outstanding at beginning of the period	51,290	61,600
Rights granted	-	-
Rights forfeited	(2,000)	(8,000)
Rights exercised	(145)	-
Rights outstanding at end of the period	49,145	53,600
Rights exercisable at end of the period	18,018	-

Details of the stock appreciation rights plan 6 are as follows:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	No. of Rights	No. of Rights
Rights outstanding at beginning of the period	74,800	-
Rights granted	-	78,800
Rights forfeited	-	(4,000)
Rights exercised	-	-
Rights outstanding at end of the period	74,800	74,800
Rights exercisable at the end of the period	23,370	-

Details of the stock appreciation rights plan 7 are as follows:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	No. of Rights	No. of Rights
Rights outstanding at beginning of the period	48,800	-
Rights granted	-	48,800
Rights forfeited	-	-
Rights exercised	-	-
Rights outstanding at end of the period	48,800	48,800
Rights exercisable at the end of the period	12,200	-

Details of the stock appreciation rights plan 8 are as follows:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
	No. of Rights	No. of Rights
Rights outstanding at beginning of the period	20,000	-
Rights granted	-	-
Rights forfeited	-	-
Rights exercised	-	-
Rights outstanding at end of the period	20,000	-
Rights exercisable at the end of the period	-	-

Details of the employee stock options plan 1 are as follows:

	Six-month period ended June 30, 2016		Six-month period ended June 30, 2015	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	750,000	$ 1,185	-	$ -
Options granted	-	-		
Options exercised	-	-	-	-
Options expired	(19,000)	-	-	-
Options outstanding at end of the period	731,000	$ 1,185	-	$ -
Options exercisable at end of the period	-	-	-	-

E. The weighted-average stock price of stock appreciation rights at exercise dates for the six-month periods ended June 30, 2016 and 2015 was $1,134 (in dollars) and $1,874 (in dollars), respectively.

F. Expenses incurred on share-based payment transactions are shown below：

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Cash settled-stock：Stock appreciation rights plan	($ 80,190)	$ 471,590
Equity settled-Empolyee stock options	27,548	-
	($ 52,642)	$ 471,590

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Cash settled-stock：Stock appreciation rights plan	($ 117,671)	$ 706,132
Equity settled-Empolyee stock options	56,332	-
	($ 61,339)	$ 706,132

G. Liabilities incurred from share based payment transactions are shown below:

	June 30, 2016	December 31, 2015	June 30, 2015
Liabilities on cash-settled stock appreciation rights plan (shown in other payables)	$ 884,268	$ 1,029,964	$ 951,202

Subsidiary-Hermes Microvision, Inc. (U.S.A):

A. As of June 30, 2016, the Company's subsidiary - Hermes Microvision, Inc. (U.S.A) share based payment arrangements were as follows:

Type of arrangement	Grant date	Outstanding quantity granted	Contract period	Vesting conditions
Employee stock options	April 1, 2005~ November 1, 2011	180,001	10 years	4 years' service

The above share - based payment arrangements are settled by equity.

B. Details of the share-based payment arrangements of Hermes Microvision Inc. (U.S.A) are as follows:

	Six-month period ended June 30, 2016		Six-month period ended June 30, 2015	
	No. of options	Weighted-average exercise price (in US dollars)	No. of options	Weighted-average exercise price (in US dollars)
Options outstanding at beginning of the period	182,000	$ 0.8700	254,574	$ 0.8658
Options exercised	-	-	(53,531)	0.8512
Options expired	(1,999)	0.8700	-	-
Options outstanding at end of the period	180,001	0.8700	201,043	0.8697
Options exercisable at end of the period	180,001	0.8700	179,669	0.8696

C. The weighted-average stock price of stock options at exercise dates for the six-month periods ended June 30, 2016 and 2015 was $0.8700 (in US dollars) and $0.8512 (in US dollars), respectively.

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Date of the plan	Expiry date	June 30, 2016 No. of shares (in thousands)	June 30, 2016 Exercise price (in US dollars)	December 31, 2015 No. of shares (in thousands)	December 31, 2015 Exercise price (in US dollars)
April 1,2005~ November 1, 2011	March 31,2020~ October 31, 2021	180	$ 0.87	182	$ 0.87

Date of the plan	Expiry date	June 30, 2015 No. of shares (in thousands)	June 30, 2015 Exercise price (in US dollars)
April 1,2005~ November 1, 2011	March 31,2020~ October 31, 2021	201	$0.56~0.87

E. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Exercise price (in US dollars)	Expected price volatility	Expected term	Expected dividends yield rate	Risk-free interest rate	Fair value per unit (in US dollars)
Employee stock options	April 1, 2005 ~ November 1, 2011	$0.49~0.87	29.85%~ 42.16%	1~9.84 years	-	2.22%~ 5.2%	$0.1043~ 0.4954

Note: Expected price volatility rate was estimated by using the peer companies' stock prices of the most recent period with length similar to the stock options' expected life and the standard deviation of return on the stock during this period.

F. Expenses incurred on share-based payment transactions are shown below:

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Equity-settled	$ -	$ 879

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Equity-settled	$ -	$ 1,406

(12) Provisions

		Warranty
At January 1, 2016	$	1,808,182
Unused amounts reversed		25,566
At June 30, 2016	$	1,833,748

		Warranty
At January 1, 2015	$	1,471,138
Additional provisions		216,842
At June 30, 2015	$	1,687,980

(13) Share capital

A. As of June 30, 2016, the Company's authorized capital was $1,200,000, consisting of 120,000 thousand shares of ordinary stock, and the paid-in capital was $710,000 with a par value of $10 (in NT dollars) per share. All proceeds from shares issued have been collected.

B. As authorized during the shareholders' meeting on June 4, 2013, the Board of Directors adopted a resolution in the July 31, 2013 meeting to increase capital by issuance of Global Deposit Receipts ("GDRs"). The offering was completed in November 2013 with the issuance of 5,000 thousand new shares and 5,000 thousand existing outstanding shares, totaling 10,000 thousand units to be listed in Luxembourg Stock Exchange. Each unit of GDRs represents 1 common share. The issue price was US$29.17 (in dollar) per unit, which is equivalent to NT$860 (in dollar) per unit. Total proceeds raised were $4,238,036 after deducting the issuance costs. As of June 30, 2016, the outstanding shares of GDRs were 433 thousand units representing 433 thousand shares.

(14) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized as mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	Share premium	Employee stock options	Adjustments arising from changes in ownership percentage in subsidiary
At January 1, 2016	$ 5,411,867	$ 3,399	$ 21,642
Share-based payment transaction	-	56,332	-
At June 30, 2016	$ 5,411,867	$ 59,731	$ 21,642

	Share premium	Employee stock options	Adjustments arising from changes in ownership percentage in subsidiary
At January 1, 2015	$ 5,411,867	$ -	$ 19,329
Adjustments arising from changes in ownership percentage in subsidiary	-	-	1,299
At June 30, 2015	$ 5,411,867	$ -	$ 20,628

(15) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve, then setting aside or reversing special reserve according to the resolution of shareholders' meeting or the request by competent authorities. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.

B. As the Company's industry is in the growth stage, in order to be in line with the industry's overall environment and its characteristics and pursue the goals of the Company's sustainable operations and shareholders' long-term interests, the dividend policy is adopted taking into consideration the Company's actual operating results of the dividend distribution year and the capital budget planning of the following year. Dividends are distributed in the form of stock or cash. According to the Company's dividend policy, cash dividends shall account for at least 10% of the total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When the

debit balance on other equity items is reversed subsequently, the amount of the associated special reserve could be released and included in the distributable earnings.

E. The dividend distribution for 2015 and 2014 was approved by shareholders on June 8, 2016 and May 29, 2015 and amounted to $1,136,000 ($16 (in dollars) per share) and $1,562,000 ($22 (in dollars) per share), respectively.

F. For information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(21).

(16) Other equity

	Currency translation
At January 1, 2016	$ 71,323
Cumulative translation difference of foreign operations	(10,658)
Tax on cumulative translation difference of foreign operations	1,812
At June 30, 2016	$ 62,477

	Currency translation
At January 1, 2015	$ 49,650
Cumulative translation difference of foreign operations	(25,581)
Tax on cumulative translation difference of foreign operations	4,349
At June 30, 2015	$ 28,418

(17) Operating revenue

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Sales revenue	$ 1,313,313	$ 2,204,000
Other operating revenue	179,925	101,840
	$ 1,493,238	$ 2,305,840

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Sales revenue	$ 2,139,482	$ 3,694,103
Other operating revenue	339,977	184,495
	$ 2,479,459	$ 3,878,598

(18) Other income

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Interest income:		
Interest income from bank deposits	$ 11,577	$ 13,614
Interest income from financial assets	3,041	4,801
Others	939	761
Total	$ 15,557	$ 19,176

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Interest income:		
Interest income from bank deposits	$ 26,224	$ 29,800
Interest income from financial assets	3,656	4,931
Others	2,050	8,017
Total	$ 31,930	$ 42,748

(19) Other gains and losses

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Loss on disposal of property, plant and equipment	$ -	($ 655)
Net currency exchange gain (loss)	62,279	(67,058)
Loss on valuation of financial assets	(2,348)	(877)
Gain on disposal investments	20,371	424
Other losses	(1)	(63)
Total	$ 80,301	($ 68,229)

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Loss on disposal of property, plant and equipment	($ 2,145)	($ 644)
Net currency exchange gain (loss)	47,190	(116,297)
Gain on valuation of financial assets	379	1,559
Gain on disposal investments	21,285	1,778
Other losses	(1)	(352)
Total	$ 66,708	($ 113,956)

(20) Expenses by nature

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Employee benefit expense	$ 380,825	$ 888,483
Depreciation charges on property, plant and equipment	27,549	16,470
Amortization charges on intangible assets	2,384	1,720
Total	$ 410,758	$ 906,673

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Employee benefit expense	$ 767,418	$ 1,541,880
Depreciation charges on property, plant and equipment	55,119	33,657
Amortization charges on intangible assets	4,817	2,998
Total	$ 827,354	$ 1,578,535

(21) Employee benefit expense

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Wages and salaries	$ 385,329	$ 335,753
Compensation cost of employee stock options and stock appreciation right	(52,642)	472,469
Labor and health insurance fees	30,600	41,178
Pension costs	9,118	12,266
Other personnel expenses	8,420	26,817
	$ 380,825	$ 888,483

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Wages and salaries	$ 726,648	$ 711,516
Compensation cost of employee stock options and stock appreciation right	(61,339)	707,538
Labor and health insurance fees	61,268	64,348
Pension costs	23,324	24,576
Other personnel expenses	17,517	33,902
	$ 767,418	$ 1,541,880

A. According to the amendment to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 1% for directors' and

supervisors' remuneration.

B. For the three-month and six-month periods ended June 30, 2016 and 2015, employees' compensation was accrued at $57,265, $46,782, $84,612 and $71,522, respectively; directors' and supervisors' remuneration was accrued at $2,864, $4,678, $4,231 and $7,152, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration as resolved at the shareholders' meeting and the amount recognised in the 2015 financial statements amounted to $132,274 and $13,200, respectively. The difference had been adjusted in the profit or loss of 2016 amounting to $27.

Employees' compensation and directors' and supervisors' remuneration of 2014 as resolved at the Board of Directors' meeting were in agreement with those amounts recognised in the 2014 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the Board of Directors' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a)Components of income tax expense:

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Current tax:		
Current tax on profits for the period	$ 52,215	$ 116,432
Tax on undistributed surplus earnings	92,151	134,480
Adjustments in respect of prior period	6,419	(22,668)
Total current tax	150,785	228,244
Deferred tax:		
Origination and reversal of temporary differences	-	-
Income tax expense	$ 150,785	$ 228,244

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Current tax:		
Current tax on profits for the period	$ 74,224	$ 165,561
Tax on undistributed surplus earnings	92,151	134,480
Adjustments in respect of prior period	13,819	(22,668)
Total current tax	180,194	277,373
Deferred tax:		
Origination and reversal of temporary differences	-	-
Income tax expense	$ 180,194	$ 277,373

(b)The income tax (charge)/credit relating to components of other comprehensive income are as follows:

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Cumulative translation differences of foreign operations	($ 625)	$ 2,489
Remeasurement of defined benefit plan	-	(6)

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Cumulative translation differences of foreign operations	$ 1,812	$ 4,349

B. As of June 30, 2016, the Company's income tax returns have been assessed and approved by the Tax Authority through 2013.

C. Unappropriated retained earnings:

	June 30, 2016	December 31, 2015	June 30, 2015
Earnings generated in and after 1998	$ 5,003,465	$ 5,574,668	$ 4,410,796

D. As of June 30, 2016, December 31, 2015 and June 30, 2015, the balance of the imputation tax credit account was $623,861, $461,260 and $334,351 respectively. The creditable tax rate was 11.19% for 2015 and was estimated to be 12.47% for 2016.

E. The Company's products are qualified for a five-year exemption on income tax under the "Incentives for Emerging Important Strategic Industries in Manufacturing and Technology Services". The income tax is valid from January 1, 2012 to December 31, 2016.

(23) Earnings per share

	Three-month period ended June 30, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to equity holders of the parent company	$ 545,139	71,000	$ 7.68
Diluted earnings per share			
Profit attributable to equity holders of the parent company	$ 545,139	71,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	36	
Profit attributable to equity holders of the parent company plus assumed conversion of all dilutive potential ordinary shares	$ 545,139	71,036	$ 7.67

	Three-month period ended June 30, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to equity holders of the parent company	$ 687,918	71,000	$ 9.69
Diluted earnings per share			
Profit attributable to equity holders of the parent company	$ 687,918	71,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	72	
Profit attributable to equity holders of the parent company plus assumed conversion of all dilutive potential ordinary shares	$ 687,918	71,072	$ 9.68

	Six-month period ended June 30, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to equity holders of the parent company	$ 796,940	71,000	$ 11.22
Diluted earnings per share			
Profit attributable to equity holders of the parent company	$ 796,940	71,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	147	
Profit attributable to equity holders of the parent company plus assumed conversion of all dilutive potential ordinary shares	$ 796,940	71,147	$ 11.20

	Six-month period ended June 30, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to equity holders of the parent company	$ 1,125,780	71,000	$ 15.86
Diluted earnings per share			
Profit attributable to equity holders of the parent company	$ 1,125,780	71,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	72	
Profit attributable to equity holders of the parent company plus assumed conversion of all dilutive potential ordinary shares	$ 1,125,780	71,072	$ 15.84

A. The Company's employee stock options had anti-dilution effect on earnings per share for the three-month and six-month period ended June 30, 2016. Thus, they were not included in the calculation of diluted earnings per share.

(24) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Purchase of property, plant and equipment	$ 69,540	$ 255,071
Add: opening balance of payable on equipment	3,799	45,538
Less: ending balance of payable on equipment	(411)	(18,109)
Cash paid during the period	$ 72,928	$ 282,500

B. Financing activities with no cash flow effects:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Cash dividends declared	$ 1,136,000	$ 1,562,000

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

A. Operating revenue:

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Sales of goods:		
The entity with significant influence over the Group	$ 22,588	$ 11,204

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Sales of goods:		
The entity with significant influence over the Group	$ 36,241	$ 25,596

There are no significant differences in sale prices and collection terms between related parties and third parties.

B. Purchases of services:

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Technology service charge - The entity with significant influence over the Group	$ 14,136	$ 5,193
Commission expense - The entity with significant influence over the Group	$ 11,811	$ 8,362
Other expenses - The entity with significant influence over the Group	$ 5	$ 4

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Technology service charge - The entity with significant influence over the Group	$ 15,024	$ 11,758
Commission expense - The entity with significant influence over the Group	$ 14,876	$ 20,030
Other expenses - The entity with significant influence over the Group	$ 8	$ 8

The above transactions are under normal commercial terms and conditions.

C. Accounts receivable:

	June 30, 2016	December 31, 2015
Receivables from the entity with significant influence over the Group	$ 26,793	$ 29,332

	June 30, 2015
Receivables from the entity with significant influence over the Group	$ 16,996

The receivables from the entity with significant influence over the Group arise mainly from sale transactions. The receivables are due from 30~60 days after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions accrued against receivables from related parties.

D. Other payables:

	June 30, 2016	December 31, 2015
Payables from the entity with significant influence over the Group	$ 63,875	$ 43,663

	June 30, 2015
Payables from the entity with significant influence over the Group	$ 44,482

E. Leases:

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Rental expense-		
The entity with significant influence over the Group	$ 1,086	$ 1,864

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Rental expense-		
The entity with significant influence over the Group	$ 2,086	$ 6,936

(2) Key management compensation

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Salaries and other short-term employee benefits	$ 12,993	$ 7,650
Share-based payment	138	14,143
	$ 13,131	$ 21,793

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Salaries and other short-term employee benefits	$ 31,777	$ 20,748
Share-based payment	1,205	16,411
	$ 32,982	$ 37,159

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Operating lease commitments

The Group leases offices and plant assets under non-cancellable operating lease agreements. Rental expense of $24,289, $20,177, $48,573 and $43,557 were recognized for the three-month and six-month periods ended June 30, 2016 and 2015, respectively.

The majority of lease agreements are renewable at the end of the lease periods at market rates.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Not later than one year	$ 75,128	$ 73,941	$ 52,606
Later than one year but not later than five years	210,363	244,190	178,887
Later than five years	36,721	38,471	61,370
Total	$ 322,212	$ 356,602	$ 292,863

B. Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Future payments for plant and equipment	$ 73,800	$ 73,800	$ 73,800

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Company has entered into a Share Swap Agreement whereby the Company shall conduct a share swap transaction with Epsilon Co., a wholly-owned subsidiary of ASML Holding N.V. established in Taiwan under Taiwan laws, pursuant to which the Company shall become a wholly-owned subsidiary of Epsilon Co. and ASML Holding N.V. shall indirectly hold 100% of the shares of the Company. This share swap transaction requires an approval of the general shareholders' meeting and consent of the relevant competent authorities, after which the Company shall be delisted from the Taipei Exchange.

The Company's Board has resolved to convene an extraordinary shareholders meeting, which will be held on August 3, 2016, at which the shareholders of the Company shall vote on the proposal to approve the share swap transaction. Once this transaction is resolved by shareholders and approved by the SEC, the Company will submit an application to the Financial Supervisory Commission to cease

the public status at proper time.

12. OTHERS

(1) Capital risk management

In order to safeguard the Group's ability to adapt to the changes in the industry and to accelerate the new product development, the Group's objectives when managing capital are to maintain sufficient financial resources to support the operating capital, capital expenditures, research and development activities and dividends paid to shareholders.

The Group monitors capital through the ratio of total liabilities divided by total assets. The Group's strategy is to maintain the ratio within 50%. As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group's ratios of total liabilities divided by total assets were as follows:

	June 30, 2016	December 31, 2015
Total liabilities	$ 4,964,619	$ 4,069,014
Total assets	$ 17,313,147	$ 16,705,281
Total liabilities/total assets ratio	29%	24%

	June 30, 2015
Total liabilities	$ 5,389,222
Total assets	$ 16,811,890
Total liabilities/total assets ratio	32%

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments measured at amortized cost approximate their fair values. These include cash and cash equivalents, notes payable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable and other payables.

B. Financial risk management policies

No significant change was made during the three-month and six-month periods ended June 30, 2016. For more information, please refer to the Group's consolidated financial statements for the year ended December 31, 2015.

C. Significant financial risks and degrees of financial risks

(a)Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, CNY and JPY. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, CNY and JPY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	June 30, 2016			
	Foreign currency amount (in thousands)	Exchange rate		Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$ 93,877	32.275	$	3,029,884
JPY:NTD	1,715,419	0.314		539,156
USD:KRW	365	1,145.316		11,794
Financial liabilities				
Monetary items				
USD:NTD	$ 6,248	32.275	$	201,651
USD:JPY	653	102.689		21,084
USD:KRW	689	1,145.316		22,243

	December 31, 2015				
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	90,301	32.825	$	2,964,127
JPY:NTD		1,169,623	0.273		318,956
USD:KRW		397	1,167.942		13,038
USD:CNY		783	6.572		25,690
USD:JPY		35	120.370		1,161
Financial liabilities					
Monetary items					
USD:NTD	$	9,838	32.825	$	322,777
USD:JPY		165	120.370		5,400
USD:KRW		733	1,167.942		24,073

	June 30, 2015				
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	167,049	30.860	$	5,155,129
JPY:NTD		366,803	0.252		92,581
USD:KRW		648	1,107.880		19,986
USD:JPY		12,564	122.266		387,713
USD:CNY		1,392	6.204		42,969
Financial liabilities					
Monetary items					
USD:NTD	$	16,446	30.860	$	507,522
USD:JPY		12,669	122.266		390,967

v. Total unrealized exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary item held by the Group for the three-month and six-month periods ended June 30, 2016 and 2015, amounted to $62,279, ($67,058), $47,190 and ($116,297), respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation is as follows:

	Six-month period ended June 30, 2016		
	Sensitivity Analysis		
	Extent of Variation	Effect on Profit or Loss	Effect on Other Comprehensive Income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 30,299	$ -
JPY:NTD	1%	5,392	-
USD:KRW	1%	118	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 2,017	$ -
USD:JPY	1%	211	-
USD:KRW	1%	222	-

	Six-month period ended June 30, 2015		
	Sensitivity Analysis		
	Extent of Variation	Effect on Profit or Loss	Effect on Other Comprehensive Income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 51,551	$ -
JPY:NTD	1%	926	-
USD:KRW	1%	200	-
USD:JPY	1%	3,877	-
USD:CNY	1%	430	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 5,075	$ -
USD:JPY	1%	3,910	-

Price risk

The Group's investments in equity securities consist of unlisted stocks, which are classified on the consolidated balance sheet as available-for-sale financial assets. The price of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased / decreased by 5% with all other variables held constant, total equity for the six-month periods ended June 30, 2016 and 2015 would have increased / decreased by $2,197 and $373, respectively, as a result of gains / losses on equity securities classified as available-for-sale.

Interest rate risk

At June 30, 2016 and 2015, if interest rates on NTD-denominated time deposits had been 0.25% higher/lower with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2016 and 2015 would have been $13,008 and $18,575 lower / higher, respectively, mainly as a result of higher/lower interest revenue on floating rate time deposits.

(b)Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c)Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group finance. Group finance invests surplus cash in interest bearing current accounts that are expected to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

June 30, 2016	Less than 1 year
Accounts payable	$ 36,212
Other payables	2,626,683
Other payables - related parties	63,875

Non-derivative financial liabilities:

December 31, 2015	Less than 1 year
Accounts payable	$ 106,129
Other payables	1,690,655
Other payables - related parties	43,663

Non-derivative financial liabilities:

June 30, 2015	Less than 1 year
Accounts payable	$ 226,757
Other payables	3,033,164
Other payables - related parties	44,482

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The Group does not invest any assets in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

C. The following table presents the Group's financial assets and liabilities that are measured at fair value as of June 30, 2016, December 31, 2015 and June 30, 2015：

June 30, 2016	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Held for trading financial assets	$ 40,379	$ -	$ -	$ 40,379
Equity securities	-	-	43,946	43,946
Total	$ 40,379	$ -	$ 43,946	$ 84,325

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets	$ -	$ -	$ 32,524	$ 32,524

June 30, 2015	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Held for trading financial assets	$ 918,364	$ -	$ -	$ 918,364
Equity securities	-	-	7,450	7,450
Total	$ 918,364	$ -	$ 7,450	$ 925,814

D. The methods and assumptions the Group used to measure fair value are as follows:

The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Closed-end fund	Open-end fund	Government bond	Corporate bond	Convertible (exchangeable) bond
Market quoted price	Closing price	Closing price	Net asset value	Transaction price	Weighted average quoted price	Closing price

E. For the six-month periods ended June 30, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price or the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.

G. The following table presents the changes in level 3 instruments for the six-month periods ended June 30, 2016 and 2015.

	2016	
	Equity securities	
At January 1	$	32,524
Acquisition		11,422
At June 30	$	43,946

	2015	
	Equity securities	
At January 1	$	7,450
Acquisition		-
At June 30	$	7,450

H. Finance segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at June 30, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 25,076	Market comparable companies	Price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value;
Venture capital shares Private equity fund investment	18,870	Net asset value	Not applicable	-	Not applicable

	Fair value at June 30, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity					
Venture capital shares Private equity fund investment	$ 7,450	Net asset value	Not applicable	-	Not applicable

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company's paid-in capital: Please refer to table 2.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The chief operating decision-maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Six-month period ended June 30, 2016

	Amount
Revenue from external customers	$ 2,479,459
Inter-segment revenue	$ -
Segment income	$ 979,006
Total segment assets	$ 17,313,147

Six-month period ended June 30, 2015

	Amount
Revenue from external customers	$ 3,878,598
Inter-segment revenue	$ -
Segment income	$ 1,407,255
Total segment assets	$ 16,811,890

(3) Reconciliation for segment income (loss)

None.

Hermes Microvision, Inc. And Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the six-month period ended June 30, 2016

Table 1

Expressed in thousands of NTD

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of June 30, 2016 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Hermes Microvision, Inc.	TransPacific Medtech Fund, L.P.	Non-related party	Available-for -sale financial assets-noncurrent	-	$ 18,870	5.16%	$ 18,870	None
"	Union Asian High Yield Bond Fund	"	Financial assets at fair value through profit and loss- current	3,957,379	40,379	-	40,379	"
HMI Holdings Inc.	Westone (Cavman) Ltd.	"	Available-for -sale financial assets-noncurrent	-	25,076	16.33%	25,076	"

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Hermes Microvision, Inc. And Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company's paid-in capital

For the six-month period ended June 30, 2016

Table 2

Expressed in thousands of NTD

					Balance as at January 1, 2016		Addition (Note 3)		Disposal (Note 3)				Balance as at June 30, 2016	
Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Hermes Microvision, Inc.	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	$ -	20,516,749	$ 300,000	20,516,749	$ 300,246	$ 300,000	$ 246	-	$ -
"	Franklin Templeton SinoAm Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	29,415,225	300,000	29,415,225	300,238	300,000	238	-	-
"	Union Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	22,993,615	300,000	22,993,615	300,152	300,000	152	-	-
"	Yuanta De-Bao Money Market Fund	Financial assets at fair value through profit or loss	-	-	-	-	25,264,009	300,000	25,264,009	300,149	300,000	149	-	-
"	FSITC Taiwan Money Market	Financial assets at fair value through profit or loss	-	-	-	-	19,863,603	300,000	19,863,603	300,129	300,000	129	-	-
"	Fuh Hwa Strategic High Income Fund of Funds	Financial assets at fair value through profit or loss	-	-	-	-	10,607,470	140,000	10,607,470	144,580	140,000	4,580	-	-
"	Fuh Hwa Global Fixed Income Fund of Funds	Financial assets at fair value through profit or loss	-	-	-	-	9,510,627	140,000	9,510,627	144,942	140,000	4,942	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Hermes Microvision, Inc.Inc.And Subsidiaries

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

For the six-month period ended June 30, 2016

Table 3

Expressed in thousands of NTD

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
Hermes Mirovision, Inc.	Hermes Microvision Inc. (US)	Subsidiary	Sales	($ 163,722)	(6.60%)	30 days after delivery	Approximately the same with third party transactions	Approximately the same with third party transactions	$ 58,370	2.45%	
"	Hermes Microvision Japan Inc.	"	Sales	(359,592)	(14.50%)	30 days after delivery	"	"	560,134	23.47%	
"	Hermes Microvision Inc. (US)	"	Purchases	112,363	41.25%	30 days after acceptance	"	"	(31,562)	(87.16%)	

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Hermes Microvision, Inc. And Subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

June 30, 2016

Table 4

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2016 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Hermes Mirovision, Inc.	Hermes Microvision Japan Inc.	Subsidiary	$ 560,134	1.63%	$ -	-	$ -	-

Note 1: Fill in separately the balances of accounts receivable–related parties, notes receivable–related parties, other receivables–related parties, etc.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Hermes Microvision, Inc. And Subsidiaries

Significant inter-company transactions during the reporting periods

For the six-month period ended June 30, 2016

Table 5

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	Hermes Microvision Inc.(TW)	Hermes Microvision Inc.(US)	1	Sales	$ 163,722	The price and terms were based on the ordinary course of business	6.6%
0	"	"	1	Purchases	112,363	The price and terms were based on the ordinary course of business	4.53%
0	"	"	1	Contracted research expense	461,896	No similar types of transactions for comparison as these transactions were based on mutually agreed price and terms	18.63%
0	"	"	1	Other expenses	23,424	No similar types of transactions for comparison as these transactions were based on mutually agreed price and terms	0.94%
0	"	"	1	Cost of goods sold	157,723	No similar types of transactions for comparison as these transactions were based on mutually agreed price and terms	6.36%
0	"	"	1	Accounts receivable	58,370	Net 30 days, after delivery	0.34%
0	"	"	1	Accounts payable	31,562	Net 30 days, after acceptance	0.18%
0	"	"	1	Other payables	98,751	Net 30 days, after acceptance	0.57%
0	"	Hermes Microvision Japan Inc.	1	Sales	359,592	The price and terms were based on the ordinary course of business	14.50%
0	"	"	1	Purchases	12,678	The price and terms were based on the ordinary course of business	0.51%
0	"	"	1	Contracted research expense	10,190	No similar types of transactions for comparison as these transactions were based on mutually agreed price and terms	0.41%
0	"	"	1	Accounts receivable	560,134	Net 30 days, after delivery	3.23%

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Hermes Microvision Inc.(TW)	Hermes Microvision Korea Inc.	1	Sales	38,889	The price and terms were based on the ordinary course of business	1.57%
0	"	Hermes Microvision Korea Inc.	1	Purchases	$ 27,424	The price and terms were based on the ordinary course of business	1.11%
0	"	"	1	Accounts receivable	22,243	Net 30 days, after delivery	0.13%
0	"	Hermes Microvision Co.,Ltd. (Beijing)	1	Purchases	31,206	The price and terms were based on the ordinary course of business	1.26%
1	Hermes Microvision Inc.(US)	Hermes Microvision Co.,Ltd. (Beijing)	3	Purchases	30,287	The price and terms were based on the ordinary course of business	1.22%
1	"	"	3	Contracted research expense	67,862	No similar types of transactions for comparison as these transactions were based on mutually agreed price and terms	2.74%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Only transactions with amount equal to or higher than NT $ 10,000 thousand are disclosed.

Hermes Microvision, Inc. And Subsidiaries

Information on investees

For the six-month period ended June 30, 2016

Table 6

Expressed in thousands of NTD

				Initial investment amount		Shares held as at June 30, 2016				
Investor	Investee (Notes 1 and 2)	Location	Main business activities	Balance as at June 30, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the six-month period ended June 30, 2016 (Note 2(2))	Investment income(loss) recognised by the Company for the six-month period ended June 30, 2016 (Note 2(3))	Footnote
Hermes Microvision Inc.	HMI Holdings Inc.	Samoa	Investment holdings	$ 880,422	$ 861,591	28,719,369	100%	$ 1,137,997	$ 26,024	$ 26,024	Subsidiary
HMI Holdings Inc.	Hermes Microvision Korea Inc.	Korea	Marketing of e-Bean inspection equipment and its components and related technical support services	14,440	2,140	5,000	100%	36,082	3,019	-	Indirect subsidiary
HMI Holdings Inc.	Hermes Microvision Japan Inc.	Japan	Marketing of e-Bean inspection equipment and its components and related technical support services	52,574	52,574	2,980	100%	76,505	(2,150)	-	"

				Initial investment amount		Shares held as at June 30, 2016					
Investor	Investee (Notes 1 and 2)	Location	Main business activities	Balance as at June 30, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the six-month period ended June 30, 2016 (Note 2(2))	Investment income(loss) recognised by the Company for the six-month period ended June 30, 2016 (Note 2(3))	Footnote
HMI Holdings Inc.	HMI Investment Corp.	Samoa	Investment holdings	654,592	654,592	21,546,822	100%	846,693	37,304	$ -	Indirect subsidiary
HMI Investment Corp.	Hermes Microvision Inc.	America	Research and development	665,970	665,970	61,785,000	94%	846,693	39,825	-	"

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at June 30, 2016' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2)The 'Net profit (loss) of the investee for the six-month period ended June 30, 2016' column should fill in amount of net profit (loss) of the investee for this period.

(3)The 'Investment income (loss) recognised by the Company for the six-month period ended June 30, 2016' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Hermes Microvision, Inc. And Subsidiaries

Information on investments in Mainland China

For the six-month period ended June 30, 2016

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2016	Net income of investee as of June 30, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2016 (Note 2(2)B)	Book value of investments in Mainland China as of June 30, 2016	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hermes Microvision Co.,Ltd. (Beijing)	Research, development and manufacturing of semiconductor machinery and equipment and related technical support services	$ 133,738	(2)	$ 133,738	None	None	$ 133,738	($ 12,150)	100%	($ 12,150)	$ 153,639	$ -	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Hermes Microvision Co.,Ltd. (Beijing)	$ 133,738	$ 133,738	$ 7,374,794

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1)Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the six-month period ended June 30, 2016' column:

(1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A.The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B.The financial statements that are reviewed by R.O.C. parent company's CPA.

C.Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Hermes Microvision, Inc. And Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the six-month period ended June 30, 2016

Table 8

Expressed in thousands of NTD

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at June 30, 2016	%	Balance at June 30, 2016	Purpose	Maximum balance during the six-month period ended June 30, 2016	Balance at June 30, 2016	Interest rate	Interest during the six-month period ended June 30, 2016	Others
Hermes Microvision Co.,Ltd. (Beijing)	$ 198	0.01%	None	None	$ -	0.00%	None	None	None	None	None	None	None
"	(31,206)	12.45%	None	None	(6,124)	16.91%	None	None	None	None	None	None	None