Wah Lee Industrial Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Wah Lee Industrial Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Impairment Assessment on Trade Receivables

The Group management's assessment of allowance for doubtful trade receivables was individually assessed on trade receivables that are past due or has impairment concerns, then others were assessed based on a collective basis according to past aging experience of collection. We considered the allowance for doubtful trade receivables to be significant accounting estimation and judgement. Therefore, we focused on whether the amounts of allowance for doubtful trade receivables present fairly.

Our key audit procedures performed included the following:

1. We obtained and examined, on a test basis, the aging schedule to assess the adequacy of trade receivables aging classification. We inquired management the reason of specific overdue receivables.

2. We evaluated the accounts balance of allowance for doubtful trade receivables by reviewing the evaluation documentation of individual trade receivables with impairment concerns, past experience of collect and overdue status, etc.

Impairment of Inventories

Inventories were stated at the lower of cost and net realizable value. The estimation was assessed based on current market conditions and sales experience of similar products. The evaluation of net realizable value might be significantly changed by industrial market conditions. Therefore, we focused on the adequacy of impairment of inventories.

Apart from confirming that the management evaluated inventory impairment by different industries and types of products, we also performed key audit procedures as the following:

1. Obtained the inventory aging report by inventory code and assessed, on a test basis, the adequacy of inventory aging classification.

2. Tested if the net realizable value were evaluated according to the aging and industry of the inventories and further examined the supporting documents of the selling price related to net realizable value used on the above mentioned inventory aging report.

3. Examined if the impaired inventory were recorded at net realizable value, and assessed the adequacy of the amounts of impairment of inventories.

Other Matter

The consolidated financial statements of subsidiary Wah Lee Tech (Singapore) Pte., Ltd. and certain investee which were accounted for using equity method in the Group's consolidated financial statements for the years ended December 31, 2016 and 2015, were audited by other independent auditors, insofar as it relates to the amounts and information disclosed, is based solely on the report of the other independent auditors. The financial statements of Wah Lee Tech (Singapore) Pte., Ltd. reflected total assets of NT$771,719 thousand and NT$698,221 thousand, both representing 3% of total consolidated assets as of December 31, 2016 and 2015, respectively; and reflected total operating revenues of NT$1,239,160 thousand and NT$1,033,911 thousand, both representing 3% of total consolidated operating revenues for the years ended December 31, 2016 and 2015, respectively. The carrying value of the investments accounted for using equity method were NT$671,351 thousand and NT$700,954 thousand, both representing 3% of total consolidated assets as of December 31, 2016 and 2015, respectively; and the share of profit of associates was NT$58,221 thousand and NT$57,239 thousand, representing 4% and 3% of consolidated profit before income tax for the years ended December 31, 2016 and 2015, respectively.

We have also audited the parent company only financial statements of Wah Lee Industrial Corporation and for the years ended December 31, 2016 and 2015 on which we have expressed an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen-Li Chen and Jun-Ji Kung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2017

<u>Notice to Readers</u>

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

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

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2016		December 31, 2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,465,568	10	$ 2,100,213	8
Available-for-sale financial assets - current (Notes 4, 5 and 7)	285,731	1	334,817	1
Notes receivable (Notes 4, 5, 8 and 29)	1,243,859	5	1,761,610	7
Trade receivable, net (Notes 4, 5 and 8)	9,558,550	38	9,167,213	34
Trade receivable - related parties (Notes 4, 5, 8 and 28)	131,701	1	100,497	1
Other receivables	44,578	-	45,092	-
Other receivables - related parties (Note 28)	21,850	-	5,272	-
Inventories (Notes 4, 5 and 9)	3,173,030	13	4,041,337	15
Prepayment and others	407,653	2	460,568	2
Other financial assets - current (Notes 4, 10 and 29)	83,154	-	840,738	3
Total current assets	17,415,674	70	18,857,357	71
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 7)	551,062	2	461,609	2
Investments accounted for using equity method (Notes 4 and 12)	4,219,655	17	4,463,950	17
Property, plant and equipment (Notes 4, 13 and 29)	2,322,312	9	2,481,713	9
Goodwill (Note 4)	58,587	-	97,058	-
Computer software (Note 4)	2,762	-	9,474	-
Deferred tax assets (Notes 4 and 22)	198,277	1	209,873	1
Prepayments for equipment (Note 30)	808	-	26,751	-
Refundable deposits (Note 25)	86,952	1	107,452	-
Other noncurrent assets	62,328	-	16,128	-
Total noncurrent assets	7,502,743	30	7,874,008	29
TOTAL	$ 24,918,417	100	$ 26,731,365	100

	December 31, 2016		December 31, 2015	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Notes 14 and 29)	$ 2,133,852	9	$ 3,701,797	14
Notes payable (Note 15)	583,182	2	411,874	1
Notes payable - related parties (Notes 15 and 28)	276,403	1	250,280	1
Trade payable (Note 15)	5,204,673	21	5,388,244	20
Trade payable - related parties (Notes 15 and 28)	271,234	1	265,502	1
Other payables (Notes 18 and 28)	887,348	4	804,593	3
Current tax liabilities (Notes 4 and 22)	130,342	1	163,038	1
Provisions - current (Note 4)	166,485	1	61,948	-
Current portion of long-term debts (Notes 16 and 17)	1,044,391	4	51,119	-
Other current liabilities	117,509	-	197,001	1
Total current liabilities	10,815,419	44	11,295,396	42
NONCURRENT LIABILITIES				
Long-term debts (Note 16)	2,073,211	8	2,560,203	10
Bonds payable (Notes 4 and 17)	-	-	992,112	4
Provision - noncurrent (Note 4)	14,760	-	14,760	-
Net defined benefit liabilities - noncurrent (Notes 4 and 19)	345,804	2	347,718	1
Guarantee deposits received	425	-	421	-
Deferred tax liabilities (Notes 4 and 22)	830,550	3	795,991	3
Total noncurrent liabilities	3,264,750	13	4,711,205	18
Total liabilities	14,080,169	57	16,006,601	60
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 20)				
Share Capital	2,313,901	9	2,313,901	9
Capital surplus	1,378,680	6	1,331,568	5
Retained earnings				
Legal reserve	1,704,573	7	1,591,558	6
Special reserve	72,302	-	72,302	-
Unappropriated earnings	4,541,549	18	4,241,476	16
Total retained earnings	6,318,424	25	5,905,336	22
Other equity	(124,837)	(1)	238,488	1
Total equity attributable to owners of the Company	9,886,168	39	9,789,293	37
NON-CONTROLLING INTERESTS (Notes 20 and 24)	952,080	4	935,471	3
Total equity	10,838,248	43	10,724,764	40
TOTAL	$ 24,918,417	100	$ 26,731,365	100

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

(With Deloitte & Touche audit report dated March 22, 2017)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 28)				
Net sales	$ 39,223,245	99	$ 39,813,001	100
Commission revenue	105,374	-	114,197	-
Other operating revenue	213,182	1	116,467	-
Total operating revenues	39,541,801	100	40,043,665	100
OPERATING COSTS (Notes 9, 21 and 28)				
Cost of goods sold	35,717,006	90	36,300,581	91
Other operating costs	70,416	-	81,637	-
Total operating costs	35,787,422	90	36,382,218	91
GROSS PROFIT	3,754,379	10	3,661,447	9
OPERATING EXPENSES (Notes 19 and 21)				
Selling and marketing expenses	1,928,181	5	1,938,287	5
General and administrative expenses	386,812	1	381,378	1
Total operating expenses	2,314,993	6	2,319,665	6
OPERATING INCOME	1,439,386	4	1,341,782	3
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 21)	129,102	-	166,962	-
Other gains and losses (Note 21)	(95,133)	-	(168,257)	-
Finance costs (Note 21)	(107,852)	-	(107,059)	-
Share of profit of associates	206,165	-	421,181	1
Total non-operating income and expenses	132,282	-	312,827	1
PROFIT BEFORE INCOME TAX	1,571,668	4	1,654,609	4
INCOME TAX EXPENSE (Notes 4 and 22)	425,751	1	426,256	1
NET PROFIT FOR THE YEAR	1,145,917	3	1,228,353	3
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 19)	(3,159)	-	(22,099)	-

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WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
Share of the remeasurement of the defined benefit plans of associates accounted for using the equity method	$ (4,927)	-	$ (2,346)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	537	-	3,756	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations (Note 20)	(439,431)	(1)	28,469	-
Unrealized gain (loss) on available-for-sale financial assets (Note 20)	68,668	-	(183,916)	(1)
Share of other comprehensive loss of associates (Note 20)	(135,677)	-	(47,142)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 22)	68,049	-	(3,375)	-
Other comprehensive loss for the year, net of income tax	(445,940)	(1)	(226,653)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 699,977	2	$ 1,001,700	2
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,045,390	3	$ 1,130,150	3
Non-controlling interests	100,527	-	98,203	-
	$ 1,145,917	3	$ 1,228,353	3
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 674,516	2	$ 903,477	2
Non-controlling interests	25,461	-	98,223	-
	$ 699,977	2	$ 1,001,700	2
EARNINGS PER SHARE (Note 23)				
Basic	$ 4.52		$ 4.88	
Diluted	$ 4.20		$ 4.50	

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

(With Deloitte & Touche audit report dated March 22, 2017) (Concluded)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
			Retained Earnings			Other Equity					
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Cash Flow Hedges	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Subtotal	Non-controlling Interest	Total Equity
BALANCE AT JANUARY 1, 2015	$ 2,313,901	$ 1,326,412	$ 1,464,197	$ 72,302	$ 4,022,963	$ 294,094	$ -	$ 150,378	$ 9,644,247	$ 822,495	$ 10,466,742
Appropriation of 2014 earnings (Note 20)											
Legal reserve	-	-	127,361	-	(127,361)	-	-	-	-	-	-
Cash dividends distributed by the Company - 33%	-	-	-	-	(763,587)	-	-	-	(763,587)	-	(763,587)
	-	-	127,361	-	(890,948)	-	-	-	(763,587)	-	(763,587)
Change in capital surplus from investments in associates accounted for by using equity method	-	5,127	-	-	-	-	-	-	5,127	-	5,127
Net profit for the year ended December 31, 2015	-	-	-	-	1,130,150	-	-	-	1,130,150	98,203	1,228,353
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax (Note 20)	-	-	-	-	(20,689)	(10,243)	-	(195,741)	(226,673)	20	(226,653)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	1,109,461	(10,243)	-	(195,741)	903,477	98,223	1,001,700
Actual acquisition of interest in subsidiaries (Note 20)	-	29	-	-	-	-	-	-	29	14,753	14,782
BALANCE AT DECEMBER 31, 2015	2,313,901	1,331,568	1,591,558	72,302	4,241,476	283,851	-	(45,363)	9,789,293	935,471	10,724,764
Appropriation of 2015 earnings (Note 20)											
Legal reserve	-	-	113,015	-	(113,015)	-	-	-	-	-	-
Cash dividends distributed by the Company - 27%	-	-	-	-	(624,753)	-	-	-	(624,753)	-	(624,753)
	-	-	113,015	-	(737,768)	-	-	-	(624,753)	-	(624,753)
Change in capital surplus from investments in associates accounted for by using equity method	-	47,112	-	-	-	-	-	-	47,112	-	47,112
Net profit for the year eded December 31, 2016	-	-	-	-	1,045,390	-	-	-	1,045,390	100,527	1,145,917
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax (Note 20)	-	-	-	-	(7,549)	(430,740)	(213)	67,628	(370,874)	(75,066)	(445,940)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	1,037,841	(430,740)	(213)	67,628	674,516	25,461	699,977
Adjustment of non-controllng interests	-	-	-	-	-	-	-	-	-	(8,852)	(8,852)
BALANCE AT DECEMBER 31, 2016	$ 2,313,901	$ 1,378,680	$ 1,704,573	$ 72,302	$ 4,541,549	$ (146,889)	$ (213)	$ 22,265	$ 9,886,168	$ 952,080	$ 10,838,248

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

(With Deloitte & Touche audit report dated March 22, 2017)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,571,668	$ 1,654,609
Adjustments for:		
Depreciation expenses	101,176	80,272
Amortization expenses	6,905	14,770
Impairment loss recognized (reversal of impairment loss) on trade receivables	(2,409)	170,234
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	-	4,694
Finance costs	107,852	107,059
Interest income	(22,362)	(63,028)
Dividend income	(5,955)	(13,002)
Share of profit of associates	(206,165)	(421,181)
Gain on disposal of property, plant and equipment	(25,177)	(761)
Gain on disposal of investments	(22,884)	(1,448)
Impairment loss on financial assets	61,672	98,631
Write-down of inventories	29,273	125,372
Net loss on foreign currency exchange	15,492	87,518
Others	7,588	9,328
Changes in operating assets and liabilities		
Financial assets held for trading	-	(6,455)
Notes receivable	517,751	(292,803)
Trade receivable	(416,336)	179,637
Trade receivable - related parties	(31,204)	(15,499)
Other receivable	(61)	(14,605)
Other receivable - related parties	(16,578)	(1,746)
Inventories	844,388	(599,727)
Prepayments and other current assets	74,676	(56,930)
Notes payable	171,308	(41,709)
Notes payable - related parties	26,123	17,686
Trade payable	(157,500)	447,857
Trade payable - related parties	14,614	37,511
Other payables	95,870	(61,963)
Provisions	104,537	14,932
Other current liabilities	(79,492)	83,283
Net defined benefit liabilities	(4,848)	(4,281)
Cash generated from operations	2,759,922	1,538,255
Interest received	22,362	63,028
Dividend received	228,560	220,852
Interest paid	(94,575)	(91,261)
Income tax paid	(346,120)	(365,618)
Net cash generated from operating activities	2,570,149	1,365,256

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WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2016	**2015**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	$ (50,048)	$ (374,151)
Proceeds of sale of available-for-sale financial assets	95,718	138,479
Net cash outflow on acquisition of subsidiaries (Note 24)	-	(122,502)
Proceeds of capital reduction from associates accounted for using equity method	21,989	-
Payments for property, plant and equipment	(350,704)	(649,971)
Proceeds from disposal of property, plant and equipment	386,479	1,296
Increase in refundable deposits	(21,014)	(171,315)
Decrease in refundable deposits	38,559	170,182
Payments for intangible assets	(264)	(5,629)
Increase in other financial assets	(114,621)	(662,010)
Decrease in other financial assets	848,581	1,130,592
Increase in other noncurrent assets	(7,121)	-
Decrease in other noncurrent assets	-	5,694
Net cash generated from (used in) investing activities	847,554	(539,335)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	10,033,753	14,382,595
Repayments of short-term loans	(11,551,177)	(15,955,422)
Decrease in short-term bills payable	-	(150,000)
Proceeds from long-term debts	1,539,989	2,295,859
Repayment of long-term debts	(2,059,331)	(1,041,999)
Increase (decrease) of guarantee deposits received	4	(40)
Cash dividends	(624,753)	(763,587)
Change in non-controlling interests	-	14,753
Net cash used in financing activities	(2,661,515)	(1,217,841)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(390,833)	5,251
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	365,355	(386,669)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,100,213	2,486,882
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,465,568	$ 2,100,213

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

(With Deloitte & Touche audit report dated March 22, 2017) (Concluded)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION

Wah Lee Industrial Corporation (the "Corporation") was incorporated in October 1968, and is mainly engaged in the import/export and agency business of composite materials, engineering plastic, printed circuit board, semiconductor, and computer related manufacturing materials and equipment.

The Corporation's shares have been listed and traded on the Taiwan Stock Exchange since July 22, 2002.

The consolidated financial statements are presented in New Taiwan dollars, the functional currency of the Corporation.

Please refer to Note 11 for the list of subsidiaries. The Corporation and its subsidiaries are collectively referred to in this financial report as "the Group".

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on March, 22, 2017.

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

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

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

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

(Continued)

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

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

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

1) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

   The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs: 2010-2012 Cycle

   Several standards, including IFRS 3 “Business Combinations”, IFRS 8 “Operating Segments”, IFRS 13 “Fair Value Measurement” and IAS 24 “Related Party Disclosures”, were amended in this annual improvement.

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

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself. The amendment will be applied prospectively starting from January 1, 2017.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

4) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” stipulates that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” clarifies there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group have significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018

(Continued)

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note1)
Amendment to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration	January 1, 2018

(Concluded)

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

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

Impairment of financial assets

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

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

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

2) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

3) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2018.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;

- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

4) IFRS 16 “Leases”

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

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

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

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

5) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of Preparation

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

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

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

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

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

c. Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 and attributed to the owners of the Corporation.

The detailed information of subsidiaries (including the percentage of ownership and main business) is referred to Note 11.

e. Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquired company over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at fair value.

f. Foreign Currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Group's foreign operations (including of the subsidiaries' and associates' operations in other countries or currencies used are different with the Corporation) are translated into New Taiwan dollars as follows:

Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets and liabilities acquired in the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

g. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. Net realizable value is the estimated selling price of inventories less all expenses necessary to make the sale. The inventories of the Corporation, Raycong, Dong Guan Hua Gang, Shanghai Yikang , and Wah Lee Tech (Singapore) Pte. Ltd. are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date; other subsidiaries of the Group used the weighted-average cost method.

h. Investments in Associates

The Group uses the equity method to account for its investments in associates and joint ventures. An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the change in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, Plant, and Equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

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

Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

j. Goodwill

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

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

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

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible Assets

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

Gain or loss from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss when the asset is derecognized.

l. Impairment of Tangible and Intangible Assets Other than Goodwill

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

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

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

m. Financial Instruments

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

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

Financial assets

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

1) Measurement category

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

a) Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

b) Loans and receivables

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

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

2) Impairment of financial assets

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

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

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

3) Derecognition of financial assets

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

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

Equity instruments

Debt and equity instruments are issued by a Group entity as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

Financial liabilities

1) Subsequent measurement

Except for the following situation, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss held by the Group were financial liabilities held for trading.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

2) Derecognition of financial liabilities

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

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. The conversion option is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, at which time, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of convertible bonds are allocated to the liability components (included in the carrying amount of liabilities) and equity components (included in equity) in proportion to the allocation of the gross proceeds.

<u>Derivative financial instruments</u>

The Group enters into a variety of derivative financial instruments, including foreign exchange forward contracts to manage exposure to foreign exchange rate.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

n. Provisions

The provisions include reserve for sales allowance and other long term employee benefits.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

o. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns based on previous experience and other relevant factors.

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

2) Rendering of services

Commission revenues are recognized when goods are shipped to customers, according to the contracted percentage.

Other service income is recognized when services are provided.

3) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

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

p. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor, the Group recognizes rental income from operating lease on a straight-line basis over the term of the relevant lease.

As lessee, the Group recognizes rental expense for operating lease on a straight-line basis over the lease term.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

r. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current tax and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying value of the trade receivable and the movements of the allowance for doubtful accounts are disclosed in Note 8.

b. Impairment of inventories

Net realizable value of inventories is the estimated selling prices in the ordinary course of business less the estimated expenses necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash on hand	$ 96,433	$ 5,138
Demand deposits	2,033,959	1,499,020
Checking accounts	5,655	30,108
Cash equivalents		
Time deposits with original maturities less than 3 months	329,521	565,947
	$ 2,465,568	$ 2,100,213

The ranges of market interest rates of time deposits at the end of the reporting period were as follows:

	December 31	
	2016	**2015**
Time deposits (%)	0.30-4.80	0.28-6.00

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Domestic investments		
Listed shares	$ 41,405	$ 72,125
Emerging market shares	4,697	7,296
Unlisted shares	341,505	250,234
Mutual funds	266,394	276,863
	654,001	606,518
Foreign investments		
Listed shares	60,166	20,663
Unlisted shares	122,626	169,245
	182,792	189,908
	$ 836,793	$ 796,426
Current	$ 285,731	$ 334,817
Noncurrent	551,062	461,609
	$ 836,793	$ 796,426

The Group assessed that part of shares investment were permanently impaired; thus, the Group recognized impairment loss $33,602 thousand and $98,631 thousand for the year ended December 31, 2016 and 2015 (refer to Note 21).

8. NOTES AND TRADE RECEIVABLE, NET

	December 31	
	2016	2015
Notes receivable - operating		
	$ 1,243,859	$ 1,761,610
Trade receivable - unrelated parties		
Trade receivable	$ 9,588,524	$ 9,340,993
Less: Allowance for doubtful accounts	29,974	173,780
	$ 9,558,550	$ 9,167,213
Trade receivable - related parties (Note 28)		
Trade receivable	$ 131,976	$ 100,737
Less: Allowance for doubtful accounts	275	240
	$ 131,701	$ 100,497

Until the end of December 31, 2015, for the amounts and related terms of factored notes receivable and the carrying amount of notes receivable pledged as collateral for borrowing, please refer to Notes 27 and 29.

The average credit period of sales of goods was 30-180 days. In determining the recoverability of accounts receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to each balance sheet date. The Group assessed the trade receivable during the period of credit and recognized allowance for impairment loss based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The Group periodically reviewed the customers' credit limits. The notes receivable and trade receivable that were neither past due nor impaired had good credit scores according to internal credit review system. The concentration of credit risk was limited due to the fact that the customer base was large.

Trade receivable balances that were past due at the end of reporting period were not provided with allowance for impairment because there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral over these balances and did not have a legal right to offset against any amounts owed by the Group to the counterparty.

The aging of trade receivable was as follows:

	Amount	
	2016	**2015**
Less than 90 days	$ 7,641,213	$ 7,195,013
91-150 days	1,637,152	1,669,136
151-180 days	186,177	257,635
Over 181 days	255,958	319,946
	$ 9,720,500	$ 9,441,730

The above aging schedule was based on the past due days from invoice date.

The Group had no trade receivables that were past due but not impaired as of December 31, 2015. The aging of trade receivable that were past due but not impaired as of December 31, 2016 was as follows:

	Amount
Less than 90 days	$ -
91-150 days	-
151-180 days	-
Over 181 days	344
	$ 344

The above aging schedule was based on the past due days from invoice date.

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

	Individually Assessed for Impairment	**Collectively Assessed for Impairment**	**Total**
Balance at January 1, 2016	$ 152,682	$ 21,338	$ 174,020
Add: Impairment losses recognized on trade receivable	-	6,640	6,640
Less: Amounts written off during the year as uncollectible	(133,195)	(5,030)	(138,225)

(Continued)

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Less: Impairment losses reversed	$ (9,049)	$ -	$ (9,049)
Foreign exchange translation gains	(1,396)	(1,741)	(3,137)
Balance at December 31, 2016	$ 9,042	$ 21,207	$ 30,249
Balance at January 1, 2015	$ 27,903	$ 1,154	$ 29,057
Add: Impairment losses recognized on accounts receivable	149,726	20,508	170,234
Less: Amounts written off during the year as uncollectible	(24,898)	(629)	(25,527)
Foreign exchange translation gains and losses	(49)	305	256
Balance at December 31, 2015	$ 152,682	$ 21,338	$ 174,020

(Concluded)

Ages of individually impaired trade receivable were as follows:

	December 31	
	2016	2015
Less than 90 days	$ 2,319	$ 45
91-150 days	227	62
151-180 days	209	4,142
Over 181 days	13,011	169,933
	$ 15,766	$ 174,182

The above aging of trade receivables before deducting the allowance for impairment loss was presented based on the past due days from invoice date.

9. INVENTORIES

All inventories were goods. The cost of inventories recognized in cost of goods sold for the years ended December 31, 2016 and 2015 was $35,717,006 thousand and $36,300,581 thousand, respectively, which included the following items:

	For the Year Ended December 31	
	2016	2015
Reversal of loss on inventories	$ (17,635)	$ (4,539)
Loss on physical inventories	30	16
Loss on disposal of inventories	29,243	125,356
	$ 11,638	$ 120,833

The allowance for inventory devaluation was reversed by sold of slow moving inventories for the years ended December 31, 2016 and 2015 was $17,635 thousand and $4,539 thousand, respectively.

10. OTHER FINANCIAL ASSETS - CURRENT

	December 31	
	2016	2015
Time deposits with original maturity more than 3 months	$ 83,154	$ 840,428
Pledged time deposits (Note 29)	-	310
	$ 83,154	$ 840,738
Annual interest rate (%)	0.50-2.80	0.50-4.50

11. SUBSIDIARIES

The subsidiaries in the consolidated financial statements

The detailed information of the subsidiaries at the end of the reporting period was as follows:

			Percentage of Ownership		
Investor	Investee	Main Businesses	December 31, 2016	December 31, 2015	Remark
The Corporation	Wah Lee Holding Ltd.	International investment	100.00	100.00	Established in BVI
	Raycong Industrial (H.K.) Ltd. (Raycong)	Trading business of engineering plastic, composite materials and equipment	53.69	53.69	Established in Hong Kong
	Wah Lee Japan Corp. (Wah Lee Japan)	Trading business of glass fiber, electronic equipment optical machinery, etc.	83.33	83.33	Established in Japan, Note 1
	Wah Lee Korea Ltd. (Wah Lee Korea)	Trading business of glass fiber, electronic equipment optical machinery, etc.	100.00	100.00	Established in Korea, Notes l and 2
	Skypower Ltd. (Skypower)	Trading business of solar energy materials and equipment	70.00	70.00	Established in Japan, Note 1
	Okayama Solar Ltd. (Okayama Solar)	Solar power generation business	99.99	99.99	Established in Japan, Note 1
	Sakuragawa Solar Ltd. (Sakuragawa Solar)	Solar power generation business	99.99	99.99	Established in Japan, Note 1
	Miyazaki Solar Ltd. (Miyazaki Solar)	Solar power generation business	99.99	99.99	Established in Japan, Note 1
	P.T. Wahlee Indonesia (Wah Lee Indonesia)	Trading business of industrial materials	60.00	60.00	Established in Indonesia, Notes 1 and 3
	Hong Kong Meidi Investment (Holding) Ltd. (Meidi)	International investment	80.00	80.00	Established in Hong Kong, Notes 1 and 4
	Wah Lee Vietnam Co., Ltd. (Wah Lee Vietnam)	Trading business of industrial materials	100.00	100.00	Established in Vietnam, Notes 1 and 5
Wah Lee Holding Ltd.	SHC Holding Ltd.	International investment	100.00	100.00	Established in Mauritius
	Wah Lee Tech (Singapore) Pte. Ltd. (Wah Lee Tech)	Agency of semiconductor materials and equipment	100.00	100.00	Established in Singapore
	Wah Lee Machinery Trading Limited	International trading	-	100.00	Established in BVI, Note 6

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership December 31, 2016	December 31, 2015	Remark
	Raycong Industrial (H.K.) Ltd. (Raycong)	Trading business of engineering plastic, composite materials and equipment	46.31	46.31	Established in Hong Kong
	Regent King International Limited (Regent King)	Trading business of engineering plastic composite materials and equipment	100.00	100.00	Established in Hong Kong, Note 1
Raycong Industrial (H.K.) Ltd.	Dong Guan Hua Gang International Trading Co., Ltd. (Dong Guan Hua Gang)	Trading business of industrial materials and equipment	100.00	100.00	Established in Dong Guan
	Shanghai Yikang Chemicals and Industries Co., Ltd. (Shanghai Yikang)	International trading of industrial materials	70.00	70.00	Established in Shanghai
	Huaying Supply Chain Management (Shenzhen) Co., Ltd. (Huaying)	Trading business of industrial materials	100.00	100.00	Established in Shenzhen, Notes 1 and 7

(Concluded)

Note 1: This is not a significant subsidiary; its financial statements were not audited. The corporation's management considers that the financial statements of the above company would not result in significant impact on the Group's consolidated financial statements because of the financial statements have been audited.

Note 2: In 2015, the Corporation invested $13 thousand (KRW452 thousand).

Note 3: In July 2015, the Corporation invested $5,888 thousand (USD180 thousand) in Wah Lee Indonesia.

Note 4: In October 2015, the Corporation acquired 80% ownership of Meidi for $122,503 thousand; for detailed information, please refer to Note 24. In April 2016, Meidi had capital reduction of 60%; thus, the Corporation's investment in Meidi was $49,001 thousand as of December 31, 2016.

Note 5: In October and November 2015, the Corporation invested a total of $16,293 thousand in Wah Lee Vietnam.

Note 6: Wah Lee Machinery Trading Limited completed the liquidation procedures in August 2016.

Note 7: In April 2015, Raycong invested in Huaying, which is mainly engaged in the trade of industrial materials; the authorized capital of Huaying was HKD7,000 thousand.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates	December 31 2016	2015
Material associates		
Chang Wah Electromaterials Inc.	$ 1,686,935	$ 1,610,085

(Continued)

	December 31	
	2016	2015
Investments in associates		
Wah Hong Industrial Corp.	$ 959,016	$ 1,238,678
Associates that are not individually material	1,573,704	1,615,187
	$ 4,219,655	$ 4,463,950

(Concluded)

a. Material associates

	Proportion of Ownership and Voting Rights December 31	
Name of Associate	**2016**	**2015**
Chang Wah Electromaterials Inc.	30.98%	30.98%
Wah Hong Industrial Corp.	25.96%	25.96%

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

	December 31	
Name of Associate	**2016**	**2015**
Chang Wah Electromaterials Inc.	$ 2,651,889	$ 1,886,667
Wah Hong Industrial Corp.	456,948	515,365
	$ 3,108,837	$ 2,402,032

All the associates are accounted for using the equity method.

The summarized financial information below represents amounts shown in each associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Chang Wah Electromaterials Inc.

	December 31	
	2016	**2015**
Current assets	$ 5,261,814	$ 7,828,284
Noncurrent assets	4,176,607	6,137,401
Current liabilities	(2,938,086)	(5,037,832)
Noncurrent liabilities	(633,531)	(2,206,863)
Equity	5,866,804	6,720,990
Non-controlling interests	(639,269)	(1,741,516)
	$ 5,227,535	$ 4,979,474
Proportion of the Group's ownership (%)	30.98	30.98
Equity attributable to the Group	$ 1,619,508	$ 1,542,658
Goodwill	67,427	67,427
Carrying amount	$ 1,686,935	$ 1,610,085

	For the Year Ended December 31	
	2016	2015
Operating revenue	$ 10,941,726	$ 15,080,467
Net profit	$ 839,630	$ 1,174,731
Other comprehensive income	(152,846)	(65,726)
Total comprehensive income	$ 686,784	$ 1,109,005
Cash dividends received and return of capital reduction	$ 175,913	$ 76,962

Wah Hong Industrial Corp.

	December 31	
	2016	2015
Current assets	$ 5,970,026	$ 6,743,552
Noncurrent assets	2,547,706	2,947,394
Current liabilities	(3,379,048)	(3,372,245)
Noncurrent liabilities	(1,404,824)	(1,618,453)
Equity	3,733,860	4,700,248
Non-controlling interests	(39,915)	(37,217)
	$ 3,693,945	$ 4,663,031
Proportion of the Group's ownership (%)	25.96	25.96
Equity attributable to the Group	$ 959,016	$ 1,210,608
Goodwill	-	28,070
Carrying amount	$ 959,016	$ 1,238,678

	For the Year Ended December 31	
	2016	2015
Operating revenue	$ 8,920,720	$ 9,622,992
Net profit (loss)	$ (671,607)	$ 8,678
Other comprehensive income	(244,779)	(95,882)
Total comprehensive income (loss)	$ (916,386)	$ (87,204)
Cash dividends received	$ 12,981	$ 31,156

The Group assessed that the investment of Wah Hong was impaired; thus, the Group recognized impairment loss $28,070 thousand for the year ended December 31,2016 (refer to note 21).

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2016	2015
The Corporation's share of		
Net profit from continuing operations and total comprehensive income	$ 98,522	$ 72,704

The investments accounted for by the equity method and the share of profit and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the associates' financial statements audited by auditors for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2016

	Freehold Land	Buildings	Machinery and Equipment	Office and Miscellaneous Equipment	Other Equipment	Construction in Progress	Total
Cost							
Balance at January 1, 2016	$ 828,854	$ 839,479	$ 357,843	$ 436,704	$ 79,396	$ 565,013	$ 3,107,289
Additions	-	143,315	272,910	56,575	3,000	(110,718)	365,082
Disposals	(70,010)	(279)	(32,348)	(11,550)	(4,303)	(258,919)	(377,409)
Reclassification	-	(1,916)	-	-	-	(70,586)	(72,502)
Effect of foreign currency exchange differences	5,317	(32,825)	(7,153)	(4,780)	(699)	35,827	(4,313)
Balance at December 31, 2016	$ 764,161	$ 947,774	$ 591,252	$ 476,949	$ 77,394	$ 160,617	$ 3,018,147
Accumulated depreciation and impairment							
Balance at January 1, 2016	$ -	$ 211,941	$ 42,414	$ 302,769	$ 68,452	$ -	$ 625,576
Disposals	-	(279)	-	(11,525)	(4,303)	-	(16,107)
Depreciation expense	-	31,875	25,350	40,560	3,391	-	101,176
Reclassification	-	(192)	-	-	-	-	(192)
Effect of foreign currency exchange differences	-	(12,300)	2,135	(4,019)	(434)	-	(14,618)
Balance at December 31, 2016	$ -	$ 231,045	$ 69,899	$ 327,785	$ 67,106	$ -	$ 695,835
Carrying amounts at December 31, 2016	$ 764,161	$ 716,729	$ 521,353	$ 149,164	$ 10,288	$ 160,617	$ 2,322,312

For the year ended December 31, 2015

	Freehold Land	Buildings	Machinery and Equipment	Office and Miscellaneous Equipment	Other Equipment	Construction in Progress	Total
Cost							
Balance at January 1, 2015	$ 769,338	$ 710,349	$ 318,593	$ 393,735	$ 104,084	$ 95,542	$ 2,391,641
Additions	54,564	122,741	30,006	60,426	5,139	473,185	746,061
Disposals	-	-	-	(17,580)	(30,093)	-	(47,673)
Reclassification	-	-	(425)	425	-	-	-
Effect of foreign currency exchange differences	4,952	6,389	9,669	(302)	266	(3,714)	17,260
Balance at December 31, 2015	$ 828,854	$ 839,479	$ 357,843	$ 436,704	$ 79,396	$ 565,013	$ 3,107,289
Accumulated depreciation							
Balance at January 1, 2015	$ -	$ 187,580	$ 22,015	$ 288,345	$ 93,583	$ -	$ 591,523
Disposals	-	-	-	(17,098)	(30,040)	-	(47,138)
Depreciation expense	-	24,720	19,037	31,733	4,782	-	80,272
Effect of foreign currency exchange differences	-	(359)	1,362	(211)	127	-	919
Balance at December 31, 2015	$ -	$ 211,941	$ 42,414	$ 302,769	$ 68,452	$ -	$ 625,576
Carrying amounts at December 31, 2015	$ 828,854	$ 627,538	$ 315,429	$ 133,935	$ 10,944	$ 565,013	$ 2,481,713

Reconciliation of the additions to property, plant and equipment and the cash paid stated in the statements of cash flows is as follows:

	For the Year Ended December 31	
	2016	2015
Investing activities affecting both cash and non-cash items		
Additions to property, plant and equipment	$ 365,082	$ 746,061
Decrease in prepayments for equipment	(24,884)	(85,811)
Decrease (increase) in payable for equipment purchased	10,506	(10,279)
Cash payments for property, plant and equipment	$ 350,704	$ 649,971

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

Buildings	
Office	20-63 years
Office interior decoration	5-11 years
Machinery and equipment	3-17 years
Office and miscellaneous equipment	
Fire extinguishing equipment and safeguard monitoring system	4-6 years
Steel cylinder	5-9 years
Hoist	11-16 years
Others	1-15 years
Others	1-11 years

Refer to Note 29 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure borrowings granted to the Group.

14. SHORT-TERM LOANS

	December 31	
	2016	**2015**
Secured loans (Note 29)		
Bank loans	$ -	$ 147,713
Transferred notes receivable (Note 27)	-	103,657
	-	251,370
Unsecured loans		
Loans for procurement of materials	1,411,147	2,474,294
Line of credit of loans	722,705	976,133
	2,133,852	3,450,427
	$ 2,133,852	$ 3,701,797
Annual interest rate (%)	0.25-4.575	0.61-3.85

15. NOTES PAYABLE AND TRADE PAYABLE

	December 31	
	2016	**2015**
Notes payable (including related parties)		
Operating	$ 844,142	$ 655,796
Non-operating	15,443	6,358
	$ 859,585	$ 662,154

(Continued)

	December 31	
	2016	**2015**
Notes payable		
Unrelated parties	$ 583,182	$ 411,874
Related parties (Note 28)	276,403	250,280
	$ 859,585	$ 662,154
Trade payable (including related parties)		
Operating	$ 5,475,907	$ 5,653,746
Trade payable		
Unrelated parties	$ 5,204,673	$ 5,388,244
Related parties (Note 28)	271,234	265,502
	$ 5,475,907	$ 5,653,746

(Concluded)

The average credit period of purchases of goods was 30-120 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Therefore, no interest was charged on the trade payable.

16. LONG-TERM DEBTS

	December 31	
	2016	**2015**
Syndicated bank loans (led by Taiwan Cooperative Bank) (a)	$ 1,500,000	$ 1,800,000
Less: Syndicated loan fee	4,320	5,760
	1,495,680	1,794,240
Other Loan (b)	615,368	817,082
	2,111,048	2,611,322
Less: Current portion	37,837	51,119
	$ 2,073,211	$ 2,560,203

a. The Corporation signed a syndicated loan agreement with nine banks led by Taiwan Cooperative Bank in December 2014. The main contents of the syndicated loan agreement are as follows:

   1) The loan is a 5-year medium-term revolving credit line up to $3 billion that commences from the initial drawdown date. Beginning on the third year, the maximum credit line will be reduced every six months; for each of the first four six-month periods, credit line will be reduced by $450 million and for the fifth six-month period, credit line will be reduced by $1.2 billion. Under the borrowing limit, the Corporation could use the revolving credit facility and borrowing terms are less than 180 days. Each drawdown shall be repaid at the end of each interest period, but shall be available for redrawing on a revolving basis not less than three business days from original loan's maturity date subject to no occurrence of default. As of December 31, 2016 and 2015, the interest rate was 1.797% and 1.797%-1.7977%, respectively.

2) Pursuant to the loan agreement, the Corporation should maintain certain financial ratios as follows:

- Current ratio should not be less than 100%.
- Debt ratio should not be more than 180%.
- Interest coverage ratio should not be less than 800%.
- Tangible net worth, the balance after deducting intangible assets from stockholders' equity, should not be less than $8 billion.

Such financial ratios should be calculated based on audited annual consolidated financial statements.

The Corporation had met the conditions of the loan agreement based on the audited annual consolidated financial statements as of and for the year ended December 31, 2016 and 2015.

b. The Group's other loans as follow:

	Due Dates and Significant Conditions	Interest Rate (%)	December 31 2016	December 31 2015
Mortgage loans				
Hua Nan Bank	Repayable in 120 equal monthly installments from July 2015 to June 2025, monthly repayment of SGD 14 thousand, and the final repayment SGD 1,656 thousand.	2.53-2.59	$ 67,745	$ 78,831
China Trust Bank	Repayable in 25 equal quarterly installments from July 2014 to July 2020, quarterly repayment of JPY 18,400 thousand, and the final repayment JPY 478,400 thousand.	1.72-1.83	202,841	220,778
	Has been repaid in advance in December 2016	1.89	-	207,318
	Repayable in 22 equal quarterly installments from March 2017 to June 2022, quarterly repayment of JPY 12,601 thousand, and the final repayment JPY 365,434 thousand.	1.77-1.89	173,644	152,799

(Continued)

Due Dates and Significant Conditions	Interest Rate (%)	December 31 2016	December 31 2015
Repayable in 12 equal quarterly installments from September 2019 to June 2022, quarterly repayment of JPY 9,314 thousand, and the final repayment JPY 518,506 thousand.	1.77-1.89	$ 171,138	$ 157,356
		$ 615,368	$ 817,082

(Concluded)

17. BONDS PAYABLE

	Denomination of Convertible bonds	Payable of interest	Discount (Included issuance cost of bonds payable $5,494 thousand)	Total
a. Liability component				
For the year ended December 31, 2016				
Balance at January 1, 2016	$ 1,000,000	$ 7,037	$ (14,925)	$ 992,112
Amortization expenses	-	5,055	9,387	14,442
Balance, December 31, 2016	$ 1,000,000	$ 12,092	$ (5,538)	$ 1,006,554
For the year ended December 31, 2015				
Balance at January 1, 2015	$ 1,000,000	$ 2,054	$ (24,177)	$ 977,877
Amortization expenses	-	4,983	9,252	14,235
Balance, December 31, 2015	$ 1,000,000	$ 7,037	$ (14,925)	$ 992,112

	December 31 2016	December 31 2015
b. Equity component		
Share option of common stock	$ 22,500	$ 22,500
Less: Issuance cost of share option	126	126
Capital surplus - share option	$ 22,374	$ 22,374

In August 2014, the Corporation issued $1 billion (issued in 10 thousand notes and the denomination of each note was $100 thousand) 3-year (from August 2014 to August 2017) zero interest coupon second unsecured domestic convertible bonds.

The convertible bonds included liabilities and conversion options, recognized as liabilities and capital surplus - share options respectively. The non-derivative financial liabilities component of the convertible bonds (included issuance costs and interests payable) are measured at amortized cost using the effective interest method (the effective interest rate was 1.446%), and the related expenses of convertible bonds are amortized to profit or loss over the term of bonds. The terms of conversion and redemption of bonds are as follows:

a. Conversion option

From one month after the issuance date to the maturity date (except the relevant transfer period), bondholders may request to convert the bonds into the Corporation's common shares.

The conversion price was originally $69 per share. After the issue date, except when the Corporation issues various securities with conversion option or share option to transfer to common shares, the conversion price will be subject to adjustments under the following conditions: (a) the ordinary shares issued increased, or (b) cash dividends distributed are up to 1.5% of the current price per share or (c) conversion price is lower than the current price per share or re-issue price (in public or private placement) of various securities with rights of conversion to ordinary shares or warrants is lower than the conversion price, or (d) ordinary shares of capital reduction were induced reduction not due to cancellation of treasury shares. The conversion price was $61 and 64.7 per share after adjusting for the cash dividend effect as of December 31, 2016 and 2015.

b. Redemption option

From one month after the issuance date to 40 days before the maturity date, if the closing price in Taiwan Stock Exchange is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of initial issued convertible bonds, after 5 business days from the bonds redemption reference date, the Corporation may redeem by cash the remaining bonds at their face value.

c. Date and manner of repayment of principal

Except when the bondholders used the conversion option or the Corporation used the redemption option or purchased from the market and wrote off, at the maturity date, the Corporation may redeem by cash the remaining bonds at their face value plus accrued interest (the amount of interest will be calculated at 1.5075% of the bonds' face value; the effective interest rate was 0.5%).

As of December 31, 2016, the bondholders had not used the conversion option and the Corporation had not used redemption option. The unsecured bonds will be matured in August, 2017, and had been reclassified to "Current portion of long-term debts" on December 31, 2016.

18. OTHER PAYABLES

	December 31	
	2016	2015
Payable for salaries or bonus	$ 386,602	$ 406,526
Payable for employees' compensation, bonus to employees and remuneration to directors and supervisors	177,362	190,664
Payable for commission	59,258	31,268
Payable for business tax	55,139	15,506
Payable for annual leave	30,058	21,649
Payable for freight fee	24,638	28,603
Payable for insurance premium	19,199	23,604
Others	135,092	86,773
	$ 887,348	$ 804,593

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Subsidiaries including Raycong, Shanghai Yikang, Dong Guan Hua Gang, Huaying, Wah Lee Tech, Wah Lee Korea and Wah Lee Indonesia are required by local regulations to make contributions to central provident fund and retirement insurance.

b. Defined benefit plan

Part of the employees of the Corporation adopted the defined benefit plan under the Labor Standards Law, in which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts, equal to 8% of total monthly salaries and wages, to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The subsidiary company Raycong has a pension plan covering eligible employees.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2016	**2015**
Present value of funded defined benefit obligation	$ 455,649	$ 444,378
Fair value of plan assets	(109,845)	(96,660)
Net defined benefit liability	$ 345,804	$ 347,718

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2015	$ 430,082	$ (100,634)	$ 329,448
Service cost			
Current service cost	3,009	-	3,009
Net interest expense (income)	7,076	(1,728)	5,348
Recognized in profit or loss	10,085	(1,728)	8,357

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (924)	$ (924)
Actuarial loss - changes in demographic assumptions	20,760	-	20,760
Actuarial loss - experience adjustments	2,263	-	2,263
Recognized in other comprehensive income	23,023	(924)	22,099
Contributions from the employer	-	(12,638)	(12,638)
Benefits paid	(19,264)	19,264	-
Exchange differences on foreign plans	452	-	452
Balance at December 31, 2015	444,378	(96,660)	347,718
Service cost			
Current service cost	3,573	-	3,573
Net interest expense (income)	5,249	(1,213)	4,036
Recognized in profit or loss	8,822	(1,213)	7,609
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	485	485
Actuarial loss - changes in demographic assumptions	1,037	-	1,037
Actuarial loss - experience adjustments	1,637	-	1,637
Recognized in other comprehensive income	2,674	485	3,159
Contributions from the employer	-	(12,457)	(12,457)
Exchange differences on foreign plans	(225)	-	(225)
Balance at December 31, 2016	$ 455,649	$ (109,845)	$ 345,804

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans was as follows:

	For the Year Ended December 31	
	2016	2015
Selling and marketing expenses	$ 4,101	$ 4,607
General and administrative expenses	3,508	3,750
	$ 7,609	$ 8,357

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk

   The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

   A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

   The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2016	**2015**
Discount rate (%)	1.25-1.50	1.25-1.75
Expected rate of salary increase (%)	2.00-2.50	2.00-3.00

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2016	**2015**
Discount rate		
0.25% increase	$ (10,578)	$ (10,294)
0.25% decrease	$ 10,982	$ 11,221
Expected rate of salary increase		
0.25% increase	$ 10,583	$ 10,868
0.25% decrease	$ (10,251)	$ (10,511)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2016	**2015**
The expected contributions to the plan for the next year	$ 24,130	$ 24,964
The average duration of the defined benefit obligation	9 years	10 years

20. EQUITY

a. Capital Stock

	December 31 2016	December 31 2015
Number of shares authorized (in thousands)	300,000	300,000
Shares authorized	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	231,390	231,390
Shares issued	$ 2,313,901	$ 2,313,901

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

b. Capital Surplus

	December 31 2016	December 31 2015
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Recognized from issuance of common shares	$ 1,160,519	$ 1,160,519
Recognized from the difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	29	29
May be used to offset a deficit only		
Recognized from donations	11,867	11,867
May not be used for any purpose		
Recognized from share of changes in capital surplus of associates	183,891	136,779
Recognized from issuance of convertible bonds (Note 17)	22,374	22,374
	$ 1,378,680	$ 1,331,568

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

c. Retained Earnings and Dividend Policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Corporation's Articles of Incorporation had been approved in the shareholders' meeting on June 17, 2016, particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Employee benefits expense in Note 21.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, and then for offsetting of losses of previous years, and any remaining profit will be appropriated as follows:

1) 10% as legal reserve, and when its balance equals to the Corporation's paid-in capital, the appropriation may be stopped.

2) Set aside or reverse special reserve in accordance with the laws and regulations.

3) Any remaining profit plus any unappropriated earnings will be used as basis for proposing a distribution plan by the Corporation's board of directors, which should be resolved in the shareholders' meeting for distribution of dividends to shareholders.

The dividend policy of the Corporation is based on the current and future development plans, investment environment, capital requirements and competition in the domestic and foreign markets, as well as the benefits of shareholders, etc. The dividends to shareholders shall be not less than 10% of the distributable earnings each year, but if the distributable earnings is less than 1% of the Corporation's paid-in capital, the Corporation should not make appropriation for dividend. The dividends to shareholders can be paid in cash or/and issued shares, but cash dividends shall be not less than 50% of the total dividends.

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

Under Rule No. 1010012865 and Rule No. 1010047496 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

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

The appropriations of earnings for 2015 and 2014 had been approved in the shareholders' meetings on June 17, 2016 and June 22, 2015, respectively; the amounts were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Fiscal Year		**For Fiscal Year**	
	2015	**2014**	**2015**	**2014**
Legal reserve	$ 113,015	$ 127,361		
Cash dividends to stockholders	624,753	763,587	$ 2.7	$ 3.3
	$ 737,768	$ 890,948		

The appropriations of earnings for 2016 had been proposed by the Corporation's board of directors on March 22, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 104,539	
Special Reserves	124,837	
Cash dividends to stockholders	601,614	$ 2.6
	$ 830,990	

The appropriations of earnings for 2016 are subject to the resolution in the shareholders' meeting to be held on May 26, 2017.

d. Special Reserves

On first-time adoption of Taiwan-IFRSs, the Group is required to appropriate to special reserve the amounts of unrealized revaluation increment and cumulative translation differences transferred to retained earnings, provided the total amount does not exceed the amount of retained earnings that resulted from all Taiwan-IFRSs conversion adjustment. The amounts of the unrealized revaluation increment and cumulative translation differences transferred to retained earnings were $13,649 thousand and $189,980 thousand, respectively. But the increase in retained earnings that resulted from all Taiwan-IFRSs adjustments was only $72,302 thousand; therefore, the Group appropriated to the special reserve only the amount of $72,302 thousand.

e. Other Equity Items

1) Exchange Differences on Translating Foreign Operations

	For the Year Ended December 31	
	2016	**2015**
Balance, beginning of year	$ 283,851	$ 294,094
Exchange differences on translation of foreign operations	(364,171)	28,449
Share of exchange difference of associates accounted for using the equity method	(134,618)	(35,317)
Income tax relating to gains on translation of net assets of foreign operations	68,049	(3,375)
Balance, end of year	$ (146,889)	$ 283,851

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

	For the Year Ended December 31	
	2016	**2015**
Balance, beginning of year	$ (45,363)	$ 150,378
Unrealized loss on revaluation of available-for-sale financial assets	57,756	(281,099)
Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	33,602	98,631
Cumulative gain on sale of available-for-sale financial assets reclassified to profit or loss	(22,884)	(1,448)
Share of unrealized loss on revaluation of available-for-sale financial assets of associates accounted for using the equity method	(846)	(11,825)
Balance, end of year	$ 22,265	$ (45,363)

3) Cash flow hedge

	For the Year Ended December 31, 2016
Balance ,beginning of year	$ -
Share of cash flow hedging reserve of associates accounted for using the equity method	(213)
Balance, end of year	$ (213)

f. Non-Controlling Interests

	For the Year Ended December 31	
	2016	2015
Balance, beginning of year	$ 935,471	$ 822,495
Attributable to non-controlling interests		
Share of profit for the year	100,527	98,203
Decrease arising from reduction of subsidiaries	(8,852)	-
Unrealized gain on available-for-sale financial asses	194	-
Exchange difference arising on translation of foreign entities	(75,260)	20
Non-controlling interests arising from acquisition of subsidiaries (Note 24)	-	14,753
Balance, end of year	$ 952,080	$ 935,471

21. NET PROFIT

The details of net profit were as follows:

a. Other income

	For the Year Ended December 31	
	2016	2015
Interest income	$ 22,362	$ 63,028
Rental income	7,648	5,565
Dividends	5,955	13,002
Others (Note 28)	93,137	85,367
	$ 129,102	$ 166,962

b. Other gains and losses

	For the Year Ended December 31	
	2016	2015
Gain on disposal of property, plant and equipment	$ 25,177	$ 761
Gain on sale of available-for-sale financial assets	22,884	1,448
Net foreign exchange loss	(69,895)	(64,074)

(Continued)

	For the Year Ended December 31	
	2016	2015
Loss on financial assets designated as at FVTPL	$ -	$ (4,694)
Impairment loss (Notes 7 and 12)	(61,672)	(98,631)
Other losses	(11,627)	(3,067)
	$ (95,133)	$ (168,257)

(Concluded)

c. Financial costs

	For the Year Ended December 31	
	2016	2015
Interest on bank loans	$ 91,965	$ 89,829
Syndicated loan fee amortization	1,440	2,640
Discount on bonds payable amortization	14,442	14,235
Others	5	355
	$ 107,852	$ 107,059

d. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	$ 101,176	$ 80,272
Intangible assets	6,905	14,770
	$ 108,081	$ 95,042
An analysis of depreciation by function		
Operating costs	$ 68	$ 272
Operating expenses	101,108	80,000
	$ 101,176	$ 80,272
An analysis of amortization by function		
Operating expenses	$ 6,905	$ 14,770

e. Employee benefits expense (recognized in operating expenses)

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	$ 1,107,044	$ 1,083,062
Post-employment benefits		
Defined contribution plans	45,543	42,263
Defined benefit plans (Note 19)	7,609	8,357
	53,152	50,620
	$ 1,160,196	$ 1,133,682

1) Employees’ compensation and Remuneration to directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Company approved by the shareholders in their meeting on June, 2016, the Company accrued employees’ compensation and remuneration of directors and supervisors at the rates no less than 9%-13% and no higher than 2%, respectively, of net profit before income tax, employees’ compensation, and remuneration of directors and supervisors. The employees’ compensation and remuneration to directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Company’s board of directors on March 22, 2017 and March 23, 2016, were 11% and 1.15% of the base net profit ,respectively, the amount were as follows:

	For the Year Ended December 31	
	2016	**2015**
Amount		
Employees’ compensation	$ 160,575	$ 168,963
Remuneration of directors and supervisors	16,787	17,664

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

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

Information on the bonus to employees and remuneration of directors and supervisors resolved by the Corporation’s board of directors in 2016 and 2015 are available at the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus to employees and remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders’ meeting on June 22, 2015 were as follows:

	For the Year Ended December 31,2014
	Cash
Bonus to employees	$ 191,041
Remuneration of directors and supervisors	19,694

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the bonus to employees and remuneration to directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain and loss on foreign currency exchange

	For the Year Ended December 31	
	2016	2015
Foreign currency exchange gains	$ 878,411	$ 944,538
Foreign currency exchange losses	(948,306)	(1,008,612)
Net losses	$ (69,895)	$ (64,074)

22. INCOME TAX

a. The major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	$ 267,144	$ 304,154
Additional 10% income tax on unappropriated earnings	37,169	37,968
In respect of prior periods	1,728	34,197
Others	7,383	4,517
	313,424	380,836
Deferred tax		
In respect of the current year	112,327	45,420
Income tax expense recognized in profit or loss	$ 425,751	$ 426,256

The reconciliation of accounting profit and income tax expenses was as follows:

	For the Year Ended December 31	
	2016	2015
Profit before income tax	$ 1,571,668	$ 1,654,609
Income tax expense at the statutory rate of the Group	$ 355,525	$ 378,531
Tax effect of adjusting items		
Nondeductible expenses	14,732	17,468
Dividend income, etc.	(4,740)	(2,679)
Deferred tax on undistributed earnings from associates	(83,766)	(121,366)
Deferred tax on undistributed earnings from subsidiaries	101,286	87,222
Realized investment losses	-	(1,503)
Others	(3,566)	(8,099)
Additional income tax on unappropriated earnings	37,169	37,968
Current adjustments to prior years' tax	1,728	34,197
Others	7,383	4,517
Income tax expense recognized in profit or loss	$ 425,751	$ 426,256

The Corporation applied the statutory income tax rate of 17%. The overseas subsidiaries followed the local regulatory income tax rate as follows:

	For the Year Ended December 31	
	2016	**2015**
Raycong	16.5%	16.5%
Shanghai Yikang	25%	25%
Dong Guan Hua Gang	25%	25%
Wah Lee Japan	40%	40%
Wah Lee Tech	17%	17%
Skypower	20%	20%
Regent King	16.5%	16.5%
Okayama Solar	40%	40%
Sakuragawa Solar	40%	40%
Miyazaki Solar	40%	40%
Huaying	15%	15%
Wah Lee Vietnam	25%	25%

As the status of appropriations in 2017 is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2016	**2015**
Deferred tax		
Remeasurement on defined benefit plan	$ 537	$ 3,756
Translation of foreign operations	68,049	(3,375)
	$ 68,586	$ 381

c. Current tax liabilities

	December 31	
	2016	**2015**
Income tax payable	$ 130,342	$ 163,038

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2016

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Provision for loss on inventories	$ 26,397	$ (2,103)	$ -	$ (1,589)	$ 22,705
Unpaid bonuses	53,155	(9,794)	-	(1,066)	42,295
Unrealized management and consulting expenses	22,224	(6,333)	-	(1,824)	14,067
Provision	13,040	17,771	-	-	30,811
Defined benefit plans	59,052	(823)	537	(38)	58,728

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Doubtful debts	$ 21,457	$ (13,051)	$ -	$ (355)	$ 8,051
Others	14,548	7,161	-	(89)	21,620
	$ 209,873	$ (7,172)	$ 537	$ (4,961)	$ 198,277
Deferred Tax Liabilities					
Temporary differences					
Foreign income accounted for using equity method	$ 710,341	$ 103,241	$ -	$ (2,530)	$ 811,052
Exchange difference on foreign operations	74,792	-	(68,049)	-	6,743
Provision for land value increment	8,894	-	-	-	8,894
Others	1,964	1,914	-	(17)	3,861
	$ 795,991	$ 105,155	$ (68,049)	$ (2,547)	$ 830,550

(Concluded)

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred Tax Assets					
Temporary differences					
Provision for loss on inventories	$ 27,905	$ (1,341)	$ -	$ (167)	$ 26,397
Unpaid bonuses	47,840	5,402	-	(87)	53,155
Unrealized management and consulting expenses	14,942	7,410	-	(128)	22,224
Provision	10,502	2,538	-	-	13,040
Defined benefit plans	56,719	(1,497)	3,756	74	59,052
Doubtful debts	1,600	19,866	-	(9)	21,457
Others	12,110	2,427	-	11	14,548
	$ 171,618	$ 34,805	$ 3,756	$ (306)	$ 209,873
Deferred Tax Liabilities					
Temporary differences					
Foreign income accounted for using equity method	$ 620,887	$ 89,706	$ -	$ (252)	$ 710,341
Exchange difference on foreign operations	71,417	-	3,375	-	74,792
Provision for land value increment	8,894	-	-	-	8,894
Others	11,507	(9,481)	-	(62)	1,964
	$ 712,705	$ 80,225	$ 3,375	$ (314)	$ 795,991

e. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets.

	December 31	
	2016	2015
Deductible temporary differences		
Impairment of foreign investments	$ 127,883	$ 127,883

f. Integrated income tax

As of December 31, 2016 and 2015, all of the unappropriated earnings were generated after January 1, 1998.

	December 31	
	2016	2015
Imputation credit account	$ 697,546	$ 612,371

	For the Year Ended December 31	
	2016 (Expected)	2015 (Actual)
The creditable ratio for distribution of earnings (%)	16.24	18.03

g. Income tax assessments

The Corporation's tax returns through 2014 have been assessed by the tax authorities.

23. EARNINGS PER SHARE (EPS)

Earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

a. Net profit for the year attributable to the Corporation's shareholders

	For the Year Ended December 31	
	2016	2015
Basic EPS		
Net profit for the year attributable to common shareholders	$ 1,045,390	$ 1,130,150
Effect of dilutive potential ordinary shares		
Convertible bonds	14,442	14,235
Earnings used in the computation of diluted earnings per share	$ 1,059,832	$ 1,144,385

b. Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2016	2015
Weighted average number of ordinary shares outstanding used in computation of basic earnings per share	231,390	231,390
Effect of dilutive potential ordinary shares		
Convertible bonds	16,393	15,456
Bonus shares issued to employees	4,335	7,739
Weighted average number of ordinary shares outstanding used in computation of diluted earnings per share	252,118	254,585

The Group is allowed to settle compensation paid to employees in cash or shares; therefore, in the computation of diluted earnings per share (except the effect of dilutive convertible bonds), the Group assumes the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Hong Kong Meidi Investment (Holding) Ltd. (Meidi)	International investment	October 26, 2015	80	$ 122,503

Meidi was acquired in order to continue the expansion of the Group's operations.

b. Considerations transferred

The Group acquired Meidi by full payment of cash for consideration. Acquisition-related costs amounting to $4,715 thousand were excluded from the consideration transferred and recognized as an expense in the current year, within the other expenses line item of general and administrative expenses in the consolidated statement of comprehensive income.

c. Assets acquired and liabilities assumed at the date of acquisition

	Meidi
Current assets	
Cash	$ 1
Noncurrent assets	
Available-for-sale financial assets - noncurrent	73,764
	$ 73,765

d. Goodwill recognized on acquisition

	Meidi
Consideration transferred	$ 122,503
Plus: Non-controlling interests (20% in Meidi)	14,753
Less: Fair value of identifiable net assets acquired	(73,765)
Goodwill recognized on acquisition	$ 63,491

Goodwill arose in the acquisition of Meidi because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on acquisition of subsidiaries

	Meidi
Consideration paid in cash	$ 122,503
Less: Cash and cash equivalent balances acquired	(1)
	$ 122,502

25. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of warehouses with lease terms up to November 31, 2018. The Corporation does not have a bargain purchase option to acquire the leased warehouses at the expiry of the lease periods.

As of December 31, 2016 and 2015, refundable deposits paid under operating leases were both $5,500 thousand.

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

	December 31	
	2016	2015
Not later than 1 year	$ 12,776	$ 24,105
Later than 1 year and not later than 5 years	8,250	21,026
	$ 21,026	$ 45,131

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31	
	2016	2015
Minimum lease payment	$ 24,105	$ 21,596

26. CAPITAL MANAGEMENT

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

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

The key management personnel of the Group review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risk associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

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

27. FINANCIAL INSTRUMENTS

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

1) Carrying amounts and fair value of financial liabilities that have significant difference

	Book value	Fair value
December 31, 2016		
Financial liabilities measured at amortized cost		
Convertible bonds	$ 1,006,554	$ 1,011,300
December 31, 2015		
Financial liabilities measured at amortized cost		
Convertible bonds	$ 992,112	$ 1,001,800

2) Fair value hierarchy

The fair value hierarchy of convertible bond is Level 3.

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
December 31, 2016				
Available-for-sale financial assets				
Securities listed in the ROC	$ 41,405	$ -	$ -	$ 41,405
Unlisted securities	-	4,697	464,131	468,828
Mutual funds	266,394	-	-	266,394
Securities listed in other countries	60,166	-	-	60,166
	$ 367,965	$ 4,697	$ 464,131	$ 836,793
December 31, 2015				
Available-for-sale financial assets				
Securities listed in the ROC	$ 72,125	$ -	$ -	$ 72,125
Unlisted securities	-	7,296	419,479	426,775
Mutual funds	276,863	-	-	276,863
Securities listed in other countries	20,663	-	-	20,663
	$ 369,651	$ 7,296	$ 419,479	$ 796,426

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2016 and 2015.

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

	For the Year Ended December 31	
	2016	2015
Available-for-sale financial assets		
Unlisted securities		
Balance, beginning of year	$ 419,479	$ 458,231
Recognized in profit or loss	-	(98,631)
Recognized in other comprehensive income	88,911	(121,885)
Purchases	-	108,000
Arising from business combination	-	73,764
Disposal	(44,259)	-
Balance, end of year	$ 464,131	$ 419,479

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Emerging market shares	Reference trading market observed evidence of price assessment.

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

a) Unlisted shares

The Group held unlisted shares which were measured at fair value. Fair value was estimated based on the investee's latest book value.

b) Convertible bonds

The fair value of the liability component of convertible bonds was estimated using binary tree convertible bonds evaluation model of stock price volatility, risk-free interest rate, the discount rate risk and liquidity risk, etc.

c. Categories of financial instruments

	December 31	
	2016	2015
Financial assets		
Loans and receivables (Note 1)	$ 13,636,212	$ 14,128,087
Available-for-sale financial assets	836,793	796,426
Financial liabilities		
At amortized cost (Note 2)	12,474,719	14,426,145

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and trade receivable (including related parties), other receivables (including related parties), other financial assets and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes and trade payable (including related parties), other payables (including related parties), long-term loans (including current portion), bonds payable and deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity investment, notes and trade receivable, other financial assets, notes and trade payable, bonds payable, bank loans etc. The Group's Corporate Treasury function provides services to the business units and monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities expose it primarily to the financial risks as follows:

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the USD, RMB and JPY.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the relevant foreign currencies. A change of 1% is the sensitivity range used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included external deposits and loans, receivables and payables. A positive number below indicates a decrease in pre-tax profit assuming the functional currency strengthened by 1% against the relevant currency. For a 1% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	Foreign Currency Impact For the Year Ended December 31	
	2016	**2015**
USD	$ 6,971	$ (9,227)
RMB	1,138	3,838
JPY	988	(1,205)

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	December 31	
	2016	**2015**
Fair value interest rate risk		
Financial liabilities	$ 1,006,554	$ 992,112
Cash flow interest rate risk		
Financial assets	2,091,008	2,556,956
Financial liabilities	2,852,825	4,296,832

Sensitivity analysis

The sensitivity analysis below shows the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the years ended December 31, 2016 and 2015. A change of 1% increase or decrease was used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2016 and 2015 would have been lower/higher by $7,618 thousand and $17,399 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and loans.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities and mutual funds. The Group manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk was mainly concentrated on technology-related listed stocks in Taiwan.

Sensitivity analysis

The sensitivity analysis below shows the exposure to equity price risk at the end of the reporting period.

If equity prices had been 1% higher/lower, the other comprehensive income for the year ended December 31, 2016 and 2015 would have been higher/lower by $8,368 thousand and $7,964 thousand as a result of changes in fair value of available-for-sale investments.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and due to enforcement of financial guarantees provided by the Group could comprise the following:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantees issued by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by setting credit limits of counterparties annually.

The concentration of credit risk was limited due to the fact that the customer base was large and unrelated.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rate, the undiscounted amount was estimated by the interest rate at the end of the reporting period.

	Less than 3 Months	**3-12 Months**	**1-3 Years**	**3+ Years**	**Total**
December 31, 2016					
Non-derivative financial liabilities					
Non-interest bearing	$ 6,548,003	$ 674,837	$ -	$ -	$ 7,222,840
Variable interest rate liabilities	596,672	222,407	1,634,575	517,115	2,970,769
Fixed interest rate liabilities	1,306,710	1,102,661	-	-	2,409,371
Financial guarantee contracts	768,261	-	-	-	768,261
	$ 9,219,646	$ 1,999,905	$ 1,634,575	$ 517,115	$ 13,371,241
December 31, 2015					
Non-derivative financial liabilities					
Non-interest bearing	$ 5,863,977	$ 1,256,516	$ -	$ -	$ 7,120,493
Variable interest rate liabilities	1,205,237	590,280	1,965,161	645,164	4,405,842
Fixed interest rate liabilities	1,222,853	798,755	1,015,075	-	3,036,683
Financial guarantee contracts	718,144	-	-	-	718,144
	$ 9,010,211	$ 2,645,551	$ 2,980,236	$ 645,164	$ 15,281,162

The amounts included above for financial guarantee contracts were the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers it is more likely than not that no amount will be payable under the arrangement.

The amounts included above for variable interest rate non-derivative financial liabilities are subject to change if variable interest rates differ from those estimates of interest rates at the end of the reporting period.

e. Transfers of financial assets

The Group signed a discounted notes receivable agreement with a bank. If the notes receivable are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these notes receivable, it continues to recognize the full carrying amount of the notes receivable and has recognized the cash received on the transfer as a secured loan (Note 14).

The carrying amount of the notes receivable that have been transferred but have not been derecognized that is equal to the carrying amount of the related loans were $103,657 thousand as of December 31, 2015.

28. RELATED PARTY TRANSACTIONS

Balances and transactions between and among the entities in the Group had been eliminated on consolidation and not disclosed in this note. Except as disclosed in other notes, details of the transactions between the Group and other related parties are disclosed below.

a. Operating transactions

1) Sales of goods

	For the Year Ended December 31	
	2016	**2015**
Related parties types		
Associates and their subsidiaries	$ 414,750	$ 292,845
Other related parties	33,547	18,200
	$ 448,297	$ 311,045

The other related parties above included the chairman’s relatives and the companies that have the Corporation as institutional director.

The selling prices and collection terms of sales to related parties were similar to third parties.

2) Purchase of goods

	For the Year Ended December 31	
	2016	2015
Related parties types		
Associates and their subsidiaries	$ 538,714	$ 555,738
Other related parties	1,258,343	1,097,259
	$ 1,797,057	$ 1,652,997

The other related parties above included the chairman's relatives, the chairman as the companies' director and the companies that have the Corporation as institutional director.

The purchases from related parties were made under arm's length terms and prices and did not have similar transactions in the market for comparison; payment terms were similar to third parties.

3) Commission income and expenses

	For the Year Ended December 31	
	2016	2015
Commission income		
Associates	$ -	$ 101
Commission expenses		
Other related parties	$ 1,718	$ 2,060

4) Receivables from related parties

	December 31	
	2016	2015
Trade receivable - related parties		
Associates and their subsidiaries	$ 126,813	$ 98,887
Other related parties	5,163	1,850
	131,976	100,737
Less: Allowance for doubtful accounts	275	240
	$ 131,701	$ 100,497
Other receivables - related parties		
Associates and their subsidiaries	$ 2,981	$ 5,244
Other related parties	18,869	28
	$ 21,850	$ 5,272

The outstanding trade receivables from related parties are unsecured.

5) Payables to related parties

	December 31 2016	December 31 2015
Notes payable - related parties		
Associates and their subsidiaries	$ 1,760	$ 642
Other related parties	274,643	249,638
	$ 276,403	$ 250,280
Trade payable - related parties		
Associates and their subsidiaries	$ 110,323	$ 86,257
Other related parties	160,911	179,245
	$ 271,234	$ 265,502
Other payables		
Associates and their subsidiaries	$ 52	$ 39
Other related parties	565	860
	$ 617	$ 899

The outstanding payables to related parties are unsecured and will be settled in cash.

b. Management consulting service income

The management services agreements, industry consulting and SAP-use contracts were signed by the Corporation and related parties, and the contracts expired on various dates with December 31, 2016 as the latest. According to the agreements and contracts, the Corporation provided certain management services to related parties. Consulting and service fee recognized as nonoperating income was as follows:

	For the Year Ended December 31 2016	For the Year Ended December 31 2015
Associates and their subsidiaries	$ 7,664	$ 10,548

c. Rental income

The Corporation rented parts of buildings and computer software to related parties. The leases on the buildings will expire on various dates with June 2017 as the latest, and the lease on computer software expired in December 2016. The rental income was as follows:

Related Parties Types	For the Year Ended December 31 2016	For the Year Ended December 31 2015
Associates	$ 4,481	$ 4,641
Other related parties	48	48
	$ 4,529	$ 4,689

d. Endorsements and guarantees and related fee income

1) Endorsements and guarantees

Related Parties Types	December 31 2016	December 31 2015
Associates and their subsidiaries	$ 1,089,775	$ 1,185,513
Other related parties	25,194	25,194
	$ 1,114,969	$ 1,210,707

2) Fee income from endorsements and guarantees

Related Parties Types	For the Year Ended December 31 2016	For the Year Ended December 31 2015
Associates	$ 502	$ 444
Other related parties	67	35
	$ 569	$ 479

e. Compensation of key management personnel

The amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31 2016	For the Year Ended December 31 2015
Short-term employee benefits	$ 101,457	$ 94,282
Post-employment benefits	1,966	2,145
Other long-term employee benefits	322	322
	$ 103,745	$ 96,749

The remuneration of directors, supervisors and other key management was determined by the remuneration committee having regard to the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL

The Group provided the following assets at carrying amounts as collaterals for part of short-term loans and long-term loans, subsidiaries from the Bureau of Foreign Trade Ministry of Economic Affairs, commitments to vendors, and guarantee for payment of tariffs on imported merchandise.

	December 31	
	2016	2015
Notes receivable	$ -	$ 103,657
Other financial assets - current		
Pledged deposits	-	310
Property, plant and equipment		
Freehold land	128,310	128,046
Buildings	290,225	302,648
Machinery and equipment	268,750	314,502
Miscellaneous equipment	1,807	-
	$ 689,092	$ 849,163

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 25, significant commitments and contingencies of the Group at each balance sheet date were as follows:

a. The Group had unused letters of credit for purchase of merchandise as follows:

	December 31	
	2016	2015
USD	$ 45,342	$ 6,940
JPY	100,585	355,531
EUR	1,108	-
RMB	769	824

b. Unrecognized commitments were as follows:

	December 31	
	2016	2015
Acquisition of property, plant and equipment	$ 43,066	$ 289,210

In 2015, the Corporation entered into contracts with third parties for building warehouse in Hsinchu. The total amount of the contracts is $199,427 thousand. As of December 31, 2016, the amount paid to the third parties was $156,361 thousand and was recognized as construction in progress. The future payment will be made according to the construction progress and the completion date is estimated as March 2017.

c. As of December 31, 2016, the guarantee notes for purchases of goods was $278,286 thousand (RMB60,000 thousand).

d. The Corporation offered financial guarantees for related parties as stated in Note 28.

31. EXCHANGE RATE INFORMATION OF FOREIGN CURRENCY FINANCIAL ASSETS AND LIABILITIES

The significant financial assets and financial liabilities denominated in foreign currencies were as follows (amounts are in thousands, except exchange rate):

	Foreign Currency Amount	Exchange Rate		Carrying Amount
December 31, 2016				
Monetary financial assets				
USD	$ 137,038	32.25	(USD:NTD)	$ 4,419,464
USD	42,656	7.76	(USD:HKD)	1,375,653
USD	21,870	6.953	(USD:RMB)	705,304
USD	40	25,000	(USD:VND)	1,286
RMB	42,818	4.6381	(RMB:NTD)	198,593
RMB	3,107	1.1155	(RMB:HKD)	14,409
JPY	1,541,068	0.2756	(JPY:NTD)	424,718
JPY	336,720	0.0663	(JPY:HKD)	92,800
JPY	656,467	0.0594	(JPY:RMB)	180,922
Nonmonetary financial assets				
Investments accounted for using equity method				
USD	8,316	32.25	(USD:NTD)	268,191
RMB	138,102	4.6381	(RMB:NTD)	640,528
RMB	747,635	1.1155	(RMB:HKD)	3,467,719
JPY	1,156,270	0.2756	(JPY:NTD)	318,668
HKD	1,076,968	4.158	(HKD:NTD)	4,478,032
VND	16,778,158	0.00129	(VND:NTD)	21,644
Monetary financial liabilities				
USD	105,731	32.25	(USD:NTD)	3,409,822
USD	21,954	7.76	(USD:HKD)	708,018
USD	50,708	6,953	(USD:RMB)	1,635,326
USD	1,595	25,000	(USD:VND)	51,451
RMB	326	1.1155	(RMB:HKD)	1,512
RMB	21,054	4.6381	(RMB:NTD)	97,649
JPY	1,297,903	0.2756	(JPY:NTD)	357,702
JPY	145,806	0.0663	(JPY:HKD)	40,184
JPY	732,090	0.0594	(JPY:RMB)	201,764
December 31, 2015				
Monetary financial assets				
USD	154,296	32.825	(USD:NTD)	5,064,779
USD	37,155	7.75	(USD:HKD)	1,219,621
USD	21,380	6.493	(USD:RMB)	701,804
USD	277	13,508.23	(USD:IDR)	9,084
USD	19	23,280.14	(USD:VND)	617
RMB	88,353	5.0554	(RMB:NTD)	446,666
RMB	386	1.1937	(RMB:HKD)	1,952
JPY	1,805,630	0.2727	(JPY:NTD)	492,395
JPY	302,398	0.0644	(JPY:HKD)	82,464
JPY	15,873	0.0083	(JPY:USD)	4,329
JPY	612,761	0.0539	(JPY:RMB)	167,100

(Continued)

	Foreign Currency Amount	Exchange Rate		Carrying Amount
Nonmonetary financial assets				
Investments accounted for using equity method				
USD	$ 7,366	32.825	(USD:NTD)	$ 241,776
RMB	125,421	5.0554	(RMB:NTD)	634,058
RMB	613,798	1.1937	(RMB:HKD)	2,134,424
JPY	1,113,969	0.2727	(JPY:NTD)	303,779
HKD	1,016,599	4.235	(HKD:NTD)	4,305,297
VND	11,585,002	0.00141	(VND:NTD)	16,335
Monetary financial liabilities				
USD	149,010	32.825	(USD:NTD)	4,891,263
USD	14,750	7.75	(USD:HKD)	484,168
USD	77,247	6.493	(USD:RMB)	2,535,626
USD	230	23,280.14	(USD:VND)	7,522
RMB	917	5.0554	(RMB:NTD)	4,637
RMB	11,896	1.1937	(RMB:HKD)	60,140
JPY	2,099,768	0.2727	(JPY:NTD)	572,607
JPY	208,818	0.0644	(JPY:HKD)	56,945
JPY	870,034	0.0539	(JPY:RMB)	237,258
SGD	3,257	0.7083	(SGD:USD)	75,727

(Concluded)

For the years ended December 31, 2016 and 2015, realized and unrealized net foreign exchange losses were $69,895 thousand and $64,074 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is distinguished by operating area and categories of merchandise and service. The Group’s reportable segments were as follows:

- Wah Lee Industrial Corporation (“Wah Lee”) is mainly engaged in the import/export and agency business of composite materials, engineering plastic, printed circuit board, semiconductor, and computer related manufacturing materials and equipment.

- Raycong Industrial (H.K.) Ltd. and its subsidiary Dong Guan Hua Gang International Trading Co., Ltd. and Huaying Supply Chain Management (Shenzhen) Co., Ltd. (“Raycong”) are mainly engaged in the trade of engineering plastic, composite materials and equipment.

- Shanghai Yikang Chemicals and Industrials Co., Ltd. (“Shanghai Yikang”) is mainly engaged in trade of manufacturing materials and import/export business.

- Others - Other subsidiaries which were below the quantitative threshold were not listed as reportable segments. Please refer to Note 11 for details.

Segment revenues and results

a. The following was an analysis of the Group's revenue and results from operations by reportable segment:

	Wah Lee	Raycong	Shanghai Yikang	Others	Adjustment and Elimination	Total
For the year ended December 31, 2016						
Revenues from external customers	$ 20,661,673	$ 8,295,364	$ 8,958,045	$ 1,626,719	$ -	$ 39,541,801
Inter-segment revenues	4,096,446	188,563	222,020	483,940	(4,990,969)	-
Segment revenues	$ 24,758,119	$ 8,483,927	$ 9,180,065	$ 2,110,659	$ (4,990,969)	$ 39,541,801
Segment operating income	$ 529,754	$ 444,050	$ 416,648	$ 48,934	$ -	$ 1,439,386
Other income	57,831	12,201	43,300	15,770	-	129,102
Other gains and losses	(63,707)	(44,825)	(26,573)	39,972	-	(95,133)
Financial costs	(69,990)	(16,892)	(1,959)	(19,011)	-	(107,852)
Profit before income tax	453,888	394,534	431,416	85,665	-	1,365,503
Income tax expense	(237,021)	(71,097)	(106,104)	(11,529)	-	(425,751)
Net profit after tax	$ 216,867	$ 323,437	$ 325,312	$ 74,136	$ -	$ 939,752
Share of profit or loss of associates						206,165
Consolidated net profit						$ 1,145,917
Identifiable assets	$ 10,909,923	$ 4,591,784	$ 4,679,300	$ 2,136,294	$ (1,677,126)	$ 20,640,175
Goodwill						58,587
Investment accounted for using equity method						4,219,655
Total assets						$ 24,918,417
Total liabilities	$ 10,366,165	$ 2,213,753	$ 1,915,056	$ 1,235,544	$ (1,650,349)	$ 14,080,169
For the year ended December 31, 2015						
Revenues from external customers	$ 22,794,014	$ 7,305,778	$ 8,749,603	$ 1,194,270	$ -	$ 40,043,665
Inter-segment revenues	4,728,165	162,272	150,312	519,169	(5,559,918)	-
Segment revenues	$ 27,522,179	$ 7,468,050	$ 8,899,915	$ 1,713,439	$ (5,559,918)	$ 40,043,665
Segment operating income	$ 461,060	$ 371,610	$ 475,672	$ 33,440	$ -	$ 1,341,782
Other income	70,130	15,835	71,865	9,132	-	166,962
Other gains and losses	(85,199)	(50,866)	(42,827)	10,635	-	(168,257)
Financial costs	(70,413)	(15,904)	(8,371)	(12,371)	-	(107,059)
Profit before income tax	375,578	320,675	496,339	40,836	-	1,233,428
Income tax expense	(218,390)	(62,074)	(136,680)	(9,112)	-	(426,256)
Net profit after tax	$ 157,188	$ 258,601	$ 359,659	$ 31,724	$ -	807,172
Share of profit or loss of associates						421,181
Consolidated net profit						$ 1,228,353
Identifiable assets	$ 11,995,774	$ 4,951,956	$ 5,063,433	$ 2,164,927	$ (2,005,733)	$ 22,170,357
Goodwill						97,058
Investment accounted for using equity method						4,463,950
Total assets						$ 26,731,365
Total liabilities	$ 11,593,336	$ 2,722,833	$ 2,352,011	$ 1,301,068	$ (1,962,647)	$ 16,006,601

Segment profit represented the profit before tax earned by each segment without share of profits of associates. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. For the purpose of monitoring segment performance and allocating resources between segments, all assets were allocated to reportable segments other than interests in associates accounted for using the equity method.

b. Other segment information

	Depreciation and amortization For the Year Ended December 31		Noncurrent assets increase in the current year For the Year Ended December 31	
	2016	2015	2016	2015
Wah Lee Industrial	$ 51,860	$ 44,999	$ 182,418	$ 83,472
Shanghai Yikang	12,004	12,905	49,713	17,073
Raycong	9,595	12,256	96,274	12,018
Others	34,622	24,882	19,178	554,473
	$ 108,081	$ 95,042	$ 347,583	$ 667,036

c. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2016	2015
IT Industry	$ 13,959,603	$ 13,079,546
Semiconductor Industry	9,470,860	8,539,309
Opto-electronics	4,317,268	6,659,351
PCB Industry	3,525,348	3,133,786
FPD Industry	6,163,679	6,798,887
Others	2,105,043	1,832,786
	$ 39,541,801	$ 40,043,665

d. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its noncurrent assets by location of assets are detailed below.

	Revenue from External Customers Year Ended December 31		Noncurrent Assets December 31	
	2016	2015	2016	2015
Taiwan	$ 13,743,174	$ 13,956,193	$ 1,170,447	$ 1,039,889
China	20,828,139	20,947,219	379,284	306,755
Others	4,970,488	5,140,253	838,479	1,187,422
	$ 39,541,801	$ 40,043,665	$ 2,388,210	$ 2,534,066

Noncurrent assets exclude noncurrent assets classified as financial instruments, deferred tax assets, and goodwill.

e. Information about major customers

No single customer contributed 10% or more of the Group's revenue for the year ended December 31 2016 and 2015.