Wah Lee Industrial Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 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, 2017 and 2016, 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 to 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, 2017 and 2016, 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, 2017. 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, 2017 are discussed as follows:

<u>Evaluation of Trade Receivables Collectability</u>

The trade receivables of the Group as of December 31, 2017 was NT$10,815,442 thousand, representing 39% of total consolidated assets. We considered the trade receivables collectability as one of the key audit matters.
The Group reviewed the collection of trade receivables regularly, and individually assessed trade receivables

that were past due or had impairment concerns, then assessed allowance for doubtful accounts based on the aging of trade receivables.

Our key audit procedures performed included the following:

1. We examined the existence of the balance of trade receivable on a test basis, including making confirmation of balance of trade receivables on the balance sheet date, and checking the collection after the balance sheet date, original customers' purchase orders, shipping orders or other records.

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

3. We evaluated the account balance of allowance for doubtful trade receivables by reviewing the evaluation documentation of individual trade receivables with impairment concerns, past experience on collection of receivables 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 follows:

1. We obtained the inventory aging report by inventory code and assessed, on a test basis, the correctness of inventory aging classification.

2. We 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. We 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 year ended December 31, 2016, were audited by other independent auditors; accordingly, our opinion 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, representing 3% of total consolidated assets as of December 31, 2016; and reflected total operating revenue of NT$1,239,160 thousand, representing 3% of total consolidated operating revenue for the year ended December 31, 2016. The carrying value of the investments accounted for using equity method was NT$671,351 thousand, representing 3% of total consolidated assets as of December 31, 2016; and the share of profit of associates was NT$58,221 thousand, representing 4% of consolidated profit before income tax for the year ended December 2016.

We have also audited the parent company only financial statements of Wah Lee Industrial Corporation as of and for the years ended December 31, 2017 and 2016 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, 2017 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 26, 2018

<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, 2017		December 31, 2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,450,213	9	$ 2,465,568	10
Available-for-sale financial assets - current (Notes 4 and 7)	127,446	1	285,731	1
Notes receivable (Notes 4, 5, 8, 29 and 30)	1,789,902	7	1,243,859	5
Trade receivables, net (Notes 4, 5 and 8)	10,718,844	39	9,558,550	38
Trade receivables - related parties (Notes 4, 5, 8 and 29)	96,598	-	131,701	1
Other receivables	41,985	-	44,578	-
Other receivables - related parties (Note 29)	7,396	-	21,850	-
Inventories (Notes 4, 5 and 9)	3,811,771	14	3,173,030	13
Other financial assets - current (Notes 4, 10 and 30)	46,458	-	83,154	-
Other current assets (Note 29)	752,241	3	407,653	2
Total current assets	19,842,854	73	17,415,674	70
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4 and 7)	670,850	3	551,062	2
Investments accounted for using equity method (Notes 4 and 12)	4,372,941	16	4,219,655	17
Property, plant and equipment (Notes 4, 13 and 30)	1,983,218	7	2,322,312	9
Goodwill (Note 4)	56,874	-	58,587	-
Computer software	8,600	-	2,762	-
Deferred tax assets (Notes 4 and 22)	237,775	1	198,277	1
Prepayments for equipment (Note 31)	15,513	-	808	-
Refundable deposits (Note 26)	84,265	-	86,952	1
Other noncurrent assets	59,537	-	62,328	-
Total noncurrent assets	7,489,573	27	7,502,743	30
TOTAL	$ 27,332,427	100	$ 24,918,417	100

	December 31, 2017		December 31, 2016	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Notes 14 and 30)	$ 3,700,990	13	$ 2,133,852	9
Notes payable (Note 15)	551,080	2	583,182	2
Notes payable - related parties (Notes 15 and 29)	321,117	1	276,403	1
Trade payables (Note 15)	5,178,939	19	5,204,673	21
Trade payables - related parties (Notes 15 and 29)	272,859	1	271,234	1
Other payables (Notes 18 and 29)	1,059,547	4	887,348	4
Current tax liabilities (Notes 4 and 22)	219,788	1	130,342	1
Provisions - current (Note 4)	172,248	1	166,485	1
Current portion of long-term debts (Notes 16, 17 and 30)	31,908	-	1,044,391	4
Other current liabilities	171,580	1	117,509	-
Total current liabilities	11,680,056	43	10,815,419	44
NONCURRENT LIABILITIES				
Long-term debts (Note 16 and 30)	2,555,689	10	2,073,211	8
Provision - noncurrent (Note 4)	14,760	-	14,760	-
Net defined benefit liabilities - noncurrent (Notes 4 and 19)	341,217	1	345,804	2
Guarantee deposits received	3,020	-	425	-
Deferred tax liabilities (Notes 4 and 22)	896,294	3	830,550	3
Total noncurrent liabilities	3,810,980	14	3,264,750	13
Total liabilities	15,491,036	57	14,080,169	57
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 20)				
Share Capital	2,313,901	8	2,313,901	9
Capital surplus	1,440,508	5	1,378,680	6
Retained earnings				
Legal reserve	1,809,112	6	1,704,573	7
Special reserve	197,138	1	72,302	-
Unappropriated earnings	5,103,755	19	4,541,549	18
Total retained earnings	7,110,005	26	6,318,424	25
Other equity	(78,160)	-	(124,837)	(1)
Total equity attributable to owners of the Company	10,786,254	39	9,886,168	39
NON-CONTROLLING INTERESTS (Notes 20, 24 and 25)	1,055,137	4	952,080	4
Total equity	11,841,391	43	10,838,248	43
TOTAL	$ 27,332,427	100	$ 24,918,417	100

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

(With Deloitte & Touche auditors' report dated March 26, 2018)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31			
	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 29)	$ 42,915,920	100	$ 39,541,801	100
OPERATING COSTS (Notes 9, 21 and 29)	38,998,979	91	35,787,422	90
GROSS PROFIT	3,916,941	9	3,754,379	10
OPERATING EXPENSES (Notes 19 and 21)				
Selling and marketing expenses	2,030,762	4	1,928,181	5
General and administrative expenses	426,283	1	386,812	1
Total operating expenses	2,457,045	5	2,314,993	6
OPERATING INCOME	1,459,896	4	1,439,386	4
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 21 and 29)	85,690	-	129,102	-
Gain from bargain purchase - acquisition of subsidiaries (Note 24)	10,953	-	-	-
Other gains and losses (Note 21)	67,740	-	(95,133)	-
Finance costs (Note 21)	(107,919)	-	(107,852)	-
Share of profit of associates	453,847	1	206,165	-
Total non-operating income and expenses	510,311	1	132,282	-
PROFIT BEFORE INCOME TAX	1,970,207	5	1,571,668	4
INCOME TAX EXPENSE (Notes 4 and 22)	432,201	1	425,751	1
NET PROFIT FOR THE YEAR	1,538,006	4	1,145,917	3
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	(16,136)	-	(3,159)	-
Share of the remeasurement of the defined benefit plans of associates accounted for using the equity method	(2,917)	-	(4,927)	-
Income tax relating to items that will not be reclassified subsequently to profit (Note 22)	2,743	-	537	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 20)	(150,381)	-	(439,431)	(1)

(Continued)

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			
	2017		2016	
	Amount	%	Amount	%
Unrealized gain on available-for-sale financial assets (Note 20)	$ 154,582	-	$ 68,668	-
Share of other comprehensive gain (loss) of associates (Note 20)	9,414	-	(135,677)	-
Income tax relating to items that may be reclassified subsequently to profit (Note 22)	21,535	-	68,049	-
Other comprehensive income (loss) for the year, net of income tax	18,840	-	(445,940)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,556,846	4	$ 699,977	2
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,409,506	3	$ 1,045,390	3
Non-controlling interests	128,500	1	100,527	-
	$ 1,538,006	4	$ 1,145,917	3
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 1,439,873	4	$ 674,516	2
Non-controlling interests	116,973	-	25,461	-
	$ 1,556,846	4	$ 699,977	2
EARNINGS PER SHARE (Note 23)				
Basic	$ 6.09		$ 4.52	
Diluted	$ 5.78		$ 4.20	

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

(With Deloitte & Touche auditors’ report dated March 26, 2018) (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 the Financial Statements of Foreign Operations	Cash Flow Hedges	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Subtotal	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2016	$ 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)
Changes in capital surplus from investments in associates accounted for by using equity method	-	47,112	-	-	-	-	-	-	47,112	-	47,112
Net profit for the year ended 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-controlling 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
Appropriation of 2016 earnings (Note 20)											
Legal reserve	-	-	104,539	-	(104,539)	-	-	-	-	-	-
Special reserve	-	-	-	124,836	(124,836)	-	-	-	-	-	-
Cash dividends distributed by the Company - 26%	-	-	-	-	(601,615)	-	-	-	(601,615)	-	(601,615)
	-	-	104,539	124,836	(830,990)	-	-	-	(601,615)	-	(601,615)
Changes in capital surplus from investments in associates accounted for by using equity method	-	61,828	-	-	-	-	-	-	61,828	-	61,828
Disposal of subsidiary (Note 20)	-	-	-	-	-	-	-	-	-	(75,258)	(75,258)
Net profit for the year ended December 31, 2017	-	-	-	-	1,409,506	-	-	-	1,409,506	128,500	1,538,006
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax (Note 20)	-	-	-	-	(16,310)	(137,335)	213	183,799	30,367	(11,527)	18,840
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,393,196	(137,335)	213	183,799	1,439,873	116,973	1,556,846
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	61,342	61,342
BALANCE AT DECEMBER 31, 2017	$ 2,313,901	$ 1,440,508	$ 1,809,112	$ 197,138	$ 5,103,755	$ (284,224)	$ -	$ 206,064	$ 10,786,254	$ 1,055,137	$ 11,841,391

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

(With Deloitte & Touche audit report dated March 26, 2018)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,970,207	$ 1,571,668
Adjustments for:		
Depreciation expenses	108,593	101,176
Amortization expenses	2,133	6,905
Impairment losses recognized (reversal of impairment loss) on trade receivables	4,613	(2,409)
Finance costs	107,919	107,852
Interest income	(9,701)	(22,362)
Dividend income	(10,830)	(5,955)
Share of profit of associates	(453,847)	(206,165)
Gain (Loss) on disposal of property, plant and equipment	460	(25,177)
Gain on disposal of investments	(10,469)	(22,884)
Impairment loss on financial assets	-	61,672
Write-down of inventories	56,808	11,638
Net loss on foreign currency exchange	40,841	15,492
Gain on disposal of subsidiaries	(112,577)	-
Others	(2,469)	7,588
Changes in operating assets and liabilities		
Notes receivable	(531,423)	517,751
Trade receivables	(1,229,064)	(416,336)
Trade receivables - related parties	35,103	(31,204)
Other receivables	(12,111)	(61)
Other receivables - related parties	14,434	(16,578)
Inventories	(693,979)	862,023
Other current assets	(345,372)	74,676
Notes payable	(46,073)	171,308
Notes payable - related parties	44,714	26,123
Trade payables	9,476	(157,500)
Trade payables - related parties	12,848	14,614
Other payables	126,113	95,870
Provisions	6,892	104,537
Other current liabilities	45,238	(79,492)
Net defined benefit liabilities	(19,699)	(4,848)
Cash generated from (used in) operations	(891,222)	2,759,922
Interest received	9,701	22,362
Dividends received	370,584	228,560
Interest paid	(94,011)	(94,575)
Income tax paid	(292,214)	(346,120)
Net cash generated from (used in) operating activities	(897,162)	2,570,149

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WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2017	**2016**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	$ (85,025)	$ (50,048)
Proceeds from sale of available-for-sale financial assets	285,531	95,718
Net cash inflow on acquisition of subsidiaries (Note 24)	21,812	-
Net cash inflow on disposal of subsidiaries (Note 25)	267,706	-
Proceeds from capital reduction from associates accounted for using equity method	-	21,989
Payments for property, plant and equipment	(80,710)	(350,704)
Proceeds from disposal of property, plant and equipment	211	386,479
Increase in refundable deposits	(22,468)	(21,014)
Decrease in refundable deposits	32,961	38,559
Payments for intangible assets	(7,983)	(264)
Increase in other financial assets	(70,680)	(114,621)
Decrease in other financial assets	105,089	848,581
Increase in other noncurrent assets	(8,227)	(7,121)
Net cash generated from investing activities	438,217	847,554
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	12,088,235	10,033,753
Repayments of short-term loans	(10,462,548)	(11,551,177)
Repayments of bond payables	(1,015,075)	-
Proceeds from long-term debts	5,500,000	1,539,989
Repayment of long-term debts	(4,882,800)	(2,059,331)
Increase of guarantee deposits received	2,595	-
Decrease of guarantee deposits received	-	4
Cash dividends	(601,615)	(624,753)
Net cash generated from (used in) financing activities	628,792	(2,661,515)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(185,202)	(390,833)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,355)	365,355
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,465,568	2,100,213
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,450,213	$ 2,465,568

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

(With Deloitte & Touche auditors' report dated March 26, 2018) (Concluded)

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, 26, 2018.

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

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

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

   <u>Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers</u>

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

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

Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

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

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

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

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

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

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017.

a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.

b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments 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 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.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

Impact on assets, liabilities and equity	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Financial assets at fair value through profit or loss - current	$ -	$ 67,245	$ 67,245
Financial assets at fair value through other comprehensive income - current	-	60,201	60,201
Financial assets at fair value through other comprehensive income - noncurrent	-	670,850	670,850
Available-for-sale financial assets - current	127,446	(127,446)	-
Available-for-sale financial assets - noncurrent	670,850	(670,850)	-
Total effect on assets	$ 798,296	$ -	$ 798,296
Refrained earning	$ 7,110,005	$ 397,366	$ 7,507,371
Unrealized loss on financial assets at fair value through other comprehensive income	-	(191,302)	(191,302)
Unrealized gain (loss) on available-for-sale financial assets	206,064	(206,064)	-
Total effect on equity	$ 7,316,069	$ -	$ 7,316,069

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

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.

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

a) Identify the contract with the customer;

b) Identify the performance obligations in the contract;

c) Determine the transaction price;

d) Allocate the transaction price to the performance obligations in the contract; and

e) Recognize revenue when the Group satisfies a performance obligation.

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

The anticipated impact on liabilities and equity when retrospectively applying IFRS 15 as of January 1, 2018 is detailed below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Refund liabilities	$ -	$ 172,248	$ 172,248
Provision	172,248	(172,248)	-
Total effect on liabilities	$ 172,248	$ -	$ 172,248

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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

The amendments stipulate 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 over 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.

2) IFRS 16 "Leases"

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

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

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

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

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

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. Impairment of Tangible Assets

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.

l. Financial Instruments

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

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

<u>Financial assets</u>

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

Cash 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, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

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

For a financial asset 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 carried 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 any 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.

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

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

2) Derecognition of financial liabilities

   The difference between the carrying amount of a financial liability derecognized 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 the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

m. Provisions

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

Provisions are measured at the best estimate of discounted cash flows 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.

n. 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) Dividends 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.

o. 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.

p. 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.

q. 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 receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between 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.

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	
	2017	**2016**
Cash on hand	$ 23,809	$ 96,433
Demand deposits	2,259,316	2,033,959
Checking accounts	103,793	5,655
Cash equivalents		
Time deposits with original maturities less than 3 months	63,295	329,521
	$ 2,450,213	$ 2,465,568

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

	December 31	
	2017	**2016**
Time deposits (%)	1.00-1.10	0.30-4.80

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	**2016**
Domestic investments		
Listed shares	$ 113,938	$ 41,405
Emerging market shares	3,721	4,697
Unlisted shares	420,384	341,505
Mutual funds	67,245	266,394
	605,288	654,001
Foreign investments		
Listed shares	60,281	60,166
Unlisted shares	132,727	122,626
	193,008	182,792
	$ 798,296	$ 836,793
Current	$ 127,446	$ 285,731
Noncurrent	670,850	551,062
	$ 798,296	$ 836,793

The Group assessed that part of shares investment were permanently impaired; thus, the Group recognized impairment loss $33,602 thousand the year ended December 31, 2016.

8. NOTES AND TRADE RECEIVABLES, NET

	December 31	
	2017	2016
Notes receivable operating	$ 1,789,933	$ 1,243,859
Less - allowance for doubtful accounts	31	-
	$ 1,789,902	$ 1,243,859
Trade receivables - unrelated parties		
Trade receivables	$ 10,729,301	$ 9,588,524
Less: Allowance for doubtful accounts	10,457	29,974
	$ 10,718,884	$ 9,558,550
Trade receivables - related parties (Note 29)		
Trade receivables	$ 96,598	$ 131,976
Less: Allowance for doubtful accounts	-	275
	$ 96,598	$ 131,701

a. Notes receivable

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 28.

b. Trade receivables

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 receivables since the date credit was initially granted to each balance sheet date. The Group assessed the trade receivables 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 receivables 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 receivables was as follows:

	December 31	
	2017	2016
Less than and up to 90 days	$ 8,678,122	$ 7,641,213
91-150 days	1,747,181	1,637,152
151-180 days	101,573	186,177
More than 181 days	299,023	255,958
	$ 10,825,899	$ 9,720,500

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

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

	December 31	
	2017	2016
More than 181 days	$ -	$ 344

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

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 9,042	$ 21,207	$ 30,249
Impairment losses recognized on accounts receivable	873	3,740	4,613
Amounts from consolidated subsidiaries	-	411	411
Amounts written off during the year as uncollectible	(4,177)	(19,894)	(24,071)
Foreign exchange translation gains and losses	(89)	(625)	(714)
Balance at December 31, 2017	$ 5,649	$ 4,839	$ 10,488
Balance at January 1, 2016	$ 152,682	$ 21,338	$ 174,020
Impairment losses recognized on trade receivables	-	6,640	6,640
Amounts written off during the year as uncollectible	(133,195)	(5,030)	(138,225)
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

Ages of individually impaired trade receivable were as follows:

	December 31	
	2017	2016
Less than and up to 90 days	$ -	$ 2,319
91-150 days	-	227
151-180 days	-	209
More than 181 days	6,058	13,011
	$ 6,058	$ 15,766

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, 2017 and 2016 was $38,844,755 thousand and $35,717,006 thousand respectively, which included the following items:

	For the Year Ended December 31	
	2017	2016
Provision (Reversal) of loss on inventories	$ 31,758	$ (17,635)
Loss on physical inventories	44	30
Loss on disposal of inventories	25,006	29,243
	$ 56,808	$ 11,638

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

10. OTHER FINANCIAL ASSETS - CURRENT

	December 31	
	2017	2016
Time deposits with original maturity more than 3 months	$ 45,158	$ 83,154
Pledged time deposits (Note 30)	1,300	-
	$ 46,458	$ 83,154
Annual interest rate (%)	1.06-1.20	0.50-2.80

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, 2017	December 31, 2016	Remark
The Corporation	Wah Lee Holding Ltd.	International investment	100.00	100.00	Established in BVI
	Raycong Industrial (H.K.) Ltd.	Trading business of engineering plastic, composite materials and equipment	53.69	53.69	Established in Hong Kong
	Wah Lee Japan Corp.	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, Note l
	Skypower Ltd.	Trading business of solar energy materials and equipment	-	70.00	Established in Japan, Notes 1 and 3

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership December 31, 2017	December 31, 2016	Remark
	Okayama Solar Ltd.	Solar power generation business	99.99	99.99	Established in Japan, Note 1
	Sakuragawa Solar Ltd.	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, Note 1
	Hong Kong Meidi Investment (Holding) Ltd. (Meidi)	International investment	80.00	80.00	Established in Hong Kong, Note 1
	Wah Lee Vietnam Co., Ltd. (Wah Lee Vietnam)	Trading business of industrial materials	100.00	100.00	Established in Vietnam, Note 1
	QuanShun logistics Co., Ltd. (QuanShun Logistics)	Freight forwarders and leasing business	63.33	-	Established in R.O.C. Note 4
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
	Raycong Industrial (H.K.) Ltd.	Trading business of engineering plastic, composite materials and equipment	46.31	46.31	Established in Hong Kong
	Regent King International Limited	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.	Trading business of industrial materials and equipment	100.00	100.00	Established in Dong Guan
	Shanghai Yikang Chemicals and Industries Co., Ltd.	International trading of industrial materials	70.00	70.00	Established in Shanghai
	Huaying Supply Chain Management (Shenzhen) Co., Ltd.	Trading business of industrial materials	100.00	100.00	Established in Shenzhen, Note 1
Shanghai Yikang Chemicals and Industries Co., Ltd. (Shanghai Yikang)	Yadi international Trading Co., (Shanghai) Ltd. (Yadi International)	Trading business of technology	100.00	-	Established in Shanghai, Notes 1 and 2

(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 July 2017, the Group invested \$455 thousand (CNY100 thousand) in Yadi International.

Note 3: The disposal of Skypower Ltd. is disclosed in Note 25.

Note 4: The acquisition of Quan Shun Logistics is disclosed in Note 24.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2017	**2016**
Investments in associates		
Material associates		
Chang Wah Electromaterials Inc.	$ 1,847,075	$ 1,686,935
Associates that are not individually material	2,525,866	2,532,720
	$ 4,372,941	$ 4,219,655

a. Material associates

	Proportion of Ownership and Voting Rights December 31	
Name of Associate	**2017**	**2016**
Chang Wah Electromaterials Inc.	30.98%	30.98%

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

	December 31	
Name of Associate	**2017**	**2016**
Chang Wah Electromaterials Inc.	$ 2,849,791	$ 2,651,889

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	
	2017	**2016**
Current assets	$ 9,008,597	$ 5,261,814
Noncurrent assets	6,962,211	4,176,607
Current liabilities	(4,897,902)	(2,938,086)
Noncurrent liabilities	(2,499,423)	(633,531)
Equity	8,573,483	5,866,804
Non-controlling interests	(2,829,039)	(639,269)
	$ 5,744,444	$ 5,227,535
Proportion of the Group's ownership (%)	30.98	30.98
Equity attributable to the Group	$ 1,779,648	$ 1,619,508
Goodwill	67,427	67,427
Carrying amount	$ 1,847,075	$ 1,686,935

	For the Year Ended December 31 2017	2016
Operating revenue	$ 14,130,623	$ 10,941,726
Net profit	$ 1,113,022	$ 839,630
Other comprehensive income	52,078	(152,846)
Total comprehensive income	$ 1,165,100	$ 686,784
Cash dividends received and return of capital reduction	$ 197,902	$ 175,913

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31 2017	2016
The Corporation's share of		
Net profit from continuing operations and total comprehensive income	$ 161,605	$ (140,089)

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.

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, 2017 and 2016 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, 2017

	Freehold Land	Buildings	Machinery and Equipment	Office and Miscellaneous Equipment	Other Equipment	Construction in Progress	Total
Cost							
Balance at January 1, 2017	$ 764,161	$ 947,774	$ 591,252	$ 476,949	$ 77,394	$ 160,617	$ 3,018,147
Additions	-	174,481	4,414	40,346	3,086	(155,666)	66,661
Disposals	-	-	(305)	(26,995)	(10,856)	-	(38,156)
Additions by acquisition of subsidiaries	-	-	-	16,352	87,302	3,924	107,578
Disposal of subsidiaries	(24,315)	(62,789)	(319,473)	(2,103)	-	-	(408,680)
Effect of foreign currency exchange differences	(3,138)	(18,273)	(20,717)	(1,165)	(929)	(197)	(44,419)
Balance at December 31, 2017	$ 736,708	$ 1,041,193	$ 255,171	$ 503,384	$ 155,997	$ 8,678	$ 2,701,131
Accumulated depreciation							
Balance at January 1, 2017	$ -	$ 231,045	$ 69,899	$ 327,785	$ 67,106	$ -	$ 695,835
Depreciation expense	-	32,490	26,741	44,789	4,573	-	108,593
Disposals	-	-	-	(26,895)	(10,590)	-	(37,485)
Additions by acquisition of subsidiaries	-	-	-	7,306	44,207	-	51,513
Disposal of subsidiaries	-	(17,408)	(76,192)	(673)	-	-	(94,273)
Effect of foreign currency exchange differences	-	(1,945)	(2,696)	(1,034)	(595)	-	(6,270)
Balance at December 31, 2017	$ -	$ 244,182	$ 17,752	$ 351,278	$ 104,701	$ -	$ 717,913
Carrying amounts at December 31, 2017	$ 736,708	$ 797,011	$ 237,419	$ 152,106	$ 51,296	$ 8,678	$ 1,983,218

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
Depreciation expense	-	31,875	25,350	40,560	3,391	-	101,176
Disposals	-	(279)	-	(11,525)	(4,303)	-	(16,107)
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

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	
	2017	**2016**
Investing activities affecting both cash and non-cash items		
Additions to property, plant and equipment	$ 66,661	$ 365,082
Increase (decrease) in prepayments for equipment	14,705	(24,884)
Decrease (increase) in payable for equipment purchased	(656)	10,506
Cash payments for property, plant and equipment	$ 80,710	$ 350,704

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 30 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 2017	December 31 2016
Secured loans (Note 30)		
Transferred notes receivable	$ 57,374	$ -
Unsecured loans		
Loans for procurement of materials	1,939,332	1,411,147
Line of credit of loans	1,619,775	722,705
Bank overdraft	84,509	-
	$ 3,700,990	$ 2,133,852
Annual interest rate (%)	0.93-5.13	0.25-4.575

15. NOTES PAYABLE AND TRADE PAYABLES

	December 31 2017	December 31 2016
Notes payable (including related parties)		
Operating	$ 850,479	$ 844,142
Non-operating	21,718	15,443
	$ 872,197	$ 859,585
Trade payables (including related parties)		
Operating	$ 5,451,798	$ 5,475,907

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 payables.

16. LONG-TERM DEBTS

	December 31 2017	December 31 2016
Syndicated bank loans (led by Taiwan Cooperative Bank) (a)	$ 1,000,000	$ 1,500,000
Less: Syndicated loan fee	2,880	4,320
	997,120	1,495,680
Other Loan (b)	1,590,477	615,368
	2,587,597	2,111,048
Less: Current portion	31,908	37,837
	$ 2,555,689	$ 2,073,211

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, 2017 and 2016, the interest rate was 1.797%, 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 shareholders' 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 years ended December 31, 2017 and 2016.

b. The Group's other loans as follow:

	Due Dates and Significant Conditions	Interest Rate (%)	December 31 2017	December 31 2016
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.	2.53-2.91	$ 63,988	$ 67,745
China Trust Bank	Loans of Skypower (Note 25)	1.72-1.83	-	202,841
	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.	1.21-1.78	153,145	173,644
	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.	1.21-1.78	164,059	171,138

(Continued)

	Due Dates and Significant Conditions	Interest Rate (%)	December 31 2017	2016
Hotai Finance Corporation	Repayable in 60 equal monthly installments from June 2015 to May 2020, monthly repayment of 122 thousand.	3.00	$ 3,257	$ -
	Repayable in 60 equal monthly installments from September 2015 to August 2020, monthly repayment of 33 thousand.	3.00	1,011	-
	Repayable in 60 equal monthly installments from September 2016 to August 2021, monthly repayment of 122 thousand.	3.00	5,017	-
HSBC Bank	Full repayment on June 2020.	1.058	200,000	-
Land Bank of Taiwan	Repayable in 240 equal monthly installments from July 2018 to June 2037, monthly repayment of 1,794 thousand.	1.68	350,000	-
	Repayable in 180 equal monthly installments from October 2018 to September 2032, monthly repayment of 1,671 thousand.	1.68	250,000	-
Fubon Bank	Full repayment on August 2019.	1.15	200,000	-
MUFG Bank	Full repayment on August 2019.	1.00	200,000	-
			$ 1,590,477	$ 615,368

(Concluded)

HSBC Bank, Fubon Bank and MUFG Bank required the Corporation to maintain the financial ratios as mentioned earlier in item a.2. Such financial ratios should be calculated based on the audited annual consolidated financial statements.

17. BONDS PAYABLE

In August 2014, the Corporation issued $1 billion (issued in 10 thousand notes and the domination of each note was $100 thousand) 3 year zero interest coupon second unsecured domestic convertible bonds. The movements since August 2014 to August 2017 were as follow:

	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, 2017				
Balance at January 1, 2017	$ 1,000,000	$ 12,092	$ (5,538)	$ 1,006,554
Repayment	(1,000,000)	(15,075)	-	(1,015,075)
Amortization expenses	-	2,983	5,538	8,521
Balance, December 31, 2017	$ -	$ -	$ -	$ -

(Continued)

	Denomination of Convertible Bonds	Payable of Interest	Discount (Included Issuance Cost of Bonds Payable $5,494 Thousand)	Total
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

(Concluded)

b. Equity component

	December 31	
	2017	2016
Share options of ordinary shares	$ -	$ 22,500
Less: Issuance cost of share options	-	126
Capital surplus - share options	$ -	$ 22,374

The convertible bonds issued by the Corporation were not converted into the Corporation's ordinary shares; they matured and were repaid in August, 2017 in the amount of $1,015,075 thousand. The capital surplus-share options arising from the convertible bonds in the amount of $22,374 thousand was fully transferred to capital Surplus-others upon maturity of the bonds.

18. OTHER PAYABLES

	December 31	
	2017	2016
Payable for salaries or bonus	$ 420,218	$ 386,602
Payable for employees' compensation, bonus to employees and remuneration to directors and supervisors	229,295	177,362
Payable for freight fee	58,953	24,638
Payable for commission	56,587	59,258
Payable for business tax	47,793	55,139
Payable for annual leave	30,843	30,058
Payable for insurance premium	20,766	19,199
Others	195,092	135,092
	$ 1,059,547	$ 887,348

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 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	
	2017	**2016**
Present value of funded defined benefit obligation	$ 451,363	$ 455,649
Fair value of plan assets	(110,146)	(109,845)
Net defined benefit liability	$ 341,217	$ 345,804

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, 2016	$ 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

(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)	$ -	$ 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
Service cost			
Current service cost	3,905	-	3,905
Net interest expense (income)	5,335	(1,315)	4,020
Recognized in profit or loss	9,240	(1,315)	7,925
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	254	254
Actuarial loss - changes in demographic assumptions	17	-	17
Actuarial loss - changes in Financial assumptions	10,238	-	10,238
Actuarial loss - experience adjustments	5,627	-	5,627
Recognized in other comprehensive income	15,882	254	16,136
Contributions from the employer	-	(12,485)	(12,485)
Benefits paid	(28,384)	13,245	(15,139)
Exchange differences on foreign plans	(1,024)	-	(1,024)
Balance at December 31, 2017	$ 451,363	$ (110,146)	$ 341,217

(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	
	2017	2016
Selling and marketing expenses	$ 3,904	$ 4,101
General and administrative expenses	4,021	3,508
	$ 7,925	$ 7,609

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	
	2017	**2016**
Discount rate (%)	1.00-1.75	1.25-1.50
Expected rate of salary increase (%)	2.00	2.00-2.50

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	
	2017	**2016**
Discount rate		
0.25% increase	$ (10,513)	$ (10,578)
0.25% decrease	$ 10,905	$ 10,982
Expected rate of salary increase		
0.25% increase	$ 10,481	$ 10,583
0.25% decrease	$ (10,162)	$ (10,251)

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	
	2017	**2016**
The expected contributions to the plan for the next year	$ 26,178	$ 24,130
The average duration of the defined benefit obligation	9 years	9 years

20. EQUITY

a. Share Capital

	December 31	
	2017	2016
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	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Recognized from issuance of ordinary 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
Others - expired share warrants (Note 17)	22,374	-
May not be used for any purpose		
Recognized from share of changes in capital surplus of associates	245,719	183,891
Recognized from issuance of convertible bonds (Note 17)	-	22,374
	$ 1,440,508	$ 1,378,680

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 Dividends Policy

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 f. Employees' compensation and

Remuneration to directors and supervisors in Note 21.

Under the dividends 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 dividends. 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.

The appropriations of earnings for 2016 and 2015 had been approved in the shareholders' meetings on May 26, 2017 and June 17, 2016, respectively; the amounts were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 104,539	$ 113,015		
Special reserve	124,836	-		
Cash dividends to shareholders	601,615	$ 624,753	$ 2.6	$ 2.7
	$ 830,990	$ 737,768		

The appropriations of earnings for 2017 had been proposed by the Corporation's board of directors on March 26, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 140,951	
Special reserve reverse	(118,978)	
Cash dividends to shareholders	763,587	$ 3.3
	$ 785,560	

The appropriations of earnings for 2017 are subject to the resolution in the shareholders' meeting to be held on May 30, 2018.

d. Special Reserve

On first-time adoption of Taiwan-IFRSs, the Group appropriated to the special reserve only the amount of $72,302 thousand. On May 2017, the corporation's board of directors subjected to appropriate to the special reserve the amount of $124,836 thousand, based on the special reserve on 2017 and 2016, $197,138 thousand and $72,302 thousand, respectively.

e. Other Equity Items

1) Exchange Differences on Translating the Financial Statements of Foreign Operations

	For the Year Ended December 31	
	2017	**2016**
Balance, beginning of year	$ (146,889)	$ 283,851
Exchange differences on translation of foreign operations	(168,489)	(364,171)
Share of exchange difference of associates accounted for using the equity method	(21,439)	(134,618)
Reclassification of gain on disposal foreign operations	31,058	-
Income tax relating to gains on translation of net assets of foreign operations	21,535	68,049
Balance, end of year	$ (284,224)	$ (146,889)

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

	For the Year Ended December 31	
	2017	**2016**
Balance, beginning of year	$ 22,265	$ (45,363)
Unrealized loss on revaluation of available-for-sale financial assets	163,628	57,756
Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	-	33,602
Cumulative gain on sale of available-for-sale financial assets reclassified to profit or loss	(10,469)	(22,884)
Share of unrealized loss on revaluation of available-for-sale financial assets of associates accounted for using the equity method	30,640	(846)
Balance, end of year	$ 206,064	$ 22,265

3) Cash flow hedge

	For the Year Ended December 31	
	2017	**2016**
Balance ,beginning of year	$ (213)	$ -
Share of cash flow hedging reserve of associates accounted for using the equity method	213	(213)
Balance, end of year	$ -	$(213)

f. Non-Controlling Interests

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ 952,080	$ 935,471
Attributable to non-controlling interests		
Share of profit for the year	128,500	100,527
Decrease arising from reduction of subsidiaries	-	(8,852)
Unrealized gain on available-for-sale financial asses	1,423	194
Exchange difference arising on translation of foreign entities	(12,950)	(75,260)
Non-controlling interests arising from acquisition of subsidiaries (Note 24)	61,342	-
Non-controlling interests reducing from acquisition of subsidiaries (Note 25)	(75,258)	-
Balance, end of year	$ 1,055,137	$ 952,080

21. NET PROFIT

The details of net profit were as follows:

a. Other income

	For the Year Ended December 31	
	2017	2016
Interest income	$ 9,701	$ 22,362
Rental income	13,948	7,648
Dividends	10,830	5,955
Others (Note 29)	51,211	93,137
	$ 85,690	$ 129,102

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Gain (Loss) on disposal of property, plant and equipment	$ (460)	$ 25,177
Gain on sale of available-for-sale financial assets	10,469	22,884
Net foreign exchange loss	(41,315)	(69,895)
Impairment loss (Notes 7 and 12)	-	(61,672)
Gain on disposal investment under equity method	112,577	-
Other losses	(13,531)	(11,627)
	$ 67,740	$ (95,133)

c. Financial costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	$ 97,866	$ 91,965
Syndicated loan fee amortization	1,440	1,440
Discount on bonds payable amortization	8,521	14,442
Others	92	5
	$ 107,919	$ 107,852

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 108,593	$ 101,176
Intangible assets	2,133	6,905
	$ 110,726	$ 108,081
An analysis of depreciation by function		
Operating costs	$ 588	$ 68
Operating expenses	108,005	101,108
	$ 108,593	$ 101,176
An analysis of amortization by function		
Operating expenses	$ 2,133	$ 6,905

e. Employee benefits expense (recognized in operating expenses)

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	$ 1,256,833	$ 1,107,044
Post-employment benefits		
Defined contribution plans	45,162	45,543
Defined benefit plans (Note 19)	7,925	7,609
	53,087	53,152
	$ 1,309,920	$ 1,160,196
An analysis of employee benefits by function		
Operating costs	$ 4,820	$ -
Operating expenses	1,305,100	1,160,196
	$ 1,309,920	$ 1,160,196

f. Employees' compensation and Remuneration to directors and supervisors

In compliance with 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, 2017 and 2016 which have been approved by the Company's board of directors on March 26, 2018 and March 22, 2017, were 11% and 1.15% of the base net profit ,respectively, the amount were as follows:

Amount	For the Year Ended December 31	
	2017	2016
Employees' compensation	$ 207,579	$ 160,575
Remuneration of directors and supervisors	21,701	16,787

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, 2016 and 2015.

Information on the bonus to employees and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2018 and 2017 are available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain and loss on foreign currency exchange

	For the Year Ended December 31	
	2017	2016
Foreign currency exchange gains	$ 502,146	$ 878,411
Foreign currency exchange losses	(543,461)	(948,306)
Net losses	$ (41,315)	$ (69,895)

22. INCOME TAX

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

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 354,395	$ 267,144
Additional 10% income tax on unappropriated earnings	27,915	37,169
In respect of prior periods	(650)	1,728
Others	-	7,383
	381,660	313,424
Deferred tax		
In respect of the current year	50,541	112,327
Income tax expense recognized in profit or loss	$ 432,201	$ 425,751

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

	For the Year Ended December 31	
	2017	2016
Profit before income tax	$ 1,970,207	$ 1,571,668
Income tax expense at the statutory rate of the Group	$ 356,755	$ 296,253
Tax effect of adjusting items		
Tax on undistributed earings from associated	(66,849)	(24,494)
Deferred tax on undistributed earnings from subsidiaries	116,027	101,286
Others	(997)	6,426
Additional income tax on unappropriated earnings	27,915	37,169
Current adjustments to prior years' tax	(650)	1,728
Others	-	7,383
Income tax expense recognized in profit or loss	$ 432,201	$ 425,751

The Corporation and resident entities subject to the Income Tax Law of the ROC applied the statutory income tax rate of 17%. Tax rates used by other group entities operating in other jurisdictions are 15%-40% based on the tax laws in those jurisdictions.

In February 2018, it was announced by the ROC President that the Income Tax Law of the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the tax rate applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and will increase by $30,092 thousand and $156,600 thousand, respectively, in 2018.

As the status of 2018 appropriations of earnings is uncertain, the potential income tax consequences of 2017 unappropriated earnings are not reliably determinable.

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Deferred tax		
Remeasurement on defined benefit plan	$ 2,743	$ 537
Translation of foreign operations	21,535	68,049
	$ 24,278	$ 68,586

c. Current tax liabilities

	December 31	
	2017	2016
Income tax payable	$ 219,788	$ 130,342

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, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other - Subsidiaries Gained	Exchange Differences	Closing Balance
Temporary differences						
Provision for loss on inventories	$ 22,705	$ 5,834	$ -	$ -	$ (35)	$ 28,504
Unpaid bonuses	42,295	6,857	-	-	(153)	48,999
Unrealized management and consulting expenses	14,067	7,117	-	-	(73)	21,111
Provision	30,811	980	-	-	-	31,791
Defined benefit plans	58,728	(3,349)	2,743	-	(169)	57,953
Exchange difference on foreign operation	-	-	14,792	-	-	14,792
Others	29,671	5,132	-	192	(370)	34,625
	$ 198,277	$ 22,571	$ 17,535	$ 192	$ (800)	$ 237,775
Deferred Tax Liabilities						
Temporary differences						
Foreign income accounted for using equity method	$ 811,052	$ 76,494	$ -	$ -	$ (625)	$ 886,921
Exchange difference on foreign operations	6,743	-	(6,743)	-	-	-
Others	12,755	(3,382)	-	-	-	9,373
	$ 830,550	$ 73,112	$ (6,743)	$ -	$ (625)	$ 896,294

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
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
Others	10,858	1,914	-	(17)	12,755
	$ 795,991	$ 105,155	$ (68,049)	$ (2,547)	$ 830,550

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

	December 31 2017	December 31 2016
Deductible temporary differences		
Impairment of foreign investments	$ 127,883	$ 127,883

f. Integrated income tax

As of December 31, 2017 and 2016, all of the unappropriated earnings were generated after January 1, 1998.

	December 31	
	2017	**2016**
Imputation credit account	Note	$ 697,546

	For the Year Ended December 31	
	2017	**2016 (Actual)**
The creditable ratio for distribution of earnings (%)	Note	17.39

Note: Since the amended income tax act announced in February 2018 abolished the imputation tax system related information for 2017 is not applicable.

g. Income tax assessments

The Corporation and the subsidiary QuanShan logistics tax returns through 2015 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

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	
	2017	**2016**
Basic earning per share		
Net profit for the year attributable to ordinary shareholders	$ 1,409,506	$ 1,045,390
Effect of dilutive potential ordinary shares		
Convertible bonds	8,521	14,442
Earnings used in the computation of diluted earnings per share	$ 1,418,027	$ 1,059,832

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

	For the Year Ended December 31	
	2017	**2016**
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	9,567	16,393
Bonus shares issued to employees	4,425	4,335
Weighted average number of ordinary shares outstanding used in computation of diluted earnings per share	245,382	252,118

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
QuanShun Logistics Co.,	Logistics service and warehouse service	November 11, 2017	63.33	$ 95,000

In order to expand the operation, the Group participated in cash capital increase of QuanShun Logistics Co., by $10 per share in 2017.

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

	QuanShan
Current assets	
Cash	$ 116,812
Notes receivable	14,626
Trade receivables	38,384
Other receivables	2,731
Prepaid expense and others	10,694
Other financial assets - current	1,300
Noncurrent assets	
Property, plant and equipment	56,065
Refundable deposits	7,589
Deferred tax assets	192
Current liabilities	
Notes payable	(13,971)
Trade payables	(6,880)
Other payables	(41,906)
Other current liabilities	(8,833)
Noncurrent liabilities	
Long-term debts (includes due within one year)	(9,508)
	$ 167,295

c. Bargain purchase recognized on acquisition

	QuanShan
Transfer pricing	$ 95,000
Plus: Non-controlling interests (36.67% in QuanShan)	61,342
Less: Fair value of identifiable net assets acquired	(167,295)
Bargain purchase recognized on acquisition	$ (10,953)

e. Impact of acquisition on the results of the Group

The results of acquisition since the acquisition date were as follows:

	QuanShan
Revenue	$ 11,147
Profit	$ (2,134)

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been $43,017,025 thousand, and the profit from continuing operations would have been $1,552,360 thousand for the year ended December 31, 2017. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2017, nor is it intended to be a projection of future results.

25. DISPOSAL OF SUBSIDIARIES

On November 29 2017, the Corporation sold the equity of subsidiary Skypower Ltd. to unrelated party for $319,237 thousand (JPY 1,194,750 thousand) and completely lost control of Skypower Ltd.

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

	Skypower
Current assets	
Cash	$ 51,531
Other receivables	5,681
Prepayments and others	11,478
Noncurrent assets	
Property, building and equipment	314,407
Other assets	534
Noncurrent liabilities	
Long-term debts (includes due within one year)	(132,771)
Net assets disposed of Skypower Ltd.	$ 250,860

b. Gain on disposal of subsidiary

	Skypower
Consideration received	$ 319,237
Net assets disposed of Skypower Ltd.	(250,860)
Non-controlling interests	75,258
Reclassification of other comprehensive income in respect of the subsidiary	(31,058)
Gain on disposal	$ 112,577

c. Net cash inflow on disposal of subsidiary

	QuanShan
Consideration received in cash and cash equivalents	$ 319,237
Less: Cash and cash equivalent balances disposed of	51,531
	$ 267,706

26. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of warehouses. 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, 2017 and 2016, refundable deposits paid under operating leases were $6,280 thousand and $5,500 thousand.

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

	December 31	
	2017	2016
Not later than 1 year	$ 21,706	$ 12,776
More than 1 year and up to 5 years	26,347	8,250
	$ 48,053	$ 21,026

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31	
	2017	2016
Minimum lease payment	$ 16,371	$ 24,105

27. 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.

28. 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 - December 31, 2016

	Book value	Fair value
Financial liabilities measured at amortized cost		
Convertible bonds	$ 1,006,554	$ 1,011,300

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, 2017				
Available-for-sale financial assets				
Securities listed in the ROC	$ 113,938	$ -	$ -	$ 113,938
Unlisted securities	-	3,721	553,111	556,832
Mutual funds	67,245	-	-	67,245
Securities listed in other countries	60,281	-	-	60,281
	$ 241,464	$ 3,721	$ 553,111	$ 798,296
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

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2017 and 2016.

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

	For the Year Ended December 31	
	2017	**2016**
Available-for-sale financial assets		
Unlisted securities		
Balance, beginning of year	$ 464,131	$ 419,479
Recognized in other comprehensive income	88,980	88,911
Disposal	-	(44,259)
Balance, end of year	$ 553,111	$ 464,131

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 Equity evaluation report or 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	
	2017	**2016**
Financial assets		
Loans and receivables (Note 1)	$ 15,235,661	$ 13,636,212
Available-for-sale financial assets	798,296	836,793
Financial liabilities		
At amortized cost (Note 2)	13,675,149	12,474,719

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and trade receivables (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 payables (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 payables, 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 32.

<u>Sensitivity analysis</u>

The Group was mainly exposed to the USD.

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	
	2017	**2016**
USD	$ 6,072	$ 6,958

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	
	2017	**2016**
Fair value interest rate risk		
Financial liabilities	$ 9,285	$ 1,006,554
Cash flow interest rate risk		
Financial assets	2,259,316	2,091,008
Financial liabilities	4,749,527	2,852,825

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 assets and liabilities, the analysis was prepared assuming the amount of the assets and liability outstanding at the end of the reporting period was outstanding for the years ended December 31, 2017 and 2016. 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, 2017 and 2016 would have been lower/higher by $24,902 thousand and $7,618 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 shares 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 years ended December 31, 2017 and 2016 would have been higher/lower by $7,983 thousand and $8,368 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, 2017					
Non-derivative financial liabilities					
Non-interest bearing	$ 6,732,302	$ 648,487	$ 1,624	$ -	$ 7,382,413
Variable interest rate liabilities	2,129,840	271,986	1,553,426	916,703	4,871,955
Fixed interest rate liabilities	1,146,921	296,869	208,673	978	1,653,441
Financial guarantee contracts	-	789,472	-	-	789,472
	$ 10,009,063	$ 2,006,814	$ 1,763,723	$ 917,681	$ 14,697,281
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

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.

29. RELATED PARTY TRANSACTIONS

Balances and transactions within the Group had been eliminated upon consolidation. Except as disclosed in other notes, details of transactions between the Group and other related parties were disclosed as follows:

a. Name of related parties and relation

Related Parties	Relation with the Corporation
Chang Wah Electromaterials Inc.	Associated company
Nagase Wahlee Plastics Corp.	Associated company
Wah Hong Industrial Corp.	Associated company
ORC Technology Corp.	Associated company
Shanhai Chang Hwa Electromaterials Inc.	Associated company
Shanhai Nagase Wahlee Plastics Corp.	Associated company
Chang Hwa Technology Co. Ltd.	Associate's subsidiary
SIP Chang Hong Optoelectronics Ltd.	Associate's subsidiary
Sun Hong Optronics Ltd.	Associate's subsidiary
Xiamen Guang Hong Optronics Ltd.	Associate's subsidiary
Ningbo Chang Hong Optoelectronics Ltd.	Associate's subsidiary
Qingdao Changhong Optoelectronics Ltd.	Associate's subsidiary
Wah Ma Chemical Sdn. Bhd.	Associate's subsidiary
Jun Hong Optronics Corp.	Other related party
Daily Polymer Corp.	Other related party
Raycon Industries Inc.	Other related party
Asahi Kasei Wah Lee Hi-tech Corp.	Other related party
JingYi Technology Co.	Other related party
Shilian Fine Chemicals Co.	Other related party
Forcera Materials Co., Ltd.	Other related party
GuangBao Investment Co., LTD	Other related party
TAI-GENE Biotechnology Co., Ltd.	Other related party

b. Operating transactions

1) Sales of goods

Related parties types	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Associates and their subsidiaries	$ 434,740	$ 414,750
Other related parties	12,013	33,547
	$ 446,753	$ 448,297

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

2) Purchase of goods

Related parties types	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Associates and their subsidiaries	$ 446,741	$ 538,714
Other related parties	1,453,424	1,258,343
	$ 1,900,165	$ 1,797,057

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

Commission expenses	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Other related parties	$ 293	$ 1,718

4) Receivables from related parties

Trade receivables - related parties	December 31 2017	December 31 2016
Associates and their subsidiaries	$ 95,341	$ 126,813
Other related parties	1,257	5,163
	96,598	131,976
Less: Allowance for doubtful accounts	-	275
	$ 96,598	$ 131,701

(Continued)

	December 31	
	2017	2016
Other receivables - related parties		
Associates and their subsidiaries	$ 7,297	$ 2,981
Other related parties	99	18,869
	$ 7,396	$ 21,850

(Concluded)

The outstanding trade receivables from related parties are unsecured.

5) Payables to related parties

	December 31	
	2017	2016
Notes payable - related parties		
Associates and their subsidiaries	$ 904	$ 1,760
Other related parties	320,213	274,643
	$ 321,117	$ 276,403
Trade payables - related parties		
Associates and their subsidiaries	$ 94,114	$ 107,584
Other related parties	178,745	163,650
	$ 272,859	$ 271,234
Other payables		
Associates and their subsidiaries	$ 127	$ 52
Other related parties	275	565
	$ 402	$ 617

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

c. 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, 2017 as the latest. According to the agreements and contracts, the Corporation provided certain management services to related parties. Consulting and service fee recognized as non-operating income was as follows:

	For the Year Ended December 31	
	2017	2016
Associates and their subsidiaries	$ 10,768	$ 7,664

d. Rental income

The Corporation rented parts of buildings and computer software to related parties. The rental income was as follows:

Related Parties Types	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Associates	$ 2,801	$ 4,481
Other related parties	48	48
	$ 2,849	$ 4,529

e. prepayment (under other current assets - other)

Related Parties Types	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Associates and their subsidiaries	$ 315	$ 249
Other related parties	34,822	-
	$ 35,137	$ 249

f. Endorsements and guarantees and related fee income

1) Endorsements and guarantees

Related Parties Types	December 31 2017	December 31 2016
Associates and their subsidiaries		
Amount endorsed	$ 1,059,118	$ 1,089,775
Amount utilized	$ 773,968	$ 754,695
Other related parties		
Amount endorsed	$ 25,194	$ 25,194
Amount utilized	$ 15,504	$ 13,566

2) Fee income from endorsements and guarantees

Related Parties Types	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Associates	$ 498	$ 502
Other related parties	36	67
	$ 534	$ 569

g. 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	
	2017	2016
Short-term employee benefits	$ 128,294	$ 101,457
Post-employment benefits	1,873	1,966
Other long-term employee benefits	-	322
	$ 130,167	$ 103,745

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.

30. 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	
	2017	2016
Notes receivable	$ 57,374	$ -
Other financial assets - current	1,300	-
Property, plant and equipment		
Freehold land	501,229	128,310
Buildings	464,948	290,225
Machinery and equipment	-	268,750
Miscellaneous equipment	17,004	1,807
	$ 1,041,855	$ 689,092

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Notes 26 and 29, 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	
	2017	2016
USD	$ 7,588	$ 45,342
JPY	-	100,585
EUR	-	1,108
RMB	-	769

b. Unrecognized commitments were as follows:

	December 31	
	2017	**2016**
Acquisition of property, plant and equipment	$ 32,748	$ 43,066

c. As of December 31, 2017, the guarantee notes for purchases of goods was $182,975 thousand (RMB40,000 thousand).

32. 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, 2017				
Monetary financial assets				
USD	$ 151,279	29.76	(USD:NTD)	$ 4,502,073
USD	32,236	7.82	(USD:HKD)	959,332
USD	22,256	6.5058	(USD:RMB)	662,338
Nonmonetary financial assets				
Investments accounted for using equity method				
USD	9,128	29.76	(USD:NTD)	271,661
RMB	150,107	4.5744	(RMB:NTD)	686,646
RMB	1,258,310	1.2016	(RMB:HKD)	5,755,989
JPY	569,427	0.2642	(JPY:NTD)	150,443
HKD	602,618	3.807	(HKD:NTD)	2,294,166
Monetary financial liabilities				
USD	130,228	29.76	(USD:NTD)	3,875,582
USD	12,338	7.82	(USD:HKD)	367,173
USD	40,719	6.5058	(USD:RMB)	1,211,788
USD	2,083	25,008	(USD:VND)	61,980
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
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

(Continued)

	Foreign Currency Amount	Exchange Rate		Carrying Amount
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
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

(Concluded)

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange losses were $41,315 thousand and $69,895 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.

33. 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. ("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 revenue 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, 2017						
Revenue from external customers	$ 22,232,972	$ 8,421,123	$ 9,775,526	$ 2,486,299	$ -	$ 42,915,920

(Continued)

	Wah Lee	Raycong	Shanghai Yikang	Others	Adjustment and Elimination	Total
Inter-segment revenue	$ 4,158,482	$ 920,543	$ 195,408	$ 442,453	$ (5,716,886)	$ -
Segment revenue	$ 26,391,454	$ 9,341,666	$ 9,970,934	$ 2,928,752	$ (5,716,886)	$ 42,915,920
Segment income	$ 521,221	$ 414,626	$ 433,567	$ 90,482	$ -	$ 1,459,896
Other income	57,392	8,013	14,260	6,025	-	85,690
Other gains and losses	74,552	19,474	4,394	(30,680)	-	67,740
Financial costs	(67,222)	(26,856)	(13)	(13,828)	-	(107,919)
Profit before income tax	585,943	415,257	452,208	51,999	-	1,505,407
Income tax expense	(248,302)	(78,263)	(90,778)	(14,858)	-	(432,201)
Net profit after tax	$ 337,641	$ 336,994	$ 361,430	$ 37,141	$ -	1,073,206
Share of profit or loss of associates						453,847
Gain from bargain purchase						10,953
Consolidated net profit						$ 1,538,006
Identifiable assets	$ 11,785,822	$ 5,535,831	$ 5,057,397	$ 1,899,306	$ (1,375,744)	$ 22,902,612
Goodwill						56,874
Investment accounted for using equity method						4,372,941
Total assets						$ 27,332,427
Total liabilities	$ 10,983,659	$ 2,958,421	$ 1,844,995	$ 1,043,549	$ (1,339,588)	$ 15,491,036
For the year ended December 31, 2016						
Revenue from external customers	$ 20,661,673	$ 8,295,364	$ 8,958,045	$ 1,626,719	$ -	$ 39,541,801
Inter-segment revenue	4,096,446	188,563	222,020	483,940	(4,990,969)	-
Segment revenue	$ 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

(Concluded)

Segment profit represented the profit before tax earned by each segment without share of profits of associates and gain from bargain purchase. 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		Noncurrent Assets Increase in the Current Year	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Wah Lee Industrial	$ 51,907	$ 48,796	$ 59,889	$ 182,418
Shanghai Yikang	11,994	12,004	7,095	49,713
Raycong	3,301	9,595	10,304	96,274
Others	43,524	37,686	5,583	19,178
	$ 110,726	$ 108,081	$ 82,871	$ 347,583

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	
	2017	2016
IT Industry	$ 15,514,931	$ 13,959,603
Semiconductor Industry	10,160,345	9,470,860
Opto-electronics	3,053,491	4,317,268
PCB Industry	4,405,636	3,525,348
FPD Industry	7,775,815	6,163,679
Others	2,005,702	2,105,043
	$ 42,915,920	$ 39,541,801

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		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
Taiwan	$ 14,686,320	$ 13,743,174	$ 1,244,954	$ 1,170,447
China	22,366,255	20,828,139	483,259	379,284
Others	5,863,345	4,970,488	338,655	838,479
	$ 42,915,920	$ 39,541,801	$ 2,066,868	$ 2,388,210

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 years ended December 31, 2017 and 2016.