Wah Lee Industrial Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2018 and 2017 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Wah Lee Industrial Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Wah Lee Industrial Corporation and its subsidiaries (the "Group") as of June 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months ended June 30, 2018 and 2017 and for the six months ended June 30, 2018 and 2017, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 13 to the consolidated financial statements, the consolidated financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of June 30, 2018 and 2017, combined total assets of these non-significant subsidiaries were NT$7,635,282 thousand and NT$7,339,917 thousand, respectively, representing 25% and 30%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT$3,666,666 thousand and NT$2,163,520 thousand, respectively, representing 19% and 16%, respectively, of the consolidated total liabilities; for the three months ended June 30, 2018 and 2017 and for the six months ended June 30, 2018 and 2017, the amounts of combined comprehensive income of these subsidiaries were NT$61,458 thousand, NT$74,344 thousand, NT$168,810 thousand and NT$83,543 thousand, respectively, representing 14%, 18%, 24% and 18%, respectively, of the consolidated total comprehensive income. As disclosed in Note 14 to the consolidated financial statements, the Group's carrying values of investments in associates accounted for using the equity method were NT$2,050,159 thousand and NT$2,132,674 thousand as of June 30, 2018 and 2017, and the share of profit of associates recognized under the equity method were NT$32,101 thousand, NT$47,401 thousand, NT$65,225 thousand and NT$83,978 thousand for the three months ended June 30, 2018 and 2017, and the six months ended June 30, 2018 and 2017, respectively, were based on unreviewed financial statements.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects. The consolidated financial position of the Group as of June 30, 2018 and 2017, its consolidated financial performance for the three months ended June 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chen-Li Chen and Chun-Chi Kung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 7, 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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018 (Reviewed) Amount	%	December 31, 2017 (Audited) Amount	%	June 30, 2017 (Reviewed) Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 3, 4 and 6)	$ 2,403,561	8	$ 2,450,213	9	$ 1,976,653	8
Financial assets at fair value through profit or loss - current (Notes 3,4 and 7)	67,722	-	-	-	-	-
Financial assets at fair value through other comprehensive income - current (Notes 3,4 and 8)	89,022	-	-	-	-	-
Available-for-sale financial assets - current (Notes 3,4 and 9)	-	-	127,446	1	324,309	1
Notes receivable (Notes 3, 4 ,10, 16, 32 and 33)	1,938,224	6	1,789,902	7	1,441,362	6
Trade receivables, net (Notes 3,4 and 10)	12,576,717	41	10,718,844	39	8,875,721	36
Trade receivables - related parties (Notes 3, 4, 10 and 32)	147,726	-	96,598	-	95,966	1
Other receivables (Notes 3 and 4)	50,733	-	41,985	-	57,141	-
Other receivables - related parties (Notes 3,4 and 32)	250,150	1	7,396	-	199,697	1
Inventories (Note 11)	4,748,293	15	3,811,771	14	3,690,908	15
Prepayments for purchases (Note 32)	881,306	3	568,485	2	287,163	1
Other financial assets - current (Notes 12 and 33)	150,144	1	46,458	-	24,692	-
Others assets - other	221,641	1	183,756	1	197,496	1
Total current assets	23,525,239	76	19,842,854	73	17,171,108	70
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income - noncurrent (Notes 3, 4 and 8)	633,216	2	-	-	-	-
Available-for-sale financial assets - noncurrent (Notes 3, 4 and 9)	-	-	670,850	3	627,499	3
Investments accounted for using equity method (Note 14)	4,293,187	14	4,372,941	16	4,194,749	17
Property, plant and equipment (Notes 15 and 33)	2,024,242	7	1,983,218	7	2,263,128	9
Goodwill (Note 27)	107,379	-	56,874	-	57,314	-
Computer software	13,545	-	8,600	-	5,022	-
Deferred tax assets	249,291	1	237,775	1	235,663	1
Prepayments for equipment	-	-	15,513	-	205	-
Refundable deposits (Notes 3, 4 and 29)	79,902	-	84,265	-	82,760	-
Prepayments for investments	2,300	-	-	-	-	-
Other noncurrent assets	58,935	-	59,537	-	58,375	-
Total noncurrent assets	7,461,997	24	7,489,573	27	7,524,715	30
TOTAL	$ 30,987,236	100	$ 27,332,427	100	$ 24,695,823	100

LIABILITIES AND EQUITY	June 30, 2018 (Reviewed) Amount	%	December 31, 2017 (Audited) Amount	%	June 30, 2017 (Reviewed) Amount	%
CURRENT LIABILITIES						
Short-term borrowings (Notes 16 and 33)	$ 5,468,431	18	$ 3,700,990	13	$ 2,058,128	8
Short-term bills payable (Note 17)	100,000	-	-	-	-	-
Contract liabilities - current (Note 24)	304,320	1	-	-	-	-
Notes payable (Note 18)	552,979	2	551,080	2	451,274	2
Notes payable - related parties (Notes 18 and 32)	105,620	-	321,117	1	261,916	1
Trade payable (Note 18)	5,822,309	19	5,178,939	19	4,598,026	19
Trade payable - related parties (Notes 18 and 32)	452,612	1	272,859	1	254,350	1
Dividends payable	765,236	2	1,649	-	603,263	2
Other payables (Notes 21 and 32)	1,089,867	4	1,057,898	4	857,468	3
Current tax liabilities	199,013	1	219,788	1	142,213	1
Provisions - current	-	-	172,248	1	208,323	1
Current portion of long-term borrowings (Notes 19, 20 and 33)	48,405	-	31,908	-	1,042,417	4
Refund liabilities - current (Note 3)	156,687	-	-	-	-	-
Other current liabilities	22,613	-	171,580	1	209,521	1
Total current liabilities	15,088,092	48	11,680,056	43	10,686,899	43
NONCURRENT LIABILITIES						
Long-term borrowings (Notes 19 and 33)	2,543,493	8	2,555,689	10	2,023,826	8
Provision - noncurrent	14,760	-	14,760	-	14,760	-
Net defined benefit liabilities - noncurrent	341,582	1	341,217	1	342,906	1
Guarantee deposits received	661	-	3,020	-	425	-
Deferred tax liabilities	1,059,117	4	896,294	3	871,827	4
Total noncurrent liabilities	3,959,613	13	3,810,980	14	3,253,744	13
Total liabilities	19,047,705	61	15,491,036	57	13,940,643	56
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)						
Ordinary shares	2,313,901	7	2,313,901	8	2,313,901	9
Capital surplus	1,400,936	5	1,440,508	5	1,428,031	6
Retained earnings						
Legal reserve	1,950,063	7	1,809,112	6	1,809,112	8
Special reserve	78,160	-	197,138	1	197,138	1
Unappropriated earnings	5,331,688	17	5,103,755	19	4,273,734	17
Total retained earnings	7,359,911	24	7,110,005	26	6,279,984	26
Other equity	(465,244)	(2)	(78,160)	-	(247,643)	(1)
Total equity attributable to owners of the Corporation	10,609,504	34	10,786,254	39	9,774,273	40
NON-CONTROLLING INTERESTS (Note 23)	1,330,027	5	1,055,137	4	980,907	4
Total equity	11,939,531	39	11,841,391	43	10,755,180	44
TOTAL	$ 30,987,236	100	$ 27,332,427	100	$ 24,695,823	100

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

(With Deloitte & Touche review report dated August 7, 2018)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 24 and 32)	$ 13,408,395	100	$ 10,115,108	100	$ 25,048,557	100	$ 19,303,578	100
OPERATING COSTS (Notes 11, 25 and 32)	12,281,031	92	9,182,923	91	22,878,096	91	17,481,020	91
GROSS PROFIT	1,127,364	8	932,185	9	2,170,461	9	1,822,558	9
OPERATING EXPENSES (Note 25)								
Selling and marketing expenses	525,238	4	480,161	5	1,001,557	4	952,775	5
General and administrative expenses	107,989	1	107,985	1	203,098	1	199,913	1
(Reversal of) expected credit loss	(599)	-	-	-	12,716	-	-	-
Total operating expenses	632,628	5	588,146	6	1,217,371	5	1,152,688	6
OPERATING INCOME	494,736	3	344,039	3	953,090	4	669,870	3
NONOPERATING INCOME AND EXPENSES								
Other income (Notes 25 and 32)	39,474	-	18,262	-	55,273	-	29,267	-
Other gains and losses (Note 25)	8,473	-	11,787	-	(32,896)	-	(40,722)	-
Financial costs (Note 25)	(51,217)	-	(22,126)	-	(92,234)	(1)	(44,545)	-
Share of the profit of associates	116,469	1	91,851	1	181,736	1	233,850	1
Total non-operating income and expenses	113,199	1	99,774	1	111,879	-	177,850	1
PROFIT BEFORE INCOME TAX	607,935	4	443,813	4	1,064,969	4	847,720	4
INCOME TAX EXPENSE (Notes 4 and 26)	127,242	1	138,375	1	390,454	1	225,806	1
NET PROFIT FOR THE PERIOD	480,693	3	305,438	3	674,515	3	621,914	3
OTHER COMPREHENSIVE INCOME (Notes 23 and 26)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(45,048)	-	-	-	(39,190)	-	-	-
Share of the other comprehensive income of associates accounted for using the equity method	9,073	-	-	-	5,555	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-	-	-	2,935	-	-	-
	(35,975)	-	-	-	(30,700)	-	-	-

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WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	$ 4,356	-	$ 92,697	1	$ 55,438	-	$ (247,983)	(1)
Unrealized gain on available-for-sale financial assets	-	-	12,273	-	-	-	90,266	-
Share of the other comprehensive income of associates accounted for using the equity method	1,743	-	39,609	-	19,425	-	(30,241)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(2,941)	-	(27,494)	-	(7,692)	-	35,240	-
	3,158	-	117,085	1	67,171	-	(152,718)	(1)
Other comprehensive income (loss) for the period, net of income tax	(32,817)	-	117,085	1	36,471	-	(152,718)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 447,876	3	$ 422,523	4	$ 710,986	3	$ 469,196	2
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Corporation	$ 436,434	3	$ 270,656	3	$ 591,502	3	$ 563,175	3
Non-controlling interests	44,259	1	34,782	-	83,013	-	58,739	-
	$ 480,693	4	$ 305,438	3	$ 674,515	3	$ 621,914	3
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Corporation	$ 415,535	3	$ 371,181	4	$ 626,409	3	$ 440,369	2
Non-controlling interests	32,341	-	51,342	-	84,577	-	28,827	-
	$ 447,876	3	$ 422,523	4	$ 710,986	3	$ 469,196	2
EARNINGS PER SHARE (Note 27)								
From continuing operations								
Basic	$ 1.89		$ 1.17		$ 2.56		$ 2.43	
Diluted	$ 1.87		$ 1.10		$ 2.52		$ 2.27	

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

(With Deloitte & Touche review report dated August 7, 2018) (Concluded)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation											
			Retained Earnings									
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on financial Assets at fair Value Through Other Comprehensive Income	Statements of Cash Flow Hedges	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Subtotal	Non-controlling Interest	Total Equity
BALANCE AT JANUARY 1, 2018	$ 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
Effect of retrospective application (Note 3)	-	-	-	-	403,202	-	(197,138)	-	(206,064)	-	-	-
BALANCE AT JANUARY 1, 2018	2,313,901	1,440,508	1,809,112	197,138	5,506,957	(284,224)	(197,138)	-	-	10,786,254	1,055,137	11,841,391
Appropriation of 2017 earnings (Note 23)												
Legal reserve	-	-	140,951	-	(140,951)	-	-	-	-	-	-	-
Special reserve	-	-	-	(118,978)	118,978	-	-	-	-	-	-	-
Cash dividends distributed by the Corporation - 33%	-	-	-	-	(763,587)	-	-	-	-	(763,587)	-	(763,587)
	-	-	140,951	(118,978)	(785,560)	-	-	-	-	(763,587)	-	(763,587)
Change in capital surplus from investments in associates accounted for using the equity method	-	(39,572)	-	-	-	-	-	-	-	(39,572)	-	(39,572)
Net profit for the six months ended June 30, 2018	-	-	-	-	591,502	-	-	-	-	591,502	83,013	674,515
Other comprehensive income / (loss) for the six months ended June 30, 2018, net of income tax	-	-	-	-	4,018	65,659	(34,770)	-	-	34,907	1,564	36,471
Total comprehensive income / (loss) for the six months ended June 30, 2018	-	-	-	-	595,520	65,659	(34,770)	-	-	626,409	84,577	710,986
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	14,771	-	(14,771)	-	-	-	-	-
Increase in non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	-	-	190,313	190,313
BALANCE AT JUNE 30, 2018	$ 2,313,901	$ 1,400,936	$ 1,950,063	$ 78,160	$ 5,331,688	$ (218,565)	$ (246,679)	$ -	$ -	$ 10,609,504	$ 1,330,027	$ 11,939,531
BALANCE AT JANUARY 1, 2017	$ 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 23)												
Legal reserve	-	-	104,539	-	(104,539)	-	-	-	-	-	-	-
Special reserve	-	-	-	124,836	(124,836)	-	-	-	-	-	-	-
Cash dividends distributed by the Corporation - 26%	-	-	-	-	(601,615)	-	-	-	-	(601,615)	-	(601,615)
	-	-	104,539	124,836	(830,990)	-	-	-	-	(601,615)	-	(601,615)
Change in capital surplus from investments in associates accounted for by using the equity method	-	49,351	-	-	-	-	-	-	-	49,351	-	49,351
Net profit for the six months ended June 30, 2017	-	-	-	-	563,175	-	-	-	-	563,175	58,739	621,914
Other comprehensive income / (loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	(225,554)	-	213	102,535	(122,806)	(29,912)	(152,718)
Total comprehensive income / (loss) for the six months ended June 30, 2017	-	-	-	-	563,175	(225,554)	-	213	102,535	440,369	28,827	469,196
BALANCE AT JUNE 30, 2017	$ 2,313,901	$ 1,428,031	$ 1,809,112	$ 197,138	$ 4,273,734	$ (372,443)	$ -	$ -	$ 124,800	$ 9,774,273	$ 980,907	$ 10,755,180

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

(With Deloitte & Touche audit report dated August 7, 2018)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,064,969	$ 847,720
Adjustments for:		
Depreciation expenses	55,376	53,121
Amortization expenses	1,605	973
Expected credit loss	12,716	-
Impairment losses recognized on trade receivables	-	2,665
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(481)	-
Finance costs	92,234	44,545
Interest income	(3,847)	(4,531)
Dividend income	-	(233)
Share of profit of associates accounted for using the equity method	(181,736)	(233,850)
Gain on disposal of investments	-	(785)
Impairment loss recognized on non-financial assets	25,396	19,180
Reversal of impairment loss recognized on non-financial assets	(31,878)	-
Net loss on foreign currency exchange	16,782	40,520
Others	15,168	6,181
Changes in operating assets and liabilities		
Notes receivable	(148,322)	(197,503)
Trade receivables	(1,598,055)	641,693
Trade receivables - related parties	(51,128)	35,735
Other receivables	(1,819)	(20,415)
Other receivables - related parties	6,446	19,957
Inventories	(735,703)	(536,104)
Prepayments for purchases	(295,516)	(93,677)
Other current assets	(20,144)	16,671
Contract liabilities	147,165	-
Notes payable	1,899	(131,908)
Notes payable - related parties	(215,497)	(14,487)
Trade payable	549,076	(594,310)
Trade payable - related parties	179,753	(17,138)
Other payables	(26,090)	(31,418)
Refund liabilities/provisions	(15,561)	41,838
Other current liabilities	880	92,012
Net defined benefit liabilities	(2,739)	(2,136)
Cash used in operations	(1,159,051)	(15,684)
Interest received	3,847	4,531
Dividend received	8,750	57,683
Interest paid	(87,833)	(36,387)
Income tax paid	(277,851)	(175,559)
Net cash used in operating activities	(1,512,138)	(165,416)

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WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2018	**2017**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (54,419)	$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	15,258	-
Purchase of available-for-sale financial assets	-	(45,025)
Proceeds from available-for-sale financial assets	-	18,792
Increase in prepayments for investments	(2,300)	-
Net cash outflow on acquisition of subsidiaries (Note 28)	(102,645)	-
Payments for property, plant and equipment	(28,503)	(19,910)
Proceeds from disposal of property, plant and equipment	-	240
Increase in refundable deposits	(4,991)	(13,207)
Decrease in refundable deposits	10,368	16,034
Payments for intangible assets	(6,481)	(3,235)
Purchase of investments accounted for using the equity method	(5,000)	-
Increase in other financial assets	(45,359)	(25,240)
Decrease in other financial assets	44,094	80,521
Increase in other noncurrent assets	(627)	(1,769)
Net cash generated from (used in) investing activities	(180,605)	7,201
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	7,134,382	4,778,946
Repayments of short-term borrowings	(5,718,583)	(4,774,620)
Proceeds from short-term bills payable	100,000	-
Increase in guarantee deposits received	(2,601)	-
Proceeds from long-term borrowings	2,000,000	2,820,000
Repayment of long-term borrowings	(2,010,137)	(2,871,211)
Decrease in guarantee deposits received	242	-
Change in non-controlling interests	5,968	-
Net cash generated from (used in) financing activities	1,509,271	(46,885)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	136,820	(283,815)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(46,652)	(488,915)

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WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2018	**2017**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	$ 2,450,213	$ 2,465,568
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	$ 2,403,561	$ 1,976,653

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

(With Deloitte & Touche review report dated August 7, 2018) (Concluded)

WAH LEE INDUSTRIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issue on August 7, 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), IFRIC Interpretations (IFRIC) and SIC Interpretations (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:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      Classification, measurement and impairment of financial assets

      On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

      The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9	Remark
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 2,450,213	$ 2,450,213	a)
Notes receivable, trade receivables (including those from related parties) and other receivables (including those from related parties)	Loans and receivables	Amortized cost	12,654,725	12,654,725	a)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	46,458	46,458	a)
Refundable deposits	Loans and receivables	Amortized cost	84,265	84,265	a)
Equity securities	Available-for-sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	731,051	731,051	b)
Mutual funds	Available-for-sale	Mandatorily at FVTPL	67,245	67,245	c)

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi -cations	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Amortized cost						
Reclassification from loans and receivables (IAS 39)	$ -	$15,235,661	$15,235,661	$ -	$ -	a)
FVTOCI						
Equity instruments						
Reclassification from available-for-sale (IAS 39)	-	731,051	731,051	397,876	(397,876)	b)
FVTPL						
Reclassification from available-for-sale (IAS 39)	-	67,245	67,245	5,326	(5,326)	c)
	$ -	$16,033,957	$16,033,957	$ 403,202	$ (403,202)	

a) Financial assets that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost under IFRS 9.

b) The Group elected to designate all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain on available-for-sale financial assets of $200,738 thousand was reclassified to other equity - unrealized gain on financial assets at FVTOCI.

   The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as available-for-sale and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $397,876 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $397,876 thousand in retained earnings on January 1, 2018.

c) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in a decrease of $5,326 thousand in other equity - unrealized gain on available-for-sale financial assets and an increase of $5,326 thousand in retained earnings on January 1, 2018.

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 supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and there is no cumulative effect of the change in retained earnings on January 1, 2018.

Impact on liabilities for current period

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Contract assets - current	$ -	$ 151,208	$ 151,208
Provisions	172,248	(172,248)	-
Refund liabilities	-	172,248	172,248
Other current liabilities	151,208	(151,208)	-
Total effect on liabilities	$ 323,456	$ -	$ 323,456

Had the Group applied IAS 18 in the current year, the difference only effect the line items in assets and liabilities and didn’t effect line items in equity and comprehensive income.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the “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)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
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: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

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

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group expects to apply the following practical expedients:

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019. The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

2) 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 Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

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)
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 17 “Insurance Contracts”	January 1, 2021

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

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 the Group 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 the Group 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 the Group 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 Group’s interest as an unrelated investor in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated. Also, when the Group 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 Group’s interest as an unrelated investor in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated.

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

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the 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. Basis of consolidation

See Note 13 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, please refer to the summary of significant accounting policies in the consolidated financial statements for the year ended December 31, 2017.

1) Financial instruments

a) Measurement categories

<u>2018</u>

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and trade receivables, other receivables, other financial assets and refundable deposits, that are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial assets.

Cash equivalents include time deposits and with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

<u>2017</u>

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

i Available-for-sale financial assets

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

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 such investments are disposed of or are 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.

ii Loans and receivables

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

<u>2018</u>

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial assets, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial assets has not increased significantly since initial recognition, the Group measures the loss allowance for that financial assets at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

<u>2017</u>

Financial assets 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.

Financial assets at amortized cost, such as trade receivables, 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 with 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 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 a financial asset 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 on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

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

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

In respect of available-for-sale equity instruments, 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 where the carrying amount is reduced through the use of an allowance account. When trade 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 that are written off against the allowance account.

c) Derecognition of financial assets

2018

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.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Before 2017(included), 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. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings.

2) Revenue recognition

<u>2018</u>

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

a) Revenue from sale of goods

Revenue from sale of goods comes from sales of composite materials, engineering plastic and semiconductor. Sales of goods are recognized as revenue when the goods are shipped or delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

b) Revenue from rendering of services

Commission revenue comes from providing intermediary service of merchandise for the client as an agent. The Group recognizes revenue as control of the goods is transferred to the customer, and the Group has no further obligations to the customer. Other Revenue from rendering of services is recognized as fulfilling the obligation.

<u>2017</u>

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.

a) Sale of goods

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

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

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

iii The amount of revenue can be measured reliably;

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

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

b) Rendering of services

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

Other service income is recognized when services are fully provided.

3) Defined retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

4) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2017.

Estimated impairment of trade receivables (applicable since 2018)

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group’s historical experience, existing market conditions as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand	$ 19,944	$ 23,809	$ 4,926
Demand deposits	2,130,422	2,259,316	1,770,494
Checking accounts	101,738	103,793	19,799
Cash equivalents			
Time deposits with original maturities less than 3 months	151,457	63,295	181,434
	$ 2,403,561	$ 2,450,213	$ 1,976,653

The market rate intervals of cash equivalents at the end of the reporting period were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Cash equivalents			
Time deposits with original maturities less than 3 months (%)	1.9-3.65	1.00-1.10	0.80-4.80

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	June 30, 2018
Financial assets held for trading	
Derivative financial assets (not under hedge accounting) - foreign exchange forward contracts	$ 482
Financial assets mandatorily classified as at FVTPL	
Non-derivative financial assets - mutual funds	67,240
	$ 67,722

The Group entered into foreign exchange contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. As of June 30, 2018, outstanding foreign exchange forward contracts were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
June 30,2018			
Buy	THB/USD	2018.05-2018.09	THB 16,564 thousand /US$500 thousand

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2018
Current	
Domestic investments	
Listed shares and emerging market shares	$ 89,022
Non-current	
Domestic investments	
Listed shares	$ 46,928
Unlisted shares	407,223
	454,151
Foreign investments	
Listed shares and emerging market shares	78,612
Unlisted shares	100,453
	179,065
Total	$ 633,216

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 9, for information relating to their reclassification and comparative information for 2017.

In March 2018, the subsidiary, Hong Kong Meidei Investment (Holding) Ltd. transferred the ordinary shares of Wuhan Kaidi water service Co. Ltd. under contract ratio to the ordinary share of Darco Water Technologies Ltd., Hong Kong Meidei transferred an unrealized gain on financial assets at FVTOCI of $13,768 thousand from other equity to retained earnings. The Corporation recognized the adjustment in retained earning by percentage of ownership interests in subsidiary for $11,014 thousand.

During January and June 2018, the Group acquired the ordinary shares of Chang Wah Technology co., Ltd., and Eleocom at the price of $54,419 thousand, in additional of the ordinary shares transfer of Darco Water Technologies Ltd. for medium to long-term strategic purposes; the management designated these investments as at FVTOCI.

During January and June 2018, the Group sold its shares in Daily Polymer Co., Zehn Ding Tech., Tacbright Optronics Co., and ApexBio in order to manage credit concentration risk. The sold shares had a fair value of $15,258 thousand and the Group transferred a unrealized loss on financial assets at FVIOCI of $591 thousand from other equity to retained earnings.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017	June 30, 2017
Domestic investments		
Listed shares	$ 113,938	$ 71,109
Emerging market shares	3,721	4,532
Unlisted shares	420,384	383,799
Mutual funds	67,245	305,987
	605,288	765,427
Foreign investments		
Listed shares	60,281	71,709
Unlisted shares	132,727	114,672
	193,008	186,381
	$ 798,296	$ 951,808
Current	$ 127,446	$ 324,309
Noncurrent	670,850	627,499
	$ 798,296	$ 951,808

10. NOTES AND TRADE RECEIVABLES, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable			
Notes receivable - operating	$ 1,938,255	$ 1,789,933	$ 1,441,362
Less: Allowance for impairment loss	31	31	-
	$ 1,938,224	$ 1,789,902	$ 1,441,362

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
Trade receivables - unrelated parties			
At amortized cost			
Gross carrying amount	$ 12,601,561	$ 10,729,301	$ 8,902,707
Less: Allowance for impairment loss	24,844	10,457	26,986
	$ 12,576,717	$ 10,718,844	$ 8,875,721
Trade receivables - related parties (Note 30)			
At amortized cost			
Gross carrying amount	$ 147,726	$ 96,598	$ 96,217
Less: Allowance for impairment loss	-	-	251
	$ 147,726	$ 96,598	$ 95,966

(Concluded)

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 Note 33.

b. Trade receivables

For the six months ended June 30, 2018

The average credit period of sales of goods was 30-180 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Group has delegated a professional responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. As the Group's provision for loss allowance based on past due status is further distinguished according to the Group's different customer and industry base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix:

Cost	The Trade Object Has No Signs of Default						The Trade Object had Signs of Default	Total
	Flat Panel Display	Information Technology	PCB/ Mobo	Semiconductor	Green Energy	Other		
Expected credit loss rate (%)	0.22-1.68	0.02-0.1454	0.0425-2.00	0.0027-2.00	0.05-2.00	0.01-2.00	100	
Gross carrying amount								
Loss allowance (Lifetime ECL)	$ 1,266,206	$ 1,161,653	$ 792,418	$ 1,827,989	$ 643,998	$ 7,051,456	$ 5,567	$ 12,749,287
Amortized cost	(830)	(1,855)	(1,068)	(1,593)	(716)	(13,215)	(5,567)	(24,844)
	$ 1,265,376	$ 1,159,798	$ 791,350	$ 1,826,396	$ 643,282	$ 7,038,241	$ -	$ 12,724,443

Aging analysis of trade receivables was as follows:

	June 30, 2018
Less than 90 days	$ 10,358,368
91-150 days	1,908,747
151-180 days	188,068
Over 181 days	294,104
	$ 12,749,287

The above aging analysis was performed based on the invoice date.

The movements of the loss allowance of notes receivable and trade receivables were as follows:

	2018	
	Note Receivables	Trade Receivables
Balance at January 1, 2018 per IAS 39	$ 31	$ 10,457
Adjustment on initial application of IFRS 9	-	-
Balance at January 1, 2018 per IFRS 9	31	10,457
Acquisitions through business combinations	-	1,791
Add: Impairment losses recognized on receivables	-	12,716
Less: Amounts written off	-	(110)
Foreign exchange translation losses	-	(10)
Balance at June 30, 2018	$ 31	$ 24,844

For the six months ended June 30, 2017

The Group applied the same credit policy in 2017 and 2018.

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 amount, which determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The Group periodically reviewed customers' credit limits. The evaluation of notes receivable and trade receivables that were neither past due nor impaired is with good credit scores according to internal credit review system.

The concentration level of credit risk was restrictive due to the fact that the customer base was large.

Trade receivable trade 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.

Aging analysis of trade receivables was as follows:

	December 31, 2017	June 30, 2017
Less than 90 days	$ 8,678,122	$ 7,436,212
91-150 days	1,747,181	1,189,037
151-180 days	101,573	74,167
Over 181 days	299,023	299,508
	$ 10,825,899	$ 8,998,924

The above aging analysis of trade receivables was performed based on the invoice date.

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

	December 31, 2017	June 30, 2017
Over 181 days	$ -	$ 3,984

The above aging analysis of trade receivables was performed based on the invoice date.

Movements of the allowance for impairment loss recognized on 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
Add: Impairment losses recognized (reversed) on trade receivables	(2,618)	5,283	2,665
Less: Amounts written off during the period as uncollectible	-	(4,708)	(4,708)
Foreign exchange translation gains and losses	(295)	(674)	(969)
Balance at June 30, 2017	$ 6,129	$ 21,108	$ 27,237

The aging analysis of individually impaired trade receivables was as follows:

	December 31, 2017	June 30, 2017
181 days	$ 6,058	$ 8,621

The above aging analysis of gross trade receivables without deducting the allowance for impairment loss was performed based on the invoice date.

11. INVENTORIES

All inventories are merchandises. The cost of inventories recognized in cost of goods sold for the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017 was $12,202,763 thousand, $9,154,577 thousand, $22,715,522 thousand and $17,427,426 thousand, respectively, which included the following items:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Provision for (reversal of) loss on inventories	$ (19,220)	$ 17,824	$ (31,878)	$ 19,180
Loss (gain) on physical inventories	217	(10)	132	(5)
Loss on disposal of inventories	11,949	1,293	11,956	1,344
	$ (7,054)	$ 19,107	$ (19,790)	$ 20,519

The reversal of loss on inventories for the six months ended June 30, 2018 was $31,878 thousand, from sale of write-downs inventories.

12. OTHER FINANCIAL ASSETS - CURRENT

	June 30, 2018	December 31, 2017	June 30, 2017
Time deposits with original maturity more than 3 months	$ 46,313	$ 45,158	$ 24,692
Pledged time deposits (Note 33)	103,831	1,300	-
	$ 150,144	$ 46,458	$ 24,692
Annual interest rate (%)	0.84-1.9	1.06-1.20	1.00

13. 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**	**June 30, 2018**	**December 31, 2017**	**June 30, 2017**	**Remark**
The Corporation	Wah Lee Holding Ltd.	International investment	100.00	100.00	100.00	Established in BVI, Note l
	Raycong Industrial (H.K.) Ltd.	Trading business of engineering plastic, composite materials and equipment	53.69	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	83.33	Established in Japan, Note l
	Wah Lee Korea Ltd.	Trading business of glass fiber, electronic equipment optical machinery, etc.	100.00	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 l and 2

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership June 30, 2018	December 31, 2017	June 30, 2017	Remark
	Okayama Solar Ltd.	Solar power generation business	99.99	99.99	99.99	Established in Japan, Note 1
	Sakuragawa Solar Ltd.	Solar power generation business	99.99	99.99	99.99	Established in Japan, Note 1
	Miyazaki Solar Ltd.	Solar power generation business	99.99	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	60.00	Established in Indonesia, Notes 1 and 3
	Hong Kong Meidi Investment (Holding) Ltd. (Meidi H.K.)	International investment	80.00	80.00	80.00	Established in Hong Kong, Notes 1 and 4
	Wah Lee Vietnam Co., Ltd.	Trading business of industrial materials	100.00	100.00	100.00	Established in Vietnam, Note 1
	QuanShun Logistics Co., Ltd. (QuanShun Logistics)	Freight forwarders and lessing business	63.33	63.33	-	Established in R.O.C., Notes 1 and 5
	Wan Tech Industrial Co., Ltd. (Wah Tech)	Trading business of industrial materials	51.00	-	-	Established in Thailand, Notes 1 and 6
Wah Lee Holding Ltd.	SHC Holding Ltd.	International investment	100.00	100.00	100.00	Established in Mauritius, Note 1
	Wah Lee Tech (Singapore) Pte. Ltd.	Agency of semiconductor materials and equipment	100.00	100.00	100.00	Established in Singapore, Note 1
	Raycong Industrial (H.K.) Ltd.	Trading business of engineering plastic, composite materials and equipment	46.31	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	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	100.00	Established in Dong Guan, Note 1
	Shanghai Yikang Chemicals and Industries Co., Ltd. (Shanghai Yikang)	International trading of industrial materials	70.00	70.00	70.00	Established in Shanghai
	Huaying Supply Chain Management (Shenzhen) Co., Ltd.	Trading business of industrial materials	100.00	100.00	100.00	Established in Shenzhen, Note 1
Shanghai Yikang Chemicals and Industries Co., Ltd.	Yadi international Trading Co., (Shanghai) Ltd. (Yadi international)	Trading business of technology	100.00	100.00	-	Established in Shanghai, Notes 1 and 7

(Concluded)

Note 1: This is not a material subsidiary; its financial statements were not reviewed.

Note 2: The Corporation sold the entire equity of subsidiary Skypower Ltd. on November 2017.

Note 3: In January 2018, the Group participated in a transaction of cash capital increase of WL Indonesia with an investment amount of 8,952 thousand (USD 306 thousand).

Note 4: Meidi H.K. reduced its capital by 86% in March 2018. As of the end of March 31 2018, the Group's investment in Meidi H.K. investment Ltd. was 28,768 thousand. The Group's assessment of the investment in Meidi H.K. has been impaired and the goodwill impairment loss of 25,396 thousand was recognized in the first quarter of 2018.

Note 5: The Group participated in a transaction of cash capital increase of QuanShun Logistics during 2017 with a par value of NT$10. The amount invested in is $95,000 thousand.

Note 6: Refer to Note 28 for the acquisition of Wah Tech.

Note 7: Shanghai Yikang Chemicals and Industries Co., Ltd, invested in Yadi International Co., Ltd. in Shanghai as $455 thousand (RMB $100,000) in July 2017.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2018	December 31, 2017	June 30, 2017
Investments in associates			
Material associates			
Chang Wah Electromaterials Inc.	$ 1,713,802	$ 1,847,075	$ 1,709,384
Associates that are not individually material	2,579,385	2,525,866	2,485,365
	$ 4,293,187	$ 4,372,941	$ 4,194,749

a. Material associates

Name of Associate	June 30, 2018	December 31, 2017	June 30, 2017
Chang Wah Electromaterials Inc.	31.21%	30.98%	30.98%

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

Name of Associate	June 30, 2018	December 31, 2017	June 30, 2017
Chang Wah Electromaterials Inc.	$ 2,612,309	$ 2,849,791	$ 2,592,519

All the associates are accounted for using the equity method.

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

Chang Wah Electromaterials Inc.

	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	$ 7,903,384	$ 9,008,597	$ 8,437,043
Non - current assets	7,238,225	6,962,211	6,469,644
Current liabilities	(5,758,798)	(4,897,902)	(4,861,472)
Non - current liabilities	(1,434,504)	(2,499,423)	(3,341,296)
Equity	7,948,307	8,573,483	6,703,919
Non-controlling interests	(2,673,650)	(2,829,039)	(1,403,921)
	$ 5,274,657	$ 5,744,444	$ 5,299,998
Proportion of the Group's ownership (%)	31.21	30.98	30.98
Equity attributable to the Group	$ 1,646,375	$ 1,779,648	$ 1,641,957
Goodwill	67,427	67,427	67,427
Carrying amount	$ 1,713,802	$ 1,847,075	$ 1,709,384

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating revenue	$ 4,027,410	$ 3,872,639	$ 7,931,939	$ 6,390,263
Net profit	$ 356,653	$ 248,003	$ 581,951	$ 585,587
Other comprehensive income	105,604	56,973	80,601	17,890
Total comprehensive income	$ 462,257	$ 304,976	$ 662,552	$ 603,477

b. Aggregate information of associates that are not individually material

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
The Corporation's share of				
Net profit from continuing operations and total comprehensive income	$ 48,623	$ 52,648	$ 73,407	$ 30,083
Other comprehensive income	(10,921)	-	9,319	-
	$ 37,702	$ 52,648	$ 82,726	$ 30,083

In March 2007, the Group invested in Wahlee Green Energy Corporation established in Taiwan for $5,000 thousand.

The Group obtained the ordinary shares as $2,279 thousand of PT WAH TECH INDONESIA by acquiring Wah Tech Industrial Co., Ltd. in May 2018. Refer to Note 28 for the acquisition of Wah Tech.

The equity-method investees' financial statements, which had been used to determine the carrying amount of the Group's investments including the share of profit and other comprehensive income of associates, had not been reviewed, except those of Chang Wah Electromaterials Inc.

The carrying values of investments accounted for using the equity method of $2,050,159 thousand and $2,132,674 thousand as of June 30, 2018 and 2017, and the share of profit of associates recognized under the equity method of $32,101 thousand, $47,401 thousand, $65,225 thousand and $83,978 thousand for the three months ended June 30, 2018 and 2017, and the six months ended June 30, 2018 and 2017, respectively, were based on unreviewed financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

For six month ended June 30, 2018

	Freehold Land	Buildings	Machinery and Equipment	Office and Miscellaneous Equipment	Other Equipment	Construction in Progress	Total
Cost							
Balance at January 1, 2018	$ 736,708	$ 1,041,193	$ 255,171	$ 503,384	$ 155,997	$ 8,678	$ 2,701,131
Acquisition through business combinations	-	-	232	2,224	13,822	-	16,278
Additions	-	-	8,189	57,650	9,659	(3,281)	72,217
Disposals	-	-	(9)	(9,290)	-	-	(9,299)
Effect of foreign currency exchange differences	2,330	5,410	10,539	415	(36)	214	18,872
Balance at June 30, 2018	$ 739,038	$ 1,046,603	$ 274,122	$ 554,383	$ 179,442	$ 5,611	$ 2,799,199

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Office and Miscellaneous Equipment	Other Equipment	Construction in Progress	Total
Accumulated depreciation							
Balance at January 1, 2018	$ -	$ 244,182	$ 17,752	$ 351,278	$ 104,701	$ -	$ 717,913
Acquisition through business combinations	-	-	98	1,060	7,918	-	9,076
Depreciation expense	-	15,353	4,927	25,058	10,038	-	55,376
Disposals	-	-	(9)	(9,285)	-	-	(9,294)
Effect of foreign currency exchange differences	-	767	722	352	45	-	1,886
Balance at June 30, 2018	$ -	$ 260,302	$ 23,490	$ 368,463	$ 122,702	$ -	$ 774,957
Carrying amounts at December 31,2017 and January 1, 2018	$ 736,708	$ 797,011	$ 237,419	$ 152,106	$ 51,296	$ 8,678	$ 1,983,218
Carrying amounts at June 30, 2018	$ 739,038	$ 786,301	$ 250,632	$ 185,920	$ 56,740	$ 5,611	$ 2,024,242

(Concluded)

For six month ended June 30, 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	-	1,174	2,335	30,812	910	(11,925)	23,306
Disposals	-	-	-	(15,851)	(274)	-	(16,125)
Reclassification	-	-	-	1	-	-	1
Effect of foreign currency exchange differences	(1,197)	(23,350)	(8,586)	(2,078)	(794)	(64)	(36,069)
Balance at June 30, 2017	$ 762,964	$ 925,598	$ 585,001	$ 489,833	$ 77,236	$ 148,628	$ 2,989,260
Accumulated depreciation							
Balance at January 1, 2017	$ -	$ 231,045	$ 69,899	$ 327,785	$ 67,106	$ -	$ 695,835
Depreciation expense	-	15,481	14,197	21,811	1,632	-	53,121
Disposals	-	-	-	(15,489)	(274)	-	(15,763)
Reclassification	-	-	-	(6)	-	-	(6)
Effect of foreign currency exchange differences	-	(3,611)	(1,116)	(1,802)	(526)	-	(7,055)
Balance at June 30, 2017	$ -	$ 242,915	$ 82,980	$ 332,299	$ 67,938	$ -	$ 726,132
Carrying amounts at June 30, 2017	$ 762,964	$ 682,683	$ 502,021	$ 157,534	$ 9,298	$ 148,628	$ 2,263,128

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

	For Six Month Ended June 30	
	2018	2017
Investing activities affecting both cash and non-cash items		
Additions to property, plant and equipment	$ 72,217	$ 23,306
Decrease in prepayments for equipment	(15,513)	(603)
Increase in payable for equipment purchased	(28,201)	(2,793)
Cash payments for property, plant and equipment	$ 28,503	$ 19,910

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

(Continued)

Hoist	11-16 years
Others	1-15 years
Others	1-11 years
	(Concluded)

Refer to Note 33 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure borrowings granted to the Group.

16. SHORT-TERM BORROWINGS

	June 30, 2018	December 31, 2017	June 30, 2017
Secured loans (Note 33)			
Bank loans	$ 249,245	$ -	$ -
Transferred notes receivables	40,692	57,374	-
	289,937	57,374	-
Unsecured loans			
Loans for procurement of materials	3,208,100	1,939,332	1,413,818
Lines of credit of loans	1,883,428	1,619,775	644,310
Bank overdraft	86,966	84,509	-
	5,178,494	3,643,616	2,058,128
	$ 5,468,431	$ 3,700,990	$ 2,058,128
Annual interest rate (%)	0.37-5.13	0.93-5.13	0.529-4.60

17. SHORT-TERM BILLS PAYABLE - AS OF JUNE 30, 2017

Outstanding short-term bills payable were as follows:

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate
China Bills Finance Corporation	$ 100,000	$ -	$ 100,000	0.56%

The payables of the commercial paper is interest charged and the maturity period is less than a month. It has not been discounted, because the effect was not material.

18. NOTES PAYABLE AND TRADE PAYABLE

	June 30, 2018	December 31, 2017	June 30, 2017
Notes payable (including related parties)			
Operating	$ 649,686	$ 850,479	$ 707,732
Non-operating	8,913	21,718	5,458
	$ 658,599	$ 872,197	$ 713,190

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
Trade payable (including related parties)			
Operating	$ 6,274,921	$ 5,451,798	$ 4,852,376

(Concluded)

The credit period for purchases of goods is 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 accounts payable.

19. LONG-TERM BORROWINGS

	June 30, 2018	December 31, 2017	June 30, 2017
Syndicated bank loans (led by Taiwan Cooperative Bank) (a)	$ 1,000,000	$ 1,000,000	$ 1,000,000
Less: Syndicated loan fee	2,160	2,880	3,600
	997,840	997,120	996,400
Other bank loans (b)	1,594,058	1,590,477	1,055,990
	2,591,898	2,587,597	2,052,390
Less: Current portion	48,405	31,908	28,564
	$ 2,543,493	$ 2,555,689	$ 2,023,826

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 June 30, 2018, December 31, 2017 and June 30, 2017, the interest rate was 1.797%.

2) Pursuant to the loan agreement, the Corporation should maintain certain financial ratios. Such financial ratios should be calculated based on audited annual consolidated financial statements. The Corporation had met the conditions of the loan agreement based on the audited annual consolidated financial statements as of and for the year ended December 31, 2017 and 2016.

b. The Group's other loans as follow:

Bank	Due Dates and Significant Conditions	Interest Rate (%)	June 30, 2018	December 31, 2017	June 30, 2017
Hua Nan Bank	Repayable in monthly installments from July 2015 to June 2025, monthly repayment of SGD 14 thousand, and the final repayment SGD 1,656 thousand.	2.21-2.65	$ 62,604	$ 63,988	$ 65,288
China Trust Bank	Originally from subsidiary skypower's loans (Note 13).	1.72-1.83	-	-	137,769
	Repayable in quarterly installments from March 2017 to June 2022, quarterly repayment of JPY 12,601 thousand, and the final repayment of JPY 365,434 thousand.	1.76-1.77	152,695	153,145	164,279
	Repayable in quarterly installments from September 2019 to June 2022, quarterly repayment of JPY 9,314 thousand, and the final repayment of JPY 518,506 thousand.	1.76-1.77	171,014	164,059	168,654
Hotai Finance Corporation	Repayable in monthly installments from June 2015 to May 2020, monthly repayment of $122 thousand.	3.00	2,583	3,257	-
	Repayable in monthly installments from September 2015 to August 2020, monthly repayment of $33 thousand.	3.00	828	1,011	-
	Repayable in monthly installments from September 2016 to August 2021, monthly repayment of $122 thousand.	3.00	4,334	5,017	-
HSBC Bank	Full repayment in June 2020.	1.058	200,000	200,000	200,000

(Continued)

Bank	Due Dates and Significant Conditions	Interest Rate (%)	June 30, 2018	December 31, 2017	June 30, 2017
LAND Bank	Repayable from July 2018 to June 2037, monthly repayment and interest of $1,794 thousand.	1.68	$ 350,000	$ 350,000	$ 320,000
	Repayable from October 2018 to September 2032, monthly repayment and interest of $1,671 thousand.	1.68	250,000	250,000	-
Fubon Bank	Full repayment in August 2019.	1.15	200,000	200,000	-
MUFG Bank	Full repayment in August 2019.	1.00	200,000	200,000	-
Total			$ 1,594,058	$ 1,590,477	$ 1,055,990

(Concluded)

HSBC Bank, Fubon Bank and MUFG Bank required the Corporation should maintain the financial ratios that refers in 2), stated previously. HSBC Bank and MUFG Bank required such financial ratios should be calculated based on audited annual consolidated financial statements as Fubon Bank required based on Semi-annual report. The group did maintain the financial ratio as of June 30, 2018.

20. BONDS PAYABLE - ONLY AS OF JUNE 30, 2017

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

	Denomination of Convertible Bonds	Payable of Interest	Discount (Included Issuance Cost of Bonds Payable of $5,494 thousand)	Total
a. Liability component				
For the six months ended June 30, 2017				
Balance, beginning of period	$ 1,000,000	$ 12,092	$ (5,538)	$ 1,006,554
Amortization expenses	-	2,555	4,744	7,299
Balance, end of period	$ 1,000,000	$ 14,647	$ (794)	$ 1,013,853

	June 30, 2017
b. Equity component	
Share option of common stock	$ 22,500
Less: Issuance cost of share option	126
Capital surplus - share option	$ 22,374

The convertible bonds issued by the corporation were not converted into the Group's common shares, and were matured and repaid in August, 2017 for $1,015,075 thousand. The "Capital Surplus-share option" $22,374 thousand, arising from the convertible bonds were invalid and fully transferred to "Capital Surplus-other".

21. OTHER PAYABLES

	June 30, 2018	December 31, 2017	June 30, 2017
Payable for salaries or bonuses	$ 396,937	$ 420,218	$ 393,673
Payable for employees' compensation and remuneration of directors and supervisors	344,559	229,295	270,958
Payable for commission	65,995	56,587	50,164
Payable for annual leave	22,269	30,843	29,945
Payable for freight fee	49,292	58,953	30,977
Payable for insurance premium	19,477	20,766	15,474
Payable for business tax	10,568	47,793	6,405
Others	180,770	195,092	59,872
	$ 1,089,867	$ 1,059,547	$ 857,468

22. RETIREMENT BENEFIT PLANS

The pension expenses of defined benefit plan (estimated by actuarial pension cost rate as of December 31, 2016 and 2015, respectively) were NT$1,299 thousand, NT$2,078 thousand, NT$3,376 thousand and NT$4,155 thousand for the three months ended June 30, 2018 and 2017, and the six months ended June 30, 2018 and 2017, respectively.

23. EQUITY

a. Ordinary share

	June 30, 2018	December 31, 2017	June 30, 2017
Number of shares authorized (in thousands)	300,000	300,000	300,000
Shares authorized	$ 3,000,000	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	231,390	231,390	231,390
Shares issued	$ 2,313,901	$ 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

	June 30, 2018	December 31, 2017	June 30, 2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)			
Recognized from issuance of common shares	$ 1,160,519	$ 1,160,519	$ 1,160,519
Recognized from the difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	29	29	29
May be used to offset a deficit only			
Recognized from donations	11,867	11,867	11,867
Other - expired stock warrant (Note 20)	22,374	22,374	-
May not be used for any purpose			
Recognized from share of changes in capital surplus of associates	206,147	245,719	233,242
Recognized from issuance of convertible bonds (Note 20)	-	-	22,374
	$ 1,400,936	$ 1,440,508	$ 1,428,031

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 to once a year).

c. Retained Earnings and Dividend Policy

Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses 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.

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to a special reserve by the Corporation.

The appropriations of earnings for 2017 and 2016 had been approved in the shareholders' meetings on May 30, 2018 and May 26, 2017, 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**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 140,951	$ 104,539		
Special reserve	-	124,836		
Cash dividends to shareholders	763,587	601,615	$ 3.3	$ 2.6
	$ 904,538	$ 830,990		

d. Special Reserves

On first-time adoption of Taiwan-IFRSs, the Group appropriated to the special reserve for the amount that increases the retained earnings of $72,302 thousand.

The Corporation's board of directors resolved to reverse and to appropriate to the special reserve the amount of $118,978 thousand and $124,836 thousand for the years ended December 31, 2018 and 2017 respectively through the shareholders' meeting. therefore, the amount of special reserve were NT$78,160 thousand, NT$197,138 thousand and NT$197,138 thousand at June 30, 2018, December 31, 2017 and June 30 2017, respectively.

e. Other Equity Items

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

	For the Six Months Ended June 30	
	2018	**2017**
Balance, beginning of period	$ (284,224)	$ (146,889)
Effect of change in tax rate	2,610	-
Exchange differences on translation of foreign operations		
Share of exchange difference of associates accounted for using the equity method	43,624	(182,808)
Share of exchange difference of associates accounted for using the equity method	19,425	(42,746)
Other comprehensive income for this period	65,659	(225,554)
Balance, end of period	$ (218,565)	$ (372,443)

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

	For the Six Months Ended June 30, 2018
Balance, beginning of period	$ 206,064
Adjustment on initial application of IFRS 9	(206,064)
Balance, end of period	$ -

	For the Six Months Ended June 30, 2017
Balance at January 1, 2017	$ 22,265
Unrealized gains and losses on available-for-sale financial assets	91,028
Cumulative gains and losses of available-for-sale financial assets reclassified to profit due to disposal	(785)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of associates accounted for using the equity method	12,292
Balance at June 30, 2017	$ 124,800

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Six Months Ended June 30, 2018
Balance, beginning of period (IAS 39)	$ -
Adjustment on initial application of IFRS 9	(197,138)
Balance, beginning of period (IFRS 9)	(197,138)
Unrealized gains and losses - equity instruments	(39,242)
Share from accounted for using the equity method	4,472
Cumulative gains and losses of equity instruments reclassified to retained earning due to disposal	(14,771)
Balance, end of period	$ (246,679)

4) Cash flow hedge - as of six months ended June 30, 2017

	For the Six Months Ended June 30, 2017
Balance, beginning of period	$ (213)
Share of cash flow hedging reserve of associates accounted for using the equity method	213
Balance, end of period	$ -

f. Non-Controlling Interests

	For the Six Months Ended June 30	
	2018	2017
Balance, beginning of period	$ 1,055,137	$ 952,080
Attributable to non-controlling interests		
Share of net profit for the period	83,013	58,739
Non-controlling interests arising from subsidiaries capital increased	5,968	-
Unrealized gain on available-for-sale financial assets	-	23
Unrealized gain on financial assets at FVTOCI	52	-
Exchange difference on translating the financial statements of foreign entities	1,512	(29,935)
Non-controlling interests reducing from subsidiaries capital decreased	(7,812)	-
Non-controlling interests arising from acquisition of subsidiaries (see Note 28)	192,157	-
Balance, end of period	$ 1,330,027	$ 980,907

24. REVENUE

a. Contact balances

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Revenue from contracts with customers (Note 4)				
Revenue from sale of goods	$ 13,299,522	$ 10,017,700	$ 24,808,034	$ 19,119,940
Other operating revenue	108,823	97,408	240,523	183,638
	$ 13,408,395	$ 10,115,108	$ 25,048,557	$ 19,303,578

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable (Note 10)	$ 1,938,224	$ 1,789,902	$ 1,441,362
Trade receivables (including related parties) (Note 10)	12,724,443	10,815,442	8,971,687
	$ 14,662,667	$ 12,605,344	$ 10,413,049

	June 30, 2018
Contract liabilities	
Sale of goods	$ 304,320

The changes in the balance of contract liabilities primarily result from the timing difference between when the Group fulfills its performance obligation and when receiving the customer's payment. There are no significant changes during January 1 through June 30, 2018.

Revenue of the reporting period recognized from the beginning contract liability and from the performance obligations satisfied in previous periods is as follows:

	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
From the beginning contract liability		
Sale of goods	$ 17,987	$ 150,938

b. Disaggregation of revenue

Refer to Note 37 for information about disaggregation of revenue.

25. NET PROFIT BEFORE INCOME TAX

The details of net profit before income tax were as follows:

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest income	$ 2,169	$ 2,371	$ 3,847	$ 4,531
Rental income	2,944	1,809	5,226	3,819
Dividend income	-	233	-	233
Others (Note 32)	34,361	13,849	46,200	20,684
	$ 39,474	$ 18,262	$ 55,273	$ 29,267

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Gain on financial assets at FVTPL	$ 3,225	$ -	$ 481	$ -
Gain (Loss) on sale of available-for-sale financial assets	-	(409)	-	785
Loss on disposal of property, plant and equipment	(5)	(240)	(5)	(240)
Net foreign exchange gain (loss)	9,619	13,742	552	(38,832)
Impairment loss (Note 13)	-	-	(25,396)	-
Other losses	(4,366)	(1,306)	(8,528)	(2,435)
	$ 8,473	$ 11,787	$ (32,896)	$ (40,722)

c. Financial costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest on bank loans	$ 50,846	$ 18,110	$ 91,503	$ 36,525
Syndicated loan fee amortization	360	360	720	720
Discount on bonds payable amortization	-	3,656	-	7,299
Others	11	-	11	1
	$ 51,217	$ 22,126	$ 92,234	$ 44,545

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Property, plant and equipment	$ 28,376	$ 26,461	$ 55,376	$ 53,121
Intangible assets	900	468	1,605	973
	$ 29,276	$ 26,929	$ 56,981	$ 54,094
An analysis of depreciation by function				
Operating costs	$ 4,614	$ 206	$ 9,188	$ 277
Operating expenses	23,762	26,255	46,188	52,844
	$ 28,376	$ 26,461	$ 55,376	$ 53,121
An analysis of amortization by function				
Operating expenses	$ 900	$ 468	$ 1,605	$ 973

e. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	$ 347,370	$ 287,971	$ 677,699	$ 573,945
Post-employment benefits				
Defined contribution plans	13,047	11,061	25,048	22,084
Defined benefit plans (Note 22)	1,299	2,078	3,376	4,155
	14,346	13,139	28,424	26,239
	$ 361,716	$ 301,110	$ 706,123	$ 600,184

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
An analysis of employee benefit by function				
Operating costs	$ 11,628	$ -	$ 21,757	$ -
Operating expenses	350,088	301,110	684,366	600,184
	$ 361,716	$ 301,110	$ 706,123	$ 600,184

(Concluded)

f. Employees' compensation and Remuneration to directors and supervisors

The Corporation 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. For the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017, the employees' compensation and the remuneration to directors and supervisors were as follows.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Estimated rate				
Employees' compensation (%)	10.25	11	10.83	11
Remuneration to directors and supervisors (%)	1.07	1.18	1.13	1.15
Amounts				
Employees' compensation	$ 56,813	$ 45,940	$ 102,826	$ 85,387
Remuneration to directors and supervisors	$ 5,940	$ 4,803	$ 10,750	$ 8,927

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

The appropriations of employees' compensation/bonus and remuneration to directors and supervisors for 2017 and 2016 have been approved by the board of directors on March 26, 2018 and March 22, 2017, respectively; the amounts are disclosed on the table below.

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

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 years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the board of directors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain and loss on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Foreign currency exchange gains	$ 277,909	$ 142,372	$ 478,156	$ 297,333
Foreign currency exchange losses	(268,290)	(128,630)	(477,604)	(336,165)
Net gains or losses	$ 9,619	$ 13,742	$ 552	$ (38,832)

26. INCOME TAX

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Current tax				
In respect of the current period	$ 103,316	$ 81,304	$ 191,530	$ 151,369
Additional 10% income tax on unappropriated earnings	53,533	27,915	53,533	27,915
Adjustment for prior periods	(1,507)	8,146	(1,507)	8,146
	155,342	117,365	243,556	187,430
Deferred tax				
In respect of the current period	(28,100)	21,010	14,811	38,376
Effect of tax rate changes	-	-	132,087	-
	(28,100)	21,010	146,898	38,376
Income tax expense recognized in profit or loss	$ 127,242	$ 138,375	$ 390,454	$ 225,806

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate to be recognized in profit or loss and other comprehensive income is recognized in full in the period in which the change in tax rate occurs. In addition, the tax rate applicable to unappropriated earnings of 2018 will be reduced from 10% to 5%.

b. Income tax expense recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Deferred tax				
Translation of foreign operations	$ (2,941)	$ (27,494)	$ (10,302)	$ 35,240
Adjustments deferred tax attribute to changes in tax rates and laws	-	-	5,545	-
	$ (2,941)	$ (27,494)	$ (4,757)	$ 35,240

c. Income tax assessments

The tax returns of the Corporation and the subsidiary QuanShan logistics through 2016 have been assessed by the tax authorities.

27. EARNINGS PER SHARE (EPS)

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Basic earnings per share				
Net profit for the year attributable to ordinary shareholders	$ 436,434	$ 270,656	$ 591,502	$ 563,175
Effect of dilutive potential share capital				
Convertible bonds	-	3,656	-	7,299
Earnings used in the computation of diluted earnings per share	$ 436,434	$ 274,312	$ 591,502	$ 570,474

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Weighted average number of ordinary shares outstanding used in computation of basic earnings per share	231,390	231,390	231,390	231,390

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Effect of dilutive potential ordinary shares				
Convertible bonds	-	16,393	-	16,393
Bonus shares issued to employees	1,933	1,681	3,506	3,095
Weighted average number of ordinary shares outstanding used in computation of diluted earnings per share	233,323	249,464	234,896	250,878

(Concluded)

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.

28. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Wah Tech Industrial Co., Ltd.	Trading business of industrial materials	June 1, 2018	51	$ 200,000

Approved by the Corporation's board of directors on May 30, 2018, the corporation acquired 51% shareholding of Wah Tech Industrial Co., Ltd. from unrelated party at the price of NT$200,000 thousand in order to expand the operation.

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

	Wah Tech Industrial Co., Ltd.
Current assets	
Cash and cash equivalents	$ 97,355
Trade receivables	272,524

(Continued)

	Wah Tech Industrial Co., Ltd.
Inventories	$ 181,866
Other financial assets - current	104,484
Other assets - current	41,975
Non-current assets	
Investments accounted for using equity method	2,279
Property, plant and equipment	7,202
Other noncurrent assets	842
Current liabilities	
Short-term borrowings	(247,668)
Contract liabilities - current	(5,947)
Trade payables	(94,294)
Other payables	(26,177)
Current tax liabilities	(13,520)
Other current liabilities	(1,361)
Non-current liabilities	
Net defined benefit liability - noncurrent	(2,943)
	$ 316,617

(Concluded)

The accounting for the acquisition of Wah Tech Industrial Co., Ltd. had been provisionally determined at the date of acquisition.

c. Goodwill recognized on acquisitions

	Wah Tech Industrial Co., Ltd.
Consideration transferred	$ 200,000
Plus: Non-controlling interests (49% in Wah Tech Industrial Co., Ltd.)	192,157
Less: Fair value of identifiable net assets acquired	(316,617)
Goodwill recognized on acquisitions	$ 75,540

As of June 30, 2018, the Group has not completed the identification of the difference between the cost of the investment and the Group's share of the net fair value of Wah Tech Industrial Co., Ltd. identifiable assets and liabilities and, as a result, the difference was recognized as goodwill provisionally.

d. Net cash outflow on the acquisition of subsidiaries

	Wah Tech Industrial Co., Ltd.
Consideration paid in cash	$ 200,000
Less: Cash and cash equivalent balances acquired	(97,355)
	$ 102,645

e. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition date are as follows:

	Wah Tech Industrial Co., Ltd.
Revenue	$ 119,830
Profit	$ 206

Had these business combinations been in effect at the beginning of the for the three months and six months reporting period, the Group's revenue from continuing operations would have been $13,625,207 thousand and $25,596,521 thousand, and the profit from continuing operations would have been $487,930 thousand and $699,485 thousand for the three months and six months ended June 30, 2018. 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 the beginning of acquisition year, nor is it intended to be a projection of future results.

29. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of warehouses. The Group does not have a bargain purchase option to acquire the leased warehouses at the expiry of the lease periods.

As of June 30, 2018, December 31, 2017 and June 30, 2017, refundable deposits paid under operating leases was $6,280 thousand, $6,280 thousand and $2,000 thousand, respectively.

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

	June 30, 2018	December 31, 2017	June 30, 2017
Not later than 1 year	$ 29,870	$ 21,706	$ 9,000
Later than 1 year and not later than 5 years	22,683	26,347	3,750
	$ 52,553	$ 48,053	$ 12,750

The lease payments recognized as expenses were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Minimum lease payment	$ 7,585	$ 2,250	$ 15,170	$ 8,276

30. 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 shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings minus 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, expect the financial requirement in Note 19.

31. 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 - as of June 30, 2017

June 30, 2017	Book value	Fair value
Financial liabilities measured at amortized cost		
Convertible bonds	$ 1,013,853	$ 1,014,700

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

June 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Interest rate swap contracts	$ -	$ 482	$ -	$ 482
Mutual funds	67,240	-	-	67,240
	$ 67,240	$ 482	$ -	$ 67,722
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Securities listed in the ROC	$ 131,877	$ -	$ -	$ 131,877
Emerging market and unlisted securities	-	4,073	507,676	511,749
Securities listed in other countries	78,612	-	-	78,612
	$ 210,489	$ 4,073	$ 507,676	$ 722,238

December 31, 2017

Available for sale financial assets	Level 1	Level 2	Level 3	Total
Securities listed in the ROC	$ 113,938	$ -	$ -	$ 113,938
Emerging market and 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

June 30, 2017

Available for sale financial assets	Level 1	Level 2	Level 3	Total
Securities listed in the ROC	$ 71,109	$ -	$ -	$ 71,109
Emerging market and unlisted securities	-	4,532	498,471	503,003
Mutual funds	305,987	-	-	305,987
Securities listed in other countries	71,709	-	-	71,709
	$ 448,805	$ 4,532	$ 498,471	$ 951,808

There were no transfers between Level 1 and Level 2 for the six months ended June 30, 2018 and 2017.

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

For six months ended June 30, 2018

Financial Assets	Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments
Balance at January 1, 2018	$ 553,111
Recognized in other comprehensive income	(6,375)
Disposal	(39,060)
Balance at June 30, 2018	$ 507,676

For six months ended June 30, 2017

Financial Assets	Available-for-sale Financial Assets Equity Instruments
Unlisted securities	
Balance at January 1, 2017	$ 464,131
Recognized in other comprehensive income	34,340
Balance at June 30, 2017	$ 498,471

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	**Valuation Techniques and Inputs**
Emerging market shares	Refer to the transaction price assessment of the observable market price.
Derivative financial-assets Interest rate swap contracts	Discounted cash flow: The estimated future cash flows are based on the observable forward exchange rate at the end of the reporting period and the exchange rate stipulated in the contract, and are discounted separately at a discount rate that reflects the credit risk of each counterparty.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of the unlisted shares held by the Group were measured by using the market approach, which refer to the public market peer-to-peer analogy of the company's stock price ratio information or the latest net value estimate.

c. Categories of financial instruments

	June 30, 2018	**December 31, 2017**	**June 30, 2017**
Financial assets			
Financial assets at FVTPL			
Mandatorily classified as at FVTPL	$ 67,722	$ -	$ -
Loans and receivables (Note 1)	-	15,235,661	12,753,992
Financial assets at amortized cost (Note 1)	17,597,157	-	-
Available-for-sale financial assets	-	798,296	951,808
Financial assets at FVTOCI			
Equity instruments	722,238	-	-
Financial liabilities			
At amortized cost (Note 2)	16,949,613	13,675,149	12,151,093

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

(including related parties), other financial assets and refundable deposits.

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

d. Financial risk management objectives and policies

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

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 35.

<u>Sensitivity analysis</u>

The Group is 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. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included external deposits, loans and trade receivables and payables. A positive number below indicates an increase/ decrease in pre-taxprofit and other equity associated with the functional currency strengthening 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 other equity, and the balances below would be negative (positive).

	Foreign Currency Impact	
	For the Six Months Ended June 30	
	2018	**2017**
USD	$ 3,343	$ 12,327

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:

	June 30, 2018	December 31, 2017	June 30, 2017
Fair value interest rate risk			
Financial liabilities	$ 107,745	$ 9,285	$ 1,533,853
Cash flow interest rate risk			
Financial assets	2,224,994	2,259,316	1,887,613
Financial liabilities	4,345,886	4,749,527	2,556,253

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the six months ended June 30, 2018 and 2017. 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 six months ended June 30, 2018 and 2017 would have been lower/higher by $10,604 thousand and $3,343 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate deposits and loans.

c) Other price risk

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

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-taxprofit for the three months ended June 30, 2018 would have increased/decreased by $672 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and thepre-tax other comprehensive income for the three months ended June 30, 2018 would have increased/decreased by $7,222 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 1% higher/lower, the other comprehensive income for the six months ended June 30, 2018 and 2017 would have been higher/lower by $9,518 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 the failure of the counterparties to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of 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. The Group relies on bank borrowings as a significant source of liquidity.

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**
June 30, 2018					
Non-interest bearing	$ 8,333,877	$ 454,746	$ -	$ -	$ 8,788,623
Variable interest rate liabilities	1,516,869	534,625	1,551,960	891,810	4,495,264
Fixed interest rate liabilities	3,425,690	197,281	205,075	245	3,828,291
Financial guarantee contracts	-	911,390	-	-	911,390
	$ 13,276,436	$ 2,098,042	$ 1,757,035	$ 892,055	$ 18,023,568
December 31, 2017					
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

(Continued)

June 30, 2017	Less than 3 Months	3-12 Months	1-3 Years	3+ Years	Total
Non-interest bearing	$ 6,335,072	$ 691,225	$ -	$ -	$ 7,026,297
Variable interest rate liabilities	855,715	222,006	1,094,587	452,895	2,625,203
Fixed interest rate liabilities	1,916,846	144,128	243,769	334,637	2,639,380
Financial guarantee contracts	-	468,966	-	-	468,966
	$ 9,107,633	$ 1,526,325	$ 1,338,356	$ 787,532	$ 12,759,846

(Concluded)

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

During the six months ended June 30, 2018 and 2017, the Group discounted trade receivables to a bank. According to the contract, if the trade receivables 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 trade receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing (see Note 16).

As of June 30 2018 and December 31 2017, the carrying amount of the note receivables and related liability that have been transferred but have not been derecognized was $40,692 thousand and $57,374 thousand, respectively.

32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions within the Group had been eliminated upon consolidation. Details of transactions between the Group and other related parties were disclosed as follows:

a. Related parties

Related Party Name	Related Party Category
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
PT. WAH TECH INDONESIA	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

(Continued)

Related Party Name	Related Party Category
Qingdao Changhong Optoelectronics Ltd.	Associate's subsidiary
Wah Ma Chemical Sdn. Bhd.	Associate's subsidiary
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
Xin Hao Co., Ltd.	Other related party

(Concluded)

b. Operating revenues

1) Sales of goods

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Related parties types				
Associates and their subsidiaries	$ 116,768	$ 94,487	$ 211,489	$ 223,833
Other related parties	6,901	3,824	11,403	6,897
	$ 123,669	$ 98,311	$ 222,892	$ 230,730

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

2) Purchase of goods

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Related parties types				
Associates and their subsidiaries	$ 122,823	$ 103,167	$ 213,592	$ 254,079
Other related parties	338,534	345,480	693,890	670,019
	$ 461,357	$ 448,647	$ 907,482	$ 924,098

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

3) Commission expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Commission expense				
Other related parties	$ 51	$ 71	$ 108	$ 173

4) Receivables from related parties

	June 30, 2018	December 31, 2017	June 30, 2017
Trade receivable - related parties			
Associates and their subsidiaries	$ 230	$ -	$ -
Accounts receivables - related parties			
Associates and their subsidiaries	$ 143,798	$ 95,341	$ 92,353
Other related parties	3,928	1,257	3,864
	147,726	96,598	96,217
Less: Allowance for doubtful accounts	-	-	251
	$ 147,726	$ 96,598	$ 95,966
Other receivables - related parties			
Associates and their subsidiaries			
Chang Wah Electromaterials Inc.	$ 217,692	$ 7,175	$ 197,902
Others	31,963	122	1,722
	249,655	7,297	199,624
Other related parties	495	99	73
	$ 250,150	$ 7,396	$ 199,697

As of June 30, 2018 and 2017, other receivables - related parties included dividends receivable $249,200 thousand and $197,902 thousand, respectively.

The outstanding trade receivables from related parties are unsecured.

5) Payables to related parties

	June 30, 2018	December 31, 2017	June 30, 2017
Notes payable - related parties			
Associates and their subsidiaries	$ 2,221	$ 904	$ 546
Other related parties			
Asahi Kasei Wah Lee Hi-Tech Corporation	103,399	320,213	261,370
	$ 105,620	$ 321,117	$ 261,916

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
Accounts payable - related parties			
Associates and their subsidiaries	$ 115,554	$ 94,114	$ 101,171
Other related parties	337,058	178,745	153,179
	$ 452,612	$ 272,859	$ 254,350
Other payables			
Associates and their subsidiaries	$ 88	$ 127	$ 53
Other related parties	526	275	907
	$ 614	$ 402	$ 960

(Concluded)

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

6) Prepayments

Prepayments	June 30, 2018	December 31, 2017	June 30, 2017
Associates and their subsidiaries	$ 2,715	$ 315	$ -
Other related parties	-	34,822	-
	$ 2,715	$ 35,137	$ -

c. Management consulting service incomes

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, 2018 as the latest. According to the agreements and contracts, the Corporation provided certain management services to related parties. Consulting and service fee as recognized as non-operating income was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Associates and their subsidiaries	$ 2,752	$ 1,918	$ 3,426	$ 2,491

d. Rental Income

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Related parties types				
Associates and their subsidiaries	$ 551	$ 551	$ 1,101	$ 1,701
Other related parties	6	6	36	36
	$ 557	$ 557	$ 1,137	$ 1,737

e. Endorsements and guarantees and related fee income

1) Endorsements and guarantees

Related parties types	June 30, 2018	December 31, 2017	June 30, 2017
Associates and their subsidiaries			
Amount endorsed	$ 1,234,601	$ 1,059,118	$ 1,073,780
Amount utilized	$ 911,390	$ 773,968	$ 468,966
Other related parties			
Amount endorsed	$ 25,194	$ 25,194	$ 25,194
Amount utilized	$ -	$ 15,504	$ -

2) Fee income from endorsements and guarantees

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Related Parties Types				
Associates and their subsidiaries	$ 14	$ 32	$ 300	$ 266
Other related parties	-	-	28	5
	$ 14	$ 32	$ 328	$ 271

f. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	$ 24,735	$ 21,741	$ 48,231	$ 47,027
Post-employment benefits	465	515	929	983
	$ 25,200	$ 22,256	$ 49,160	$ 48,010

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.

33. ASSETS PLEDGED AS COLLATERAL

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

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable	$ 40,692	$ 57,374	$ -
Other financial assets - current	103,831	1,300	-
Property, plant and equipment			
Freehold land	501,229	501,229	380,338
Buildings	459,728	464,948	273,495
Machinery and equipment	-	-	255,270
Miscellaneous equipment	11,998	17,004	-
Construction in progress	-	-	143,741
	$ 1,117,478	$ 1,041,855	$ 1,052,844

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in note 29 and 32, 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:

	June 30, 2018	December 31, 2017	June 30, 2017
USD	$ 7,132	$ 7,588	$ 6,481
JPY	37,500	-	26,108
RMB	-	-	750
EUR	492	-	-

b. Unrecognized commitments were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Acquisition of property, plant and equipment	$ -	$ 32,748	$ 33,139

c. As of June 30, 2018, the guarantee notes for purchases of goods was $92,002 thousand (RMB20,000 thousand).

d. The Corporation offered financial guarantees for related parties as stated in Note 32.

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

The significant financial assets and financial liabilities denominated in foreign currencies were as follows:

	Foreign Currency Amount	Exchange Rate		Carrying Amount
June 30, 2018				
Monetary financial assets				
USD	$ 177,756	30.46	(USD:NTD)	$ 5,414,448
USD	31,497	7.8485	(USD:HKD)	959,391
USD	26,963	6.6216	(USD:RMB)	821,307
USD	1,993	32.98	(USD:THB)	60,707
Nonmonetary financial assets				
Investment accounted for using the equity method				
USD	9,672	30.46	(USD:NTD)	294,598
RMB	152,760	4.6001	(RMB:NTD)	702,709
RMB	808,222	1.1852	(RMB:HKD)	3,717,901
JPY	580,154	0.2754	(JPY:NTD)	159,775
HKD	1,362,429	3.881	(HKD:NTD)	5,287,587
THB	171,657	0.9237	(THB:NTD)	158,560
Monetary financial liabilities				
USD	164,466	30.46	(USD:NTD)	5,009,644
USD	15,326	7.8485	(USD:HKD)	466,830
USD	38,707	6.6216	(USD:RMB)	1,179,026
USD	2,021	25,383	(USD:VND)	61,575
USD	6,712	32.98	(USD:THB)	204,462
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 the equity method				
USD	9,128	29.76	(USD:NTD)	271,661
RMB	150,107	4.5744	(RMB:NTD)	686,646
RMB	858,310	1.2016	(RMB:HKD)	3,926,237
JPY	569,427	0.2642	(JPY:NTD)	150,443
HKD	1,196,917	3.807	(HKD:NTD)	4,556,664
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

(Continued)

June 30, 2017	Foreign Currency Amount	Exchange Rate		Carrying Amount
Monetary financial assets				
USD	$ 130,738	30.42	(USD:NTD)	$ 3,977,038
USD	31,687	7.8060	(USD:HKD)	963,915
USD	26,714	6.7833	(USD:RMB)	812,654
Nonmonetary financial assets				
Investment accounted for using the equity method				
USD	8,730	30.42	(USD:NTD)	265,560
RMB	144,637	4.4845	(RMB:NTD)	648,631
RMB	793,355	1.1508	(RMB:HKD)	3,557,835
JPY	1,188,199	0.2716	(JPY:NTD)	322,715
HKD	1,164,488	3.897	(HKD:NTD)	4,538,010
Monetary financial liabilities				
USD	105,146	30.42	(USD:NTD)	3,198,554
USD	29,547	6.7833	(USD:RMB)	898,823
USD	13,923	7.8060	(USD:HKD)	423,523

(Concluded)

For the three months ended June 30, 2018 and 2017, and the six months ended June 30, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were $9,619 thousand, $13,742 thousand, $552 thousand and ($38,832) 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.

36. 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:

a. 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.

b. Raycong Industrial (H.K.) Ltd. and its subsidiary Dong Guan Hua Gang International Trading Co., Ltd. and Huarying Supply China Management (Shenzhen) Co., Ltd. ("Raycong") are mainly engaged in the trade of engineering plastic, composite materials and equipment.

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

d. Others - Other subsidiaries which were below the quantitative threshold were not listed as reportable segments. Please refer to Note 13 for details.

Segment revenues and results

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 Eliminated	Total
For the six months ended June 30, 2018						
Revenues from external customers	$ 12,538,663	$ 5,121,789	$ 6,058,456	$ 1,329,649	$ -	$ 25,048,557
Inter-segment revenues	2,070,414	350,256	80,993	156,486	(2,658,149)	-
Segment revenues	$ 14,609,077	$ 5,472,045	$ 6,139,449	$ 1,486,135	$ (2,658,149)	$ 25,048,557
Segment income	$ 303,628	$ 276,675	$ 313,718	$ 59,069	$ -	$ 953,090
Other income	15,008	8,818	29,214	2,233	-	55,273
Other gains and losses	(2,958)	(10,888)	(16,242)	(2,808)	-	(32,896)
Financial costs	(47,740)	(35,460)	(1,816)	(7,218)	-	(92,234)
Profit before income tax	267,938	239,145	324,874	51,276	-	883,233
Income tax expense	(244,883)	(41,775)	(92,396)	(11,400)	-	(390,454)
Net profit after tax	$ 23,055	$ 197,370	$ 232,478	$ 39,876	$ -	492,779
Share of profit or loss of associates						181,736
Consolidated net profit						$ 674,515
June 30, 2018						
Identifiable assets	$ 13,221,165	$ 6,281,528	$ 5,961,276	$ 2,640,890	$ (1,518,189)	$ 26,586,670
Goodwill						107,379
Investment accounted for using equity method						4,293,187
Total assets						$ 30,987,236
For the six months ended June 30, 2017						
Revenues from external customers	$ 10,189,161	$ 3,455,682	$ 4,409,158	$ 1,249,577	$ -	$ 19,303,578
Inter-segment revenues	1,894,345	444,142	100,887	230,326	(2,669,700)	-
Segment revenues	$ 12,083,506	$ 3,899,824	$ 4,510,045	$ 1,479,903	$ (2,669,700)	$ 19,303,578
Segment operating income	$ 192,256	$ 156,458	$ 243,421	$ 77,735	$ -	$ 669,870
Other income	15,179	3,903	6,014	4,171	-	29,267
Other gains and losses	(41,944)	7,900	1,175	(7,853)	-	(40,722)
Financial costs	(32,034)	(5,301)	(13)	(7,197)	-	(44,545)
Profit before income tax	133,457	162,960	250,597	66,856	-	613,870
Income tax expense	(118,448)	(33,856)	(65,149)	(8,353)	-	(225,806)
Net profit (loss) after tax	$ 15,009	$ 129,104	$ 185,448	$ 58,503	$ -	388,064
Share of profit or loss of associates						233,850
Consolidated net profit						$ 621,914

(Continued)

	Wah Lee	Raycong	Shanghai Yikang	Others	Adjustment and Eliminated	Total
June 30, 2017						
Identifiable assets	$ 10,823,549	$ 4,484,268	$ 4,569,033	$ 2,059,856	$ (1,492,946)	$ 20,443,760
Goodwill						57,314
Investment accounted for using equity method						4,194,749
Total assets						$ 24,695,823

(Concluded)

Segment profit represented the profit earned by each segment without share of profits of associates. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources between segments, all assets were allocated to reportable segments other than interests in associates accounted for using the equity method.