

Pou Chen Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Pou Chen Corporation

Opinion

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

In our opinion, based on our audits and the report of other auditors (refer to the other matter section of this report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Impairment of Assets

As of December 31, 2016, the Company's property, plant and equipment and investment properties amounted to \$4,503,791 thousand and \$1,976,031 thousand, respectively. For the related critical accounting judgments, key sources of estimation, and significant accounting policies, refer to Notes 4 and 5 of the accompanying financial statements.

Management evaluated the impairment of assets based on their recoverable amounts, which is the higher of fair value less costs to sell or value-in-use of those assets. The recoverable amount is determined according to the market price or estimated future cash flows of those assets. As a result, the test of impairment involves significant judgments and estimations made by the management. As a result, the impairment of assets is regarded as a key audit matter of the 2016 financial statements.

Our audit procedures in response to this key audit matter were to obtain the impairment valuation sheets prepared by the management and to test management's assumptions used in the impairment model, such as the cash flows projections and discount rates.

Sales Revenue

The criterion for the point of recognition of sales revenue is identifying when and whether the risks and ownership of goods have been transferred to customers. The revenue recognition policy can be found in Note 4 of the Company's financial statement.

The main business activities of the Company is the purchase of the shoe-related materials and the sale of said items to related parties. We identified sales revenue as a key audit matter because the fair presentation of the Company's financial statements is directly affected by the revenue recognized.

Our audit procedures in response to sales revenue consisted of examining the transaction terms of transactions to confirm that sales revenue was recognized according to the point at which the risks and returns of goods were transferred. Further to this, our audit procedures included understanding the internal controls of the recognition of sales revenue and evaluating and testing the effectiveness of the design and implementation of revenue recognition. We also obtained details of the sales transactions reports prepared by the management and selected critical samples from the reports to verify the occurrence of revenue.

Other Matter

The Company's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method in the financial statements and were based on financial statements which were audited by other auditors. Our opinion, insofar as it relates to the Company's investments in Ruen Chen Investment Holding Co., Ltd., is based solely on the report of other auditors. As of December 31, 2016 and 2015, the carrying value of the investments was 8.45% (\$8,912,633 thousand) and 5.97% (\$5,846,585 thousand) of the total assets, respectively. For the years ended December 31, 2016 and 2015, the share of profit of the associate was 30.86% (\$4,255,105 thousand) and 33.58% (\$3,693,799 thousand) of the income before income tax, respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ker-Chang Wu and Hung-Bin Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2017

Notice to Readers

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

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

POU CHEN CORPORATION

BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

		2016	2015		
		Amount	%	Amount	%
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents (Notes 4 and 6)		\$ 540,793	1	\$ 604,593	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)		131,915	-	43,064	-
Available-for-sale financial assets - current (Notes 4 and 8)		4,468,517	4	4,119,079	4
Debt investments with no active market - current (Notes 4 and 9)		90,493	-	394,605	-
Notes receivable (Notes 4 and 10)		21,253	-	11,217	-
Notes receivable from related parties (Notes 4, 10 and 30)		17	-	17	-
Accounts receivable (Notes 4 and 10)		29,504	-	27,060	-
Accounts receivable from related parties (Notes 4, 10 and 30)		1,854,777	2	1,502,510	2
Other receivables (Notes 4 and 10)		266,973	-	211,402	-
Inventories (Notes 4 and 11)		76,257	-	66,454	-
Other current assets (Notes 4 and 12)		<u>61,028</u>	<u>-</u>	<u>56,620</u>	<u>-</u>
Total current assets		<u>7,541,527</u>	<u>7</u>	<u>7,036,621</u>	<u>7</u>
NON-CURRENT ASSETS					
Held-to-maturity financial assets - non-current (Notes 4 and 13)		285,872	1	-	-
Financial assets measured at cost - non-current (Notes 4 and 14)		61,000	-	61,000	-
Investments accounted for using equity method (Notes 4 and 15)		90,991,502	86	84,366,961	86
Property, plant and equipment (Notes 4 and 16)		4,503,791	4	4,187,849	5
Investment properties (Notes 4 and 17)		1,976,031	2	2,029,185	2
Deferred tax assets (Notes 4 and 25)		50,938	-	106,469	-
Other non-current assets (Notes 4 and 12)		<u>116,700</u>	<u>-</u>	<u>85,962</u>	<u>-</u>
Total non-current assets		<u>97,985,834</u>	<u>93</u>	<u>90,837,426</u>	<u>93</u>
TOTAL		<u>\$ 105,527,361</u>	<u>100</u>	<u>\$ 97,874,047</u>	<u>100</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term borrowings (Note 18)		\$ 6,515,000	6	\$ 4,706,500	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)		113,284	-	48,714	-
Notes payable (Notes 4 and 19)		16,676	-	19,607	-
Notes payable to related parties (Notes 4, 19 and 30)		25,724	-	15,080	-
Accounts payable (Notes 4 and 19)		1,324,640	1	1,425,749	2
Accounts payable to related parties (Notes 4, 19 and 30)		101,253	-	67,934	-
Other payables (Note 20)		1,394,239	2	1,293,256	1
Current tax liabilities (Notes 4 and 25)		606,668	1	1,377,602	1
Current portion of long-term borrowings (Note 18)		-	-	4,748,053	5
Other current liabilities		<u>113,032</u>	<u>-</u>	<u>69,425</u>	<u>-</u>
Total current liabilities		<u>10,210,516</u>	<u>10</u>	<u>13,771,920</u>	<u>14</u>
NON-CURRENT LIABILITIES					
Long-term borrowings (Note 18)		17,000,000	16	12,241,510	12
Deferred tax liabilities (Notes 4 and 25)		801,343	1	730,588	1
Net defined benefit liabilities (Notes 4 and 21)		1,789,168	1	1,842,453	2
Other non-current liabilities (Note 15)		<u>21,190</u>	<u>-</u>	<u>17,463</u>	<u>-</u>
Total non-current liabilities		<u>19,611,701</u>	<u>18</u>	<u>14,832,014</u>	<u>15</u>
Total liabilities		<u>29,822,217</u>	<u>28</u>	<u>28,603,934</u>	<u>29</u>
EQUITY (Notes 4 and 22)					
Share capital					
Common shares		29,467,872	28	29,467,872	30
Capital surplus		<u>4,540,163</u>	<u>4</u>	<u>4,631,708</u>	<u>5</u>
Retained earnings					
Legal reserve		11,213,184	11	10,260,048	10
Special reserve		11,905,595	11	5,608,553	6
Unappropriated earnings		32,214,698	31	31,207,526	32
Total retained earnings		<u>55,333,477</u>	<u>53</u>	<u>47,076,127</u>	<u>48</u>
Other equity		<u>(13,636,368)</u>	<u>(13)</u>	<u>(11,905,594)</u>	<u>(12)</u>
Total equity		<u>75,705,144</u>	<u>72</u>	<u>69,270,113</u>	<u>71</u>
TOTAL		<u>\$ 105,527,361</u>	<u>100</u>	<u>\$ 97,874,047</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 27, 2017)

POU CHEN CORPORATION

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

	2016	2015		
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 30)	\$ 12,294,428	100	\$ 12,748,522	100
OPERATING COSTS (Notes 24 and 30)	<u>8,461,282</u>	<u>69</u>	<u>9,004,039</u>	<u>71</u>
GROSS PROFIT	3,833,146	31	3,744,483	29
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	<u>1,456</u>	<u>-</u>	<u>(169)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>3,834,602</u>	<u>31</u>	<u>3,744,314</u>	<u>29</u>
OPERATING EXPENSES (Notes 21 and 24)				
Selling and marketing expenses	69,745	1	73,442	1
General and administrative expenses	2,142,716	17	2,210,180	17
Research and development expenses	<u>1,377,679</u>	<u>11</u>	<u>1,012,032</u>	<u>8</u>
Total operating expenses	<u>3,590,140</u>	<u>29</u>	<u>3,295,654</u>	<u>26</u>
INCOME FROM OPERATIONS	<u>244,462</u>	<u>2</u>	<u>448,660</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 24 and 30)	530,857	4	556,477	4
Other gains and losses (Note 24)	(123,499)	(1)	348,997	3
Finance costs (Note 24)	(338,342)	(3)	(358,074)	(3)
Share of the profit of subsidiaries and associates (Notes 4 and 15)	<u>13,476,549</u>	<u>110</u>	<u>10,002,754</u>	<u>79</u>
Total non-operating income and expenses	<u>13,545,565</u>	<u>110</u>	<u>10,550,154</u>	<u>83</u>
INCOME BEFORE INCOME TAX	13,790,027	112	10,998,814	86
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(732,977)</u>	<u>(6)</u>	<u>(1,467,456)</u>	<u>(11)</u>
NET INCOME FOR THE YEAR	<u>13,057,050</u>	<u>106</u>	<u>9,531,358</u>	<u>75</u>

(Continued)

POU CHEN CORPORATION

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

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME				
(Note 3)				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial loss arising from defined benefit plans (Note 21)	\$ (272,105)	(2)	\$ (216,694)	(2)
Share of the other comprehensive loss of subsidiaries and associates	(107,414)	(1)	(76,182)	-
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on available-for-sale financial assets	349,438	3	(567,431)	(5)
Share of the other comprehensive loss of subsidiaries and associates	<u>(2,080,212)</u>	<u>(17)</u>	<u>(5,729,610)</u>	<u>(45)</u>
Other comprehensive loss for the year, net of income tax	<u>(2,110,293)</u>	<u>(17)</u>	<u>(6,589,917)</u>	<u>(52)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 10,946,757</u>	<u>89</u>	<u>\$ 2,941,441</u>	<u>23</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 4.43</u>		<u>\$ 3.24</u>	
Diluted	<u>\$ 4.29</u>		<u>\$ 3.14</u>	

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

(With Deloitte & Touche audit report dated March 27, 2017)

(Concluded)

POU CHEN CORPORATION

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

	Share Capital	Capital Surplus	Legal Reserve	Retained Earnings	Unappropriated Earnings	Other Equity		
				Special Reserve		Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Income on Available-for-sale Financial Assets	
							Total Equity	
BALANCE AT JANUARY 1, 2015	\$ 29,441,372	\$ 4,627,549	\$ 9,398,498	\$ 9,180,047	\$ 23,675,306	\$ 3,345,749	\$ (8,954,302)	\$ 70,714,219
Appropriation of 2014 earnings (Note 22)								
Legal reserve	-	-	861,550	-	(861,550)	-	-	-
Special reserve	-	-	-	(3,571,494)	3,571,494	-	-	-
Cash dividends	-	-	-	-	(4,416,206)	-	-	(4,416,206)
	-	-	861,550	(3,571,494)	(1,706,262)	-	-	(4,416,206)
Net income for the year ended December 31, 2015	-	-	-	-	9,531,358	-	-	9,531,358
Other comprehensive (loss) income for the year ended December 31, 2015	-	-	-	-	(292,876)	1,675,137	(7,972,178)	(6,589,917)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	9,238,482	1,675,137	(7,972,178)	2,941,441
Execution of employee share options (Notes 22 and 27)	26,500	21,200	-	-	-	-	-	47,700
Share of changes in net assets of associates (Notes 4 and 22)	-	624	-	-	-	-	-	624
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 22)	-	(18,814)	-	-	-	-	-	(18,814)
Share of changes in equities of subsidiaries (Notes 4 and 22)	-	1,149	-	-	-	-	-	1,149
Change in equity for the year ended December 31, 2015	26,500	4,159	861,550	(3,571,494)	7,532,220	1,675,137	(7,972,178)	(1,444,106)
BALANCE AT DECEMBER 31, 2015	29,467,872	4,631,708	10,260,048	5,608,553	31,207,526	5,020,886	(16,926,480)	69,270,113
Appropriation of 2015 earnings (Note 22)								
Legal reserve	-	-	953,136	-	(953,136)	-	-	-
Special reserve	-	-	-	6,297,042	(6,297,042)	-	-	-
Cash dividends	-	-	-	-	(4,420,181)	-	-	(4,420,181)
	-	-	953,136	6,297,042	(11,670,359)	-	-	(4,420,181)
Net income for the year ended December 31, 2016	-	-	-	-	13,057,050	-	-	13,057,050
Other comprehensive (loss) income for the year ended December 31, 2016	-	-	-	-	(379,519)	(1,911,713)	180,939	(2,110,293)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	12,677,531	(1,911,713)	180,939	10,946,757
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 22)	-	(93,840)	-	-	-	-	-	(93,840)
Share of changes in equities of subsidiaries (Notes 4 and 22)	-	2,295	-	-	-	-	-	2,295
Change in equity for the year ended December 31, 2016	-	(91,545)	953,136	6,297,042	1,007,172	(1,911,713)	180,939	6,435,031
BALANCE AT DECEMBER 31, 2016	\$ 29,467,872	\$ 4,540,163	\$ 11,213,184	\$ 11,905,595	\$ 32,214,698	\$ 3,109,173	\$ (16,745,541)	\$ 75,705,144

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

(With Deloitte & Touche audit report dated March 27, 2017)

POU CHEN CORPORATION

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 13,790,027	\$ 10,998,814
Adjustments for:		
Depreciation expenses	244,682	226,736
Net (gain) loss on fair value change of financial instruments at FVTPL	(105,337)	(67,625)
Finance costs	338,342	358,074
Interest income	(17,197)	(50,840)
Dividends income	(288,827)	(251,886)
Share of the profit of subsidiaries and associates	(13,476,549)	(10,002,754)
Net loss on disposal of property, plant and equipment	296	1,564
Net gain on disposal of available-for-sale financial assets	-	(22,758)
Net loss on disposal of associates	4,277	-
(Realized) unrealized gain on the transactions with subsidiaries	(1,456)	169
Changes in operating assets and liabilities		
Financial instruments held for trading	81,056	36,613
Notes receivable	(10,036)	5,148
Notes receivable from related parties	-	36
Accounts receivable	(2,444)	16,161
Accounts receivable from related parties	(352,267)	220,843
Other receivables	(56,429)	(5,173)
Inventories	(9,803)	41,052
Other current assets	(4,409)	5,923
Other operating assets	(3,119)	(3,671)
Notes payable	(2,931)	(16,933)
Notes payable to related parties	10,644	(21,435)
Accounts payable	(101,109)	(48,908)
Accounts payable to related parties	33,319	(44,574)
Other payables	96,253	13,882
Other current liabilities	43,607	12,867
Net defined benefit liabilities	<u>(325,390)</u>	<u>(89,226)</u>
Cash (used in) generated from operations	(114,800)	1,312,099
Interest paid	(330,411)	(354,943)
Income tax paid	<u>(1,377,626)</u>	<u>(772,775)</u>
Net cash (used in) generated from operating activities	<u>(1,822,837)</u>	<u>184,381</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(329,458)
Proceeds on sale of available-for-sale financial assets	-	27,852
Acquisition of debt investments with no active market	(97,412)	(1,255,170)
Proceeds on sale of debt investments with no active market	401,524	2,205,420
Acquisition of held-to-maturity financial assets	(285,997)	-
Acquisition of subsidiaries	-	(480,118)
Acquisition of property, plant and equipment	(354,469)	(153,083)

(Continued)

POU CHEN CORPORATION

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

	2016	2015
Proceeds from disposal of property, plant and equipment	\$ 5,237	\$ 4,742
Increase in refundable deposits	(84)	(974)
Increase in prepayments for equipment	(178,832)	(88,617)
Interest received	13,903	48,891
Dividends received	4,862,609	4,922,807
Cash dividends from reduction of capital surplus from associates	<u>3,503</u>	<u>-</u>
Net cash generated from investing activities	<u>4,369,982</u>	<u>4,902,292</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,808,500	-
Repayments of short-term borrowings	-	(1,763,500)
Proceeds from long-term borrowings	12,500,000	4,750,000
Repayments of long-term borrowings	(12,500,000)	(4,750,000)
Cash dividend	(4,420,181)	(4,416,206)
Increase in guarantee deposits	736	-
Decrease in guarantee deposits	-	(337)
Execution of employee share options	<u>-</u>	<u>47,700</u>
Net cash used in financing activities	<u>(2,610,945)</u>	<u>(6,132,343)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(63,800)	(1,045,670)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	604,593	1,650,263
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 540,793	\$ 604,593

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

(With Deloitte & Touche audit report dated March 27, 2017)

(Concluded)

POU CHEN CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Pou Chen Corporation (the “Company”) has main business activities which include the manufacturing and sale of various kinds of shoes and the import and export of related products and materials. The Company also invests significantly in the shoes and electronics industries to diversify its business operations. The Company invested in Yue Yuen Industrial (Holdings) Limited (“Yue Yuen”) and other footwear-related companies through Wealthplus Holdings Limited (“Wealthplus”). Yue Yuen and Pou Sheng International (Holdings) Limited (“Pou Sheng”), a subsidiary of Yue Yuen, are listed on the Hong Kong Exchange and Clearing Limited.

In January 1990, the Company started to trade its stocks on the Taiwan Stock Exchange.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 27, 2017.

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

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

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

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016

(Continued)

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

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

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

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

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

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

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

2) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

3) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

- a) For the Company’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:
 - i. For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

- ii. For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments is derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
- b) Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

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

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

Transition

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

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

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

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

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

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

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

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

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

4) IFRS 16 “Leases”

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

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

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

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

5) Annual Improvements to IFRSs 2014-2016 Cycle

The amendment to IFRS 12 clarified that when an entity's interest in a subsidiary or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary or associate in accordance with IFRS 12.

6) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Company should make transfers to or from investment property when, and only when, the property meets or ceases to meet the definition of investment property and when there is evidence of the change in use. In isolation, a change in management’s intentions for the use of a property does not provide sufficient evidence of a change in use. The amendments also clarify that evidence of a change in use is not limited to those illustrated in IAS 40.

The Company may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. The Company is also required to disclose the reclassified amounts and such amounts should be included in the reconciliation of the carrying amount of investment property.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

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

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

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. The amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

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

For the purposes of presenting the parent company only financial statements, the assets and liabilities of the Company's foreign subsidiaries (in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign subsidiary and the Company loss of control over the subsidiary, all of the exchange differences accumulated in equity are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company. Investments in subsidiaries are accounted for by the equity method.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from upstream and downstream transactions with a subsidiary are eliminated in full.

g. Investments in an associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are accounted for by the equity method.

Under the equity method, the investment in associates are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associates. The Company also recognizes the changes in the Company's share of equity of associates.

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

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

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

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

At the date on which the Company ceases to have significant influence over the associates, any retained investment is measured at fair value. The difference between the previous carrying amount of the associates attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associates. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associates on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

h. Property, plant and equipment

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

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

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

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

k. Financial instruments

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

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

Financial assets

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

1) Measurement category

Financial assets are classified into financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments, and loans and receivables.

a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

b) Available-for-sale financial assets

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

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

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as "financial assets measured at cost". If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

c) Held-to-maturity investments

Commercial paper and foreign corporate bonds, which are above specific credit ratings and the Company has positive intent and ability to hold to maturity, are classified as held-to-maturity financial assets.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

d) Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalent, debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

2) Impairment of financial assets

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

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

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

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

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

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

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

3) Derecognition of financial assets

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

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

Equity instruments

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

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

Financial liabilities

1) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading and stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

2) Derecognition of financial liabilities

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

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risks and exchange rate risks, including exchange rate swap contracts, cross currency swap contracts, interest rate swap contracts and exchange rate options contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

1. Revenue recognition

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

1) Sale of goods

Sales of goods are recognized when goods are delivered and legal ownership has passed.

2) Rendering of services

Service income is recognized when services are provided. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Dividend and interest income

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

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

m. Leasing

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

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service

cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

3) Other long-term employee benefits

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

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit.

o. Taxation

Income tax expense represents the sum of the current tax liabilities and deferred tax liabilities.

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Useful Lives and Impairment of Property, Plant, Equipment and Investment Properties

The Company reviews the estimated useful lives of property, plant, equipment and investment properties at each balance sheet date. The impairment of equipment is assessed based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	\$ 1,374	\$ 2,014
Checking accounts and demand deposits	216,179	602,579
Cash equivalent (time deposits with original maturities of less than three months)		
Repurchase agreements collateralized by bonds	<u>323,240</u>	<u>-</u>
	<u>\$ 540,793</u>	<u>\$ 604,593</u>

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

	December 31		
	2016	2015	
<u>Financial assets held for trading</u>			
Derivative financial assets (not under hedge accounting)			
Exchange rate swap contracts (a)	\$ 118,917	\$ 35,907	
Cross currency swap contracts (b)	<u>12,998</u>	<u>7,157</u>	
	<u>\$ 131,915</u>	<u>\$ 43,064</u>	
<u>Financial liabilities held for trading</u>			
Derivative financial liabilities (not under hedge accounting)			
Exchange rate swap contracts (a)	\$ 88,583	\$ 1,427	
Interest rate swap contracts (c)	17,246	44,121	
Exchange rate option contracts (d)	<u>7,455</u>	<u>3,166</u>	
	<u>\$ 113,284</u>	<u>\$ 48,714</u>	
a. At the end of the reporting period, outstanding exchange rate swap contracts not under hedge accounting were as follows:			
<u>December 31, 2016</u>			
Notional Amount	Maturity Date	Rate	Fair Value
US\$ 7,300,000	2017.01.09	31.820	\$ 3,289
US\$ 20,600,000	2017.01.09	31.820	10,350
US\$ 23,400,000	2017.01.09	31.870	9,373
US\$ 30,000,000	2017.01.09	31.859	13,902
US\$ 48,000,000	2017.01.17	31.805	21,839
US\$ 6,000,000	2017.01.17	31.805	2,730
US\$ 30,000,000	2017.01.17	31.805	13,420
US\$ 2,000,000	2017.01.17	31.805	895
US\$ 21,300,000	2017.01.23	31.881	7,902
US\$ 10,000,000	2017.01.23	31.881	3,739
US\$ 18,000,000	2017.01.26	32.012	4,108
US\$ 35,000,000	2017.02.06	32.017	5,940
US\$ 35,000,000	2017.02.06	32.017	7,574
US\$ 32,300,000	2017.02.06	32.017	6,989
US\$ 26,000,000	2017.02.07	32.187	1,168
US\$ 3,000,000	2017.02.07	32.187	135
US\$ 32,200,000	2017.02.07	32.187	1,446
US\$ 30,300,000	2017.02.07	32.187	2,932
US\$ 25,000,000	2017.02.07	32.187	1,186
US\$ 26,800,000	2017.02.07	32.187	(55)
US\$ 40,000,000	2017.02.07	32.187	(549)
RMB 45,000,000	2017.03.13	4.851	(14,802)
RMB 123,900,000	2017.03.14	4.850	(39,930)
RMB 53,000,000	2017.03.14	4.850	(17,081)
RMB 50,000,000	2017.07.11	4.699	(13,493)
RMB 30,000,000	2017.03.13	4.615	<u>(2,673)</u>
			<u>\$ 30,334</u>

December 31, 2015

Notional Amount	Maturity Date	Rate	Fair Value
US\$ 48,000,000	2016.01.07	32.811	\$ 6,349
US\$ 11,600,000	2016.01.07	32.811	1,534
US\$ 8,600,000	2016.01.07	32.811	1,138
US\$ 30,000,000	2016.01.12	32.762	4,643
US\$ 30,000,000	2016.01.12	32.727	9,934
US\$ 2,000,000	2016.01.12	32.727	662
US\$ 26,000,000	2016.01.14	32.786	4,066
US\$ 30,000,000	2016.01.14	32.786	4,691
RMB 123,900,000	2016.03.14	4.959	93
RMB 50,000,000	2016.07.11	4.826	2,797
RMB 30,000,000	2016.03.11	4.997	(321)
RMB 45,000,000	2016.03.11	4.997	(648)
RMB 53,000,000	2016.03.14	4.968	<u>(458)</u>
			<u>\$ 34,480</u>

The Company entered into exchange rate swap contracts for the years ended December 31, 2016 and 2015 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

- b. At the end of the reporting period, outstanding cross-currency swap contracts not under hedge accounting were as follows:

December 31, 2016

Notional Amount	Maturity Date	Rate	Interest %	Fair Value
US\$ 10,000,000	2017.02.21	US\$:NT\$ 31.920	0.76	\$ 3,009
US\$ 10,000,000	2017.03.10	US\$:NT\$ 31.263	0.76	<u>9,989</u>
				<u>\$ 12,998</u>

December 31, 2015

Notional Amount	Maturity Date	Rate	Interest %	Fair Value
US\$ 10,000,000	2016.03.16	US\$:NT\$ 32.506	0.79	\$ 3,921
US\$ 10,000,000	2016.05.27	US\$:NT\$ 32.520	0.78	<u>3,236</u>
				<u>\$ 7,157</u>

The Company entered into cross-currency swap contracts for the years ended December 31, 2016 and 2015 to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

c. At the end of the reporting period, outstanding interest rate swap contracts not under hedge accounting were as follows:

December 31, 2016

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
\$ 375,000	2018.06.01	1.340	0.65922	\$ (2,323)
675,000	2018.06.01	1.310	0.65922	(3,934)
450,000	2018.06.01	1.310	0.65922	(2,627)
375,000	2018.06.01	1.290	0.65922	(2,137)
375,000	2018.06.01	1.278	0.65922	(2,066)
225,000	2018.06.01	1.265	0.65922	(1,211)
375,000	2018.06.01	1.280	0.65922	(2,127)
150,000	2018.06.01	1.260	0.65922	<u>(821)</u>
				<u>\$ (17,246)</u>

December 31, 2015

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
\$ 437,500	2016.09.29	1.066	0.80956	\$ (766)
437,500	2016.09.29	1.066	0.80956	(770)
350,000	2016.09.29	1.180	0.80956	(862)
350,000	2016.09.29	1.183	0.80956	(864)
350,000	2016.09.29	1.183	0.80956	(866)
350,000	2016.09.29	1.183	0.80956	(761)
250,000	2016.09.29	0.967	0.80956	(287)
350,000	2016.09.29	0.990	0.80956	(452)
350,000	2016.09.29	0.990	0.80956	(475)
300,000	2016.09.29	0.990	0.80956	(385)
500,000	2018.06.01	1.340	0.80767	(5,126)
900,000	2018.06.01	1.310	0.80767	(8,638)
600,000	2018.06.01	1.310	0.80767	(5,810)
500,000	2018.06.01	1.290	0.80767	(4,672)
500,000	2018.06.01	1.278	0.80767	(4,521)
300,000	2018.06.01	1.265	0.80767	(2,645)
500,000	2018.06.01	1.280	0.80767	(4,493)
200,000	2018.06.01	1.260	0.80767	<u>(1,728)</u>
				<u>\$ (44,121)</u>

The Company entered into interest rate swap contracts for the years ended December 31, 2016 and 2015 to manage exposures to interest rate fluctuations.

d. At the end of the reporting period, outstanding exchange rate option contracts not under hedge accounting were as follows:

December 31, 2016

Notional Amount	Type	Buy/Sale	Premium Amount Received	Fair Value
US\$ 10,000,000	Put	Sell	\$ 2,240	\$ (2,170)
US\$ 20,000,000	Put	Sell	5,505	<u>(5,285)</u>
				<u>\$ (7,455)</u>

December 31, 2015

Notional Amount	Type	Buy/Sale	Premium Amount Received	Fair Value
US\$ 30,000,000	Put	Sell	<u>\$ 2,357</u>	<u>\$ (3,166)</u>

The Company entered into exchange rate option contracts for the year ended December 31, 2015 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2016	2015
<u>Domestic investments</u>		
Listed shares	<u>\$ 4,468,517</u>	<u>\$ 4,119,079</u>

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2016	2015
Time deposits with original maturity more than three months	<u>\$ 90,493</u>	<u>\$ 394,605</u>

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2016	2015
<u>Notes receivable (including related parties)</u>		
Notes receivable - operating	\$ 21,039	\$ 11,202
Notes receivable - non-operating	231	32
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 21,270</u>	<u>\$ 11,234</u>

(Continued)

	December 31	
	2016	2015

Accounts receivable (including related parties)

Accounts receivable	\$ 1,884,281	\$ 1,529,570
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 1,884,281</u>	<u>\$ 1,529,570</u>

Other receivables

Tax refund receivables	\$ 62,948	\$ 72,022
Others	204,025	139,380
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 266,973</u>	<u>\$ 211,402</u>

(Concluded)

In determining the recoverability of accounts receivable, the Company considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Allowance for doubtful account was recognized based on past due of the reporting period and past default experience.

a. Notes receivable

The notes receivable balances at December 31, 2016 and 2015 were not past due.

b. Accounts receivable

The aging analysis of the accounts receivable as at December 31, 2016 and 2015 were as follows:

December 31, 2016

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Up to 30 days	\$ 1,033,366	\$ -	\$ -	\$ -	\$ 1,033,366
31-90 days	850,915	-	-	-	850,915
More than 90 days	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,884,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,884,281</u>

December 31, 2015

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Up to 30 days	\$ 1,169,720	\$ -	\$ -	\$ -	\$ 1,169,720
31-90 days	359,850	-	-	-	359,850
More than 90 days	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,529,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,529,570</u>

The above aging schedule was based on the invoice date.

11. INVENTORIES

	December 31	
	2016	2015
Raw materials	\$ 47,212	\$ 36,647
Supplies	288	188
Work in progress	1,101	1,011
Finished goods	19,869	15,566
Merchandise	<u>7,787</u>	<u>13,042</u>
	<u><u>\$ 76,257</u></u>	<u><u>\$ 66,454</u></u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was \$8,461,282 thousand and \$9,004,039 thousand, respectively.

12. OTHER ASSETS

	December 31	
	2016	2015
<u>Current</u>		
Prepayments	\$ 33,659	\$ 44,261
Supplies inventory	8,583	1,594
Temporary payments	5,512	3,576
Value-added tax retained	<u>13,274</u>	<u>7,189</u>
	<u><u>\$ 61,028</u></u>	<u><u>\$ 56,620</u></u>
<u>Non-current</u>		
Prepayments	\$ 38,382	\$ 35,263
Prepayments for equipment	67,270	39,735
Refundable deposits	7,179	7,095
Others	<u>3,869</u>	<u>3,869</u>
	<u><u>\$ 116,700</u></u>	<u><u>\$ 85,962</u></u>

13. HELD-TO-MATURITY FINANCIAL ASSETS - NON-CURRENT

	December 31	
	2016	2015
<u>Foreign investments</u>		
Corporate bonds	\$ 111,349	\$ -
Structured product	<u>174,523</u>	<u>-</u>
	<u><u>\$ 285,872</u></u>	<u><u>\$ -</u></u>

14. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2016	2015
<u>Domestic shares</u>		
Unlisted shares	\$ 61,000	\$ 61,000
<u>Classified according to measurement categories</u>		
Available-for-sale financial assets	\$ 61,000	\$ 61,000

The management believed that the above investments held by the Company, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2016	2015
Investments in subsidiaries	\$ 80,593,852	\$ 76,715,802
Investments in associates	<u>10,397,650</u>	<u>7,651,159</u>
	<u>\$ 90,991,502</u>	<u>\$ 84,366,961</u>

a. Investments in subsidiaries

	December 31	
	2016	2015
Unlisted companies	\$ 80,593,852	\$ 76,715,802

At the end of the reporting period, the proportion of ownership and voting rights in subsidiary held by the Company were as follows:

Name of Subsidiary		
	December 31	
	2016	2015
Wealthplus Holdings Limited	100.00%	100.00%
Win Fortune Investments Limited	100.00%	100.00%
Windsor Entertainment Co., Ltd.	100.00%	100.00%
Pou Shine Investments Co., Ltd.	100.00%	100.00%
Pan Asia Insurance Services Co., Ltd.	100.00%	100.00%
Pro Arch International Development Enterprise Inc.	100.00%	100.00%
Barits Development Corporation	99.49%	99.49%
Pou Yuen Technology Co., Ltd.	97.82%	97.82%
Pou Yii Development Co., Ltd.	15.00%	15.00%
Wang Yi Construction Co., Ltd.	7.82%	7.82%

- 1) The Company holds less than 50% interest in Pou Yii and Wang Yi, but the Company and its subsidiaries hold more than 50% interest in Pou Yii and Wang Yi; therefore, the Company has control over Pou Yii and Wang Yi. Furthermore, the carrying amount of investment in Wang Yi is negative for the year ended December 31, 2016. Therefore, the Company recognized \$2,991 thousand in “other non-current liabilities”.

- 2) The investments in subsidiaries accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 was based on the subsidiaries' financial statements audited by the auditors for the same years.

b. Investments in associates

	December 31	
	2016	2015
Material associates		
Ruen Chen Investment Holding Co., Ltd.	\$ 8,912,633	\$ 5,846,585
Associates that are not individually material	<u>1,485,017</u>	<u>1,804,574</u>
	<u><u>\$ 10,397,650</u></u>	<u><u>\$ 7,651,159</u></u>

1) Material associates

Name of Associate	Proportion of Ownership and Voting Rights		
	December 31	2016	2015
Ruen Chen Investment Holding Co., Ltd.	20%	20%	20%

The summarized financial information below represents amounts shown in the material associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Ruen Chen Investment Holding Co., Ltd.

	December 31	
	2016	2015
Assets	\$ 3,644,010,238	\$ 3,192,737,851
Liabilities	(3,587,128,559)	(3,152,391,615)
Non-controlling interests	<u>(12,021,953)</u>	<u>(10,816,750)</u>
Owners of Ruen Chen Investment Holding Co., Ltd.	<u><u>\$ 44,859,726</u></u>	<u><u>\$ 29,529,486</u></u>
Proportion of the Company	20%	20%
Equity attributable to the Company	\$ 8,971,945	\$ 5,905,897
Other adjustments	<u>(59,312)</u>	<u>(59,312)</u>
Carrying amount	<u><u>\$ 8,912,633</u></u>	<u><u>\$ 5,846,585</u></u>
	For the Year Ended December 31	
	2016	2015
Operating revenue	\$ 657,143,807	\$ 567,236,107
Net income	\$ 23,499,027	\$ 20,343,103
Other comprehensive loss	<u>(6,963,584)</u>	<u>(35,214,398)</u>
Total comprehensive income (loss)	<u><u>\$ 16,535,443</u></u>	<u><u>\$ (14,871,295)</u></u>

2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights	
	December 31	
	2016	2015
Elitegroup Computer Systems Co., Ltd.	12.57%	12.57%
Techview International Technology Inc.	30.00%	30.00%

- a) The summarized financial information below represents amounts shown in the associates that are not individually material which financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

	For the Year Ended December 31	
	2016	2015
The Company's share of:		
Net (loss) income	\$ (118,822)	\$ 144,057
Other comprehensive loss	<u>(60,601)</u>	<u>(12,545)</u>
Total comprehensive (loss) income	<u>\$ (179,423)</u>	<u>\$ 131,512</u>

- b) The Company holds less than 20% interest of Elitegroup Computer Systems Co., Ltd. but the Company has the power to appoint three out of the nine directors of Elitegroup Computer Systems Co., Ltd.; therefore, the Company is able to exercise significant influence over Elitegroup Computer Systems Co., Ltd.
- c) Fair values (Level 1) of investments in associates that are not individually material with available published price quotation are summarized as follows:

	December 31	
	2016	2015
Elitegroup Computer Systems Co., Ltd.	<u>\$ 1,093,044</u>	<u>\$ 1,418,856</u>

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>								
Balance at January 1, 2015	\$ 1,651,713	\$ 4,030,622	\$ 476,737	\$ 200,306	\$ 348,150	\$ 69,630	\$ 1,397	\$ 6,778,555
Additions	-	44,902	46,056	4,188	20,709	7,823	72,249	195,927
Disposals	-	(101,739)	(35,952)	(20,662)	(24,208)	(1,008)	-	(183,569)
Transfers from prepayments for equipment	25,423	1,882	27,645	2,600	195	4,520	6,240	68,505
Reclassified	<u>-</u>	<u>44,921</u>	<u>(168)</u>	<u>-</u>	<u>17</u>	<u>151</u>	<u>(44,921)</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 1,677,136</u>	<u>\$ 4,020,588</u>	<u>\$ 514,318</u>	<u>\$ 186,432</u>	<u>\$ 344,863</u>	<u>\$ 81,116</u>	<u>\$ 34,965</u>	<u>\$ 6,859,418</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2015	\$ -	\$ 1,791,590	\$ 349,287	\$ 155,530	\$ 315,512	\$ 63,467	\$ -	\$ 2,675,386
Disposals	-	(98,625)	(34,374)	(19,075)	(24,189)	(1,000)	-	(177,263)
Depreciation expenses	<u>-</u>	<u>108,713</u>	<u>32,715</u>	<u>12,495</u>	<u>16,428</u>	<u>3,095</u>	<u>-</u>	<u>173,446</u>
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 1,801,678</u>	<u>\$ 347,628</u>	<u>\$ 148,950</u>	<u>\$ 307,751</u>	<u>\$ 65,562</u>	<u>\$ -</u>	<u>\$ 2,671,569</u>
Carrying amounts at January 1, 2015	<u>\$ 1,651,713</u>	<u>\$ 2,239,032</u>	<u>\$ 127,450</u>	<u>\$ 44,776</u>	<u>\$ 32,638</u>	<u>\$ 6,163</u>	<u>\$ 1,397</u>	<u>\$ 4,103,169</u>
Carrying amounts at December 31, 2015	<u>\$ 1,677,136</u>	<u>\$ 2,218,910</u>	<u>\$ 166,690</u>	<u>\$ 37,482</u>	<u>\$ 37,112</u>	<u>\$ 15,554</u>	<u>\$ 34,965</u>	<u>\$ 4,187,849</u>

(Continued)

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>								
Balance at January 1, 2016	\$ 1,677,136	\$ 4,020,588	\$ 514,318	\$ 186,432	\$ 344,863	\$ 81,116	\$ 34,965	\$ 6,859,418
Additions	18	3,882	151,124	3,531	24,172	5,595	173,384	361,706
Disposals	-	(24,418)	(28,814)	(26,140)	(23,131)	(1,712)	-	(104,215)
Transfers from prepayments for equipment	94,205	23,460	22,840	2,380	1,731	3,919	2,762	151,297
Reclassified	-	13,910	-	-	-	-	(13,910)	-
Balance at December 31, 2016	<u>\$ 1,771,359</u>	<u>\$ 4,037,422</u>	<u>\$ 659,468</u>	<u>\$ 166,203</u>	<u>\$ 347,635</u>	<u>\$ 88,918</u>	<u>\$ 197,201</u>	<u>\$ 7,268,206</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2016	\$ -	\$ 1,801,678	\$ 347,628	\$ 148,950	\$ 307,751	\$ 65,562	\$ -	\$ 2,671,569
Disposals	-	(21,537)	(27,650)	(24,839)	(23,009)	(1,647)	-	(98,682)
Depreciation expenses	-	108,290	49,804	10,837	18,174	4,423	-	191,528
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 1,888,431</u>	<u>\$ 369,782</u>	<u>\$ 134,948</u>	<u>\$ 302,916</u>	<u>\$ 68,338</u>	<u>\$ -</u>	<u>\$ 2,764,415</u>
Carrying amounts at January 1, 2016	<u>\$ 1,677,136</u>	<u>\$ 2,218,910</u>	<u>\$ 166,690</u>	<u>\$ 37,482</u>	<u>\$ 37,112</u>	<u>\$ 15,554</u>	<u>\$ 34,965</u>	<u>\$ 4,187,849</u>
Carrying amounts at December 31, 2016	<u>\$ 1,771,359</u>	<u>\$ 2,148,991</u>	<u>\$ 289,686</u>	<u>\$ 31,255</u>	<u>\$ 44,719</u>	<u>\$ 20,580</u>	<u>\$ 197,201</u>	<u>\$ 4,503,791</u>

(Concluded)

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

<u>Items</u>	<u>Estimated Useful Life</u>
Buildings and improvements	
Main buildings	55 years
Elevators	15 years
Machinery and equipment	5-12 years
Transportation equipment	5 years
Office equipment	3-7 years
Other equipment	3-10 years

- b. The Company has land located in Changhwa County with carrying value of \$56,102 thousand. Due to certain restrictions under the land regulations, the ownership for these three parcels of land resides with a trustee through a trust agreement which prohibits the trustee from selling, pledging or hypothecating the property.

17. INVESTMENT PROPERTIES

	2016	2015
<u>Cost</u>		
Balance at January 1	<u>\$ 2,542,722</u>	<u>\$ 2,542,722</u>
Balance at December 31	<u>\$ 2,542,722</u>	<u>\$ 2,542,722</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1	\$ 513,537	\$ 460,247
Depreciation expenses	<u>53,154</u>	<u>53,290</u>
Balance at December 31	<u>\$ 566,691</u>	<u>\$ 513,537</u>
Carrying amounts at January 1	<u>\$ 2,029,185</u>	<u>\$ 2,082,475</u>
Carrying amounts at December 31	<u>\$ 1,976,031</u>	<u>\$ 2,029,185</u>

- a. The above items of investment properties are depreciated on a straight-line method over the estimated useful life of the asset:

<u>Items</u>	<u>Estimated Useful Life</u>
Buildings	
Main buildings	55 years
Elevators	15 years

- b. The fair value valuation was performed by independent qualified professional valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value as appraised was as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Investment property	\$ <u>2,974,940</u>	\$ <u>2,973,648</u>

18. BORROWINGS

- a. Short-term borrowings

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Unsecured borrowings</u>		
Credit borrowings	\$ <u>6,515,000</u>	\$ <u>4,706,500</u>

The range of effective interest rate on bank borrowings was 0.80%-1.56% and 0.89%-1.15% per annum as of December 31, 2016 and 2015, respectively.

- b. Long-term borrowings

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Unsecured borrowings</u>		
Bank loans	\$ <u>17,000,000</u>	\$ <u>17,000,000</u>
Less: Long-term expenses for syndicated loan	-	(10,437)
Less: Current portion	-	(4,748,053)
	<u>\$ 17,000,000</u>	<u>\$ 12,241,510</u>

Range of maturity dates and interest rates:

	December 31	
	2016	2015
<u>Maturity date</u>		
Long-term borrowings	2019.09.05- 2021.12.21	2017.06.02- 2020.09.30
Current portion of long-term borrowings	-	2016.03.29- 2016.12.02
<u>Range of interest rate</u>	1.09%-1.60%	1.38%-1.60%

19. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2016	2015
<u>Notes payable (including related parties)</u>		
Operating	\$ 41,726	\$ 34,327
Non-operating	<u>674</u>	<u>360</u>
	<u>\$ 42,400</u>	<u>\$ 34,687</u>
<u>Accounts payable (including related parties)</u>	<u>\$ 1,425,893</u>	<u>\$ 1,493,683</u>

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER PAYABLES

	December 31	
	2016	2015
Payables for salaries	\$ 240,500	\$ 225,978
Payables for purchase of property, plant and equipment	84,324	77,088
Compensation due to directors and supervisors	125,474	101,736
Employee compensation payables	623,725	575,784
Interest payables	23,896	26,402
Payables for annual leave	80,694	65,536
Others	<u>215,626</u>	<u>220,732</u>
	<u>\$ 1,394,239</u>	<u>\$ 1,293,256</u>

21. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Based on the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

Defined Benefit Plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plan were as follows:

	December 31	
	2016	2015
Present value of defined benefit obligation	\$ 2,103,407	\$ 1,868,076
Fair value of plan assets	<u>(314,239)</u>	<u>(25,623)</u>
Net defined benefit liability	<u>\$ 1,789,168</u>	<u>\$ 1,842,453</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	\$ 1,725,694	\$ (10,709)	\$ 1,714,985
Service cost	20,631	-	20,631
Net interest expense (income)	<u>28,450</u>	<u>(446)</u>	<u>28,004</u>
Recognized in profit or loss	<u>49,081</u>	<u>(446)</u>	<u>48,635</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,479)	(1,479)
Actuarial loss arising from changes in demographic assumptions	72,628	-	72,628
Actuarial loss arising from changes in financial assumptions	60,173	-	60,173
Actuarial loss arising from experience adjustments	<u>85,372</u>	<u>-</u>	<u>85,372</u>
Recognized in other comprehensive income (loss)	<u>218,173</u>	<u>(1,479)</u>	<u>216,694</u>
Contributions from the employer	-	(137,861)	(137,861)
Benefits paid	<u>(124,872)</u>	<u>124,872</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 1,868,076</u>	<u>\$ (25,623)</u>	<u>\$ 1,842,453</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2016	\$ 1,868,076	\$ (25,623)	\$ 1,842,453
Service cost	19,695	-	19,695
Past service cost	18,416	-	18,416
Net interest expense	<u>24,860</u>	<u>284</u>	<u>25,144</u>
Recognized in profit or loss	<u>62,971</u>	<u>284</u>	<u>63,255</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,132)	(2,132)
Actuarial loss arising from changes in demographic assumptions	78,613	-	78,613
Actuarial loss arising from changes in financial assumptions	48,315	-	48,315
Actuarial loss arising from experience adjustments	<u>147,309</u>	<u>-</u>	<u>147,309</u>
Recognized in other comprehensive income (loss)	<u>274,237</u>	<u>(2,132)</u>	<u>272,105</u>
Contributions from the employer	-	(388,645)	(388,645)
Benefits paid	<u>(101,877)</u>	<u>101,877</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 2,103,407</u>	<u>\$ (314,239)</u>	<u>\$ 1,789,168</u> (Concluded)

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

	For the Year Ended December 31	
	2016	2015
Operating costs	\$ 148	\$ 154
Selling and marketing expenses	62	41
General and administrative expenses	45,917	37,335
Research and development expenses	<u>17,128</u>	<u>11,105</u>
	<u>\$ 63,255</u>	<u>\$ 48,635</u>

Through the defined benefit plan under the Labor Standards Law, the Company is exposed to the following risks:

- Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2016	2015
Discount rate	1.125%	1.375%
Expected rate of salary increase	2.000%	2.000%

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

	December 31	
	2016	2015
Discount rate(s)		
0.25% increase	<u>\$ (52,270)</u>	<u>\$ (43,788)</u>
0.25% decrease	<u>\$ 54,296</u>	<u>\$ 45,412</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 52,531</u>	<u>\$ 43,812</u>
0.25% decrease	<u>\$ (50,834)</u>	<u>\$ (42,460)</u>

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

	December 31	
	2016	2015
The expected contributions to the plan for the next year	<u>\$ 554,666</u>	<u>\$ 388,956</u>
The average duration of the defined benefit obligation	10.1 years	9.5 years

22. EQUITY

a. Share capital

	December 31	
	2016	2015
Numbers of shares authorized (in thousands)	4,500,000	4,500,000
Shares authorized	<u>\$ 45,000,000</u>	<u>\$ 45,000,000</u>
Number of shares issued and fully paid (in thousands)	2,946,787	2,946,787
Shares issued	<u>\$ 29,467,872</u>	<u>\$ 29,467,872</u>

The Company's employee share options were exercised for 2,650 thousand common shares (amounted to \$26,500 thousand) during the year ended December 31, 2015.

b. Capital surplus

	December 31	
	2016	2015
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Recognized from issuance of common shares	\$ 848,603	\$ 848,603
Recognized from conversion of bonds	1,447,492	1,447,492
Recognized from treasury share transactions	1,824,608	1,824,608
Recognized from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	390,919	484,759
<u>May be used to offset a deficit only (2)</u>		
Recognized from share of changes in equities of subsidiaries	23,232	20,937
<u>May not be used for any purpose</u>		
Recognized from share of changes in net assets of associates	<u>5,309</u>	<u>5,309</u>
	<u>\$ 4,540,163</u>	<u>\$ 4,631,708</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus are recognized from share of changes in equities of subsidiaries that resulted from equity transactions, or from share of changes in capital surplus of subsidiaries accounted by using equity method when there was no actual disposal or acquisition of subsidiaries.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The amendments to the company's Articles of Incorporation (the "Articles") on earnings distribution policy had been approved by the shareholders' meeting on June 15, 2016, particularly the amendment to the policy on distribution of employees' compensation.

Under the dividend policy of the amended Articles, the Company should make appropriations from the annual net profits in the following order:

- 1) For paying taxes.
- 2) For offsetting deficits.
- 3) For legal reserve at 10% of the remaining profits, and for special reserve to be appropriated and distributed according to regulations or upon request by the FSC.
- 4) The total of any remaining profits after the appropriations mentioned above plus any accumulated unappropriated earnings from prior years may be partially retained and then distributed the remainder as proposed according to stock ownership proportion.

For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, refer to Employee benefit expense in Note 24.f.

In accordance with the Articles, profits may be distributed after taking into consideration the future development plan, financial condition, business and operational status, and so on. The distribution of profits shall be proposed by the board of directors, and submitted to the shareholders' meeting for approval. The ratio of distribution shall be not less than 30% of the net income for each fiscal year, and a portion for cash dividend shall be not less than 30% of total distribution. If there are material changes in the operating environment, the Company can adjust the ratio and amounts of distribution of profits.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reverse from a special reserve by the Company.

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

The appropriations of earnings for 2015 and 2014 had been approved in the shareholders' meetings on June 15, 2016 and June 12, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2015	For Year 2014	For Year 2015	For Year 2014
Legal reserve	\$ 953,136	\$ 861,550	\$ -	\$ -
(Reversal) special reserve	6,297,042	(3,571,494)	-	-
Cash dividends	4,420,181	4,416,206	1.50	1.50

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held on June 15, 2017.

- d. Other equity item
 - 1) Exchange differences on translation foreign operations

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 5,020,886	\$ 3,345,749
Exchange differences arising on translation of foreign subsidiaries and associates	<u>(1,911,713)</u>	<u>1,675,137</u>
Balance at December 31	<u>\$ 3,109,173</u>	<u>\$ 5,020,886</u>

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

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ (16,926,480)	\$ (8,954,302)
Unrealized gain (loss) on available-for-sale financial assets	349,438	(567,431)
Unrealized loss on available-for-sale financial assets of subsidiaries and associates	<u>(168,499)</u>	<u>(7,404,747)</u>
Balance at December 31	<u><u>\$ (16,745,541)</u></u>	<u><u>\$ (16,926,480)</u></u>

23. REVENUE

	For the Year Ended December 31	
	2016	2015
Revenue from the products	\$ 10,458,648	\$ 11,073,855
Revenue from the rendering of services	<u>1,835,780</u>	<u>1,674,667</u>
	<u><u>\$ 12,294,428</u></u>	<u><u>\$ 12,748,522</u></u>

24. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Year Ended December 31	
	2016	2015
Rental income (Note 30)		
Rental income from operating lease		
Investment properties	\$ 118,647	\$ 119,455
Others	<u>30,149</u>	<u>21,497</u>
	<u><u>148,796</u></u>	<u><u>140,952</u></u>
Interest income		
Cash in bank	3,386	18,925
Repurchase agreements collateralized by bonds	990	-
Held-to-maturity financial assets	5,444	-
Debt investment with no active market	<u>7,377</u>	<u>31,915</u>
	<u><u>17,197</u></u>	<u><u>50,840</u></u>
Dividends income	288,827	251,886
Others	<u>76,037</u>	<u>112,799</u>
	<u><u>\$ 530,857</u></u>	<u><u>\$ 556,477</u></u>

b. Other gains and losses

	For the Year Ended December 31	
	2016	2015
Net loss on disposal of property, plant and equipment	\$ (296)	\$ (1,564)
Net foreign exchange (loss) gain	(164,491)	327,109
Net gain on disposal of available-for-sale financial assets	-	22,758
Net loss on disposal of associates	(4,277)	-
Net gain arising on financial assets designated as at FVTPL	158,907	55,258
Net (loss) gain arising on financial liabilities designated as at FVTPL	(53,570)	12,367
Others	<u>(59,772)</u>	<u>(66,931)</u>
	<u><u>\$ (123,499)</u></u>	<u><u>\$ 348,997</u></u>

c. Finance costs

	For the Year Ended December 31	
	2016	2015
Interest on bank borrowings	\$ 310,626	\$ 330,476
Interest on short-term bills payable	1,781	-
Other interest expense	<u>25,935</u>	<u>27,598</u>
	<u><u>\$ 338,342</u></u>	<u><u>\$ 358,074</u></u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	\$ 191,528	\$ 173,446
Investment properties	<u>53,154</u>	<u>53,290</u>
	<u><u>\$ 244,682</u></u>	<u><u>\$ 226,736</u></u>
An analysis of depreciation by function		
Operating costs	\$ 6,883	\$ 7,201
Operating expenses	184,645	166,245
Non-operating expenses	<u>53,154</u>	<u>53,290</u>
	<u><u>\$ 244,682</u></u>	<u><u>\$ 226,736</u></u>

e. Direct expenses with investment properties

	For the Year Ended December 31	
	2016	2015
Direct operating expenses from investment properties that generated rental income	\$ 66,675	\$ 65,442
Direct operating expenses from investment properties that did not generate rental income	<u>65</u>	<u>65</u>
	<u><u>\$ 66,740</u></u>	<u><u>\$ 65,507</u></u>

f. Employee benefits expense

	2016			2015		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Salary						
Termination benefits	\$ -	\$ 11,087	\$ 11,087	\$ -	\$ 11,043	\$ 11,043
Others	20,109	2,390,166	2,410,275	18,247	2,185,793	2,204,040
	20,109	2,401,253	2,421,362	18,247	2,196,836	2,215,083
Labor and health insurance	2,239	209,495	211,734	2,120	198,544	200,664
Post-employment benefit						
Defined contribution plans	1,076	125,590	126,666	794	79,661	80,455
Defined benefit plans	148	63,107	63,255	154	48,481	48,635
	1,224	188,697	189,921	948	128,142	129,090
Other employee benefits	891	134,976	135,867	924	66,100	67,024
Total employee benefits expense	\$ 24,463	\$ 2,934,421	\$ 2,958,884	\$ 22,239	\$ 2,589,622	\$ 2,611,861

As of December 31, 2016 and 2015, there were 3,520 and 3,275 employees, respectively, in the Company. The Company accounts for employee benefits expense based on the number of employees.

1) Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the shareholders held their meeting and resolved amendments to the Company's Articles; the amendments stipulate that the Company shall distribute employees' compensation and remuneration of directors and supervisors at rates of 1%-5% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. In the case of an accumulated loss, the Company shall allocate an amount to recover such loss before appropriating any employees' compensation and remuneration of directors and supervisors.

The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which were approved by the Company's board of directors on March 27, 2017 and March 24, 2016, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	1.8%	1.8%
Remuneration of directors and supervisors	0.9%	0.9%

Amount

	For the Year Ended December 31			
	2016		2015	
	Cash	Shares	Cash	Shares
Employees' compensation	\$ 255,108	\$ -	\$ 203,472	\$ -
Remuneration of directors and supervisors	127,554	-	101,736	-

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

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

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

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

The bonus to employees and remuneration of directors and supervisors for 2014 were approved in the shareholders' meeting on June 12, 2015 were as follows:

	For the Year Ended December 31, 2014	
	Cash	Shares
Bonus to employees	\$ 334,667	\$ -
Remuneration of directors and supervisors	169,882	-

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meeting on June 12, 2015 and the amounts recognized in the financial statements for the year ended December 31, 2014.

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

25. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	\$ 717,534	\$ 733,679
Income tax expense of unappropriated earnings	<u>-</u>	<u>671,954</u>
	717,534	1,405,633
Deferred tax	(1,430)	55,156
Adjustments for prior years' income tax	<u>16,873</u>	<u>6,667</u>
Income tax expense recognized in profit or loss	<u>\$ 732,977</u>	<u>\$ 1,467,456</u>

A reconciliation of accounting profit and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2016	2015
Income before income tax	\$ 13,790,027	\$ 10,998,814
Income tax expense calculated at the statutory rate	2,344,305	1,869,798
Tax effect of adjusting items		
Tax-exempt income	(1,683,529)	(1,094,125)
Others	56,758	(41,994)
Income tax on unappropriated earnings	-	671,954
Current tax	717,534	1,405,633
Deferred tax	16,873	6,667
Adjustments for prior years' income tax	(1,430)	55,156
Income tax expense recognized in profit or loss	\$ 732,977	\$ 1,467,456

The applicable tax rate used by the Company is the corporate tax rate of 17%.

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

b. Deferred tax assets and liabilities

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

	December 31	
	2016	2015
Deferred tax assets		
Temporary differences		
Unrealized pension expense	\$ 47,929	\$ 103,245
Others	3,009	3,224
	\$ 50,938	\$ 106,469
Deferred tax liabilities		
Temporary differences		
Investment income from foreign subsidiaries	\$ 712,725	\$ 641,729
Land value increment tax	86,547	86,547
Others	2,071	2,312
	\$ 801,343	\$ 730,588

c. Integrated income tax

	December 31	
	2016	2015
Unappropriated earnings		
Generated before January 1, 1998	\$ 221,425	\$ 221,425
Generated on and after January 1, 1998	<u>31,993,273</u>	<u>30,986,101</u>
	<u>\$ 32,214,698</u>	<u>\$ 31,207,526</u>
Imputation credit account	<u>\$ 2,562,413</u>	<u>\$ 2,518,881</u>
	For the Year Ended December 31	
	2016	2015
Creditable ratio for distribution of earning	9.92%	12.58%

d. Income tax assessments

The tax returns of the Company through 2013 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
<u>Net income (in thousand dollars)</u>		
Earnings used in the computation of earnings per share	<u>\$ 13,057,050</u>	<u>\$ 9,531,358</u>
<u>Weighted average number of shares outstanding (in thousand shares)</u>		
Weighted average number of common shares in computation of basic earnings per share	2,946,787	2,945,021
Effect of potentially dilutive common shares:		
Employee share options	85,463	88,469
Bonus to employees	<u>8,502</u>	<u>6,269</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>3,040,752</u>	<u>3,039,759</u>
<u>Earnings per share (in dollars)</u>		
Basic earnings per share	<u>\$4.43</u>	<u>\$3.24</u>
Diluted earnings per share	<u>\$4.29</u>	<u>\$3.14</u>

Since the Company offered to settle the bonuses paid to employees by cash or shares, the Company assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as 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.

27. SHARE-BASED PAYMENT ARRANGEMENTS

As at November 6, 2007, the Company has issued 125,500,000 units of employee share options to the employees with an exercise price of \$29.80 dollars per share. Each of the aforementioned individual employee share options is granted the right to purchase one newly issued common share. If the Company resolved to increase additional share capital through stock dividends or issue of new shares, the exercise price will be retroactively restated. Additionally, the share of employee share options granted but not exercised will also be adjusted. After the aforementioned adjustment, the exercise price and issued units of employee share options were \$17.4 and 145,790,178 units, respectively, as of December 31, 2016.

Information about employee share options for the years ended December 31, 2016 and 2015 was as follows:

Employee Share Options	For the Year Ended December 31			
	2016		2015	
	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	145,791	\$ 18.00	148,441	\$ 18.70
Options exercised	<u>—</u>	-	<u>(2,650)</u>	18.00
Balance at December 31	<u>145,791</u>	17.40	<u>145,791</u>	18.00
Exercisable options at December 31	<u>145,791</u>	17.40	<u>145,791</u>	18.00

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

	December 31	
	2016	2015
Exercise price (NT\$)	\$17.40	\$18.00
Weighted-average remaining contractual life (years)	0.85	1.85

28. CAPITAL MANAGEMENT

The Company's capital management policy is to ensure the Company has sufficient financial resources and operating plans to balance the working capital, capital expenditure, research and development expenditure, repayment of debt and dividends paid to shareholders within twelve months.

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

Financial assets and financial liabilities of their fair values cannot be reliably measured are as follows:

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 285,872	\$ 285,872	\$ -	\$ -
Debt investment with no active market	90,493	90,493	394,605	394,605
Financial assets measured at cost	61,000	-	61,000	-
Other loans and receivables	2,720,496	2,720,496	2,363,894	2,363,894
<u>Financial liabilities</u>				
Bank borrowings	23,515,000	23,515,000	21,696,063	21,696,063
Other financial liabilities measured at amortized cost	2,880,731	2,880,731	2,839,089	2,839,089

The above fair value measurement at Level 3 fair value.

2) Fair value of financial instruments carried at fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 2 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices in active market for identical assets or liabilities.

	December 31	
	2016	2015
<u>Financial assets</u>		
Available-for-sale financial assets		
Domestic listed securities		
Equity investment	\$ 4,468,517	\$ 4,119,079

- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

	December 31	
	2016	2015
<u>Financial assets</u>		
Financial assets at FVTPL		
Derivative financial instruments	\$ 131,915	\$ 43,064
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Derivative financial instruments	113,284	48,714

- 3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair value of financial assets and financial liabilities are determined as follows:

- a) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices (includes listed bonds). Where such prices were not available, valuation techniques were applied. The estimates and assumptions used by the Company are consistent with those that market participants would use in setting a price for the financial instrument.
- b) The fair value of derivative instruments were calculated using quoted prices. When such prices were not available, a valuation method was used and the estimates and assumptions used by the Company are consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	December 31	
	2016	2015
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 131,915	\$ 43,064
Held-to-maturity financial assets	285,872	-
Loans and receivables (Note 1)	2,810,989	2,758,499
Available-for-sale financial assets	4,468,517	4,119,079
Financial assets measured at cost	61,000	61,000
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	113,284	48,714
Amortized cost (Note 2)	26,395,731	24,535,152

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable, other receivables, and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings and guarantee deposits.

c. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, receivables, payables and borrowings. The Company's treasury function monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include exchange rate risk, interest rate risk, credit risk and liquidity risk.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts and other derivative instruments.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and the carrying amount of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

The following table details the Company's sensitivity to 5% increase (decrease) in New Taiwan dollars (the functional currency) against the relevant foreign currencies. A positive (negative) number below indicates an increase (decrease) in pre-tax profit with New Taiwan dollars strengthened (weakened) 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	For the Year Ended December 31	
	2016	2015
USD	\$ (94,774)	\$ (73,315)
RMB	(4,954)	(20,208)

b) Interest rate risk

The Company was exposed to interest rate risk because it borrowed funds at floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts.

The carrying amounts of the Company's financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	December 31	
	2016	2015
Cash flow interest rate risk		
Financial liabilities	\$ 18,015,000	\$ 17,696,063

Sensitivity analysis

The sensitivity analyses below were based on the Company's 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 whole period. If 1% increase in interest rate would cause the Company to increase its cash-out by \$180,150 thousand and \$176,961 thousand during the years ended December 31, 2016 and 2015, respectively.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. The investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

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 price declined by 1%, the fair value of the investments at December 31, 2016 and 2015 would have decrease by \$55,616 thousand and \$55,379 thousand, respectively.

2) Credit risk

Financial instruments are evaluated for credit risk which represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached the contracts. The risk includes centralization of credit risk, components, contracts figure, and its accounts receivable. Besides, the Company requires significant clients to provide guarantees or other rights to reduce credit risk of the Company effectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2016 and 2015, the Company had available unutilized short-term bank borrowing facilities set out in (c) below.

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

The tables had been drawn up based on the undiscounted cash flows of financial liabilities included both interest and principal from the earliest date on which the Company can be required to pay.

December 31, 2016

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 783,304	\$ 733,326	\$ 1,364,101	\$ -	\$ -
Variable interest rate liabilities	1.18	3,160,000	2,355,000	1,000,000	11,500,000	-
Fixed interest rate liabilities	1.50	_____	_____	_____	5,500,000	_____
		<u>\$ 3,943,304</u>	<u>\$ 3,088,326</u>	<u>\$ 2,364,101</u>	<u>\$ 17,000,000</u>	<u>\$ _____</u>

December 31, 2015

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 701,928	\$ 899,297	\$ 1,237,866	\$ -	\$ -
Variable interest rate liabilities	1.40	1,427,800	2,498,700	5,530,000	8,250,000	-
Fixed interest rate liabilities	1.58	_____	_____	_____	4,000,000	_____
		<u>\$ 2,129,728</u>	<u>\$ 3,397,997</u>	<u>\$ 6,767,866</u>	<u>\$ 12,250,000</u>	<u>\$ _____</u>

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

b) Liquidity and interest rate risk tables for derivative financial liabilities

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Exchange rate swap contract	\$ -	\$ 75,090	\$ 13,493	\$ -	\$ -
Interest rate swaps contracts	-	-	-	17,246	-
Exchange rate option contract	<u>7,455</u>	_____	_____	_____	_____
	<u>\$ 7,455</u>	<u>\$ 75,090</u>	<u>\$ 13,493</u>	<u>\$ 17,246</u>	<u>\$ _____</u>

December 31, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Exchange rate swap contract	\$ -	\$ 1,427	\$ -	\$ -	\$ -
Interest rate swaps contracts	-	-	6,488	37,633	-
Exchange rate option contract	<u>3,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 3,166</u></u>	<u><u>\$ 1,427</u></u>	<u><u>\$ 6,488</u></u>	<u><u>\$ 37,633</u></u>	<u><u>\$ -</u></u>

c) Financing facilities

	December 31	
	2016	2015
Unsecured bank facility and reviewed annually:		
Amount used	\$ 23,554,336	\$ 21,716,250
Amount unused	<u>8,011,414</u>	<u>15,485,767</u>
	<u><u>\$ 31,565,750</u></u>	<u><u>\$ 37,202,017</u></u>

30. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed below.

a. Operating revenue

Account Items	Related Parties Categories	For the Year Ended December 31	
		2016	2015
Sales and service revenue	Subsidiaries Associates	\$ 12,041,168 <u>42,870</u>	\$ 12,422,701 <u>68,298</u>
		<u><u>\$ 12,084,038</u></u>	<u><u>\$ 12,490,999</u></u>

Sales to related parties have prices and receivable terms that have no significant differences with non-related parties.

The Company entered into a technical service agreement with Yue Yuen. According to the agreement, the service fees that the Company will receive from Yue Yuen are determined by:

- 1) For products developed by the Company and sold by Yue Yuen, 0.5% of net sales invoice amounts.
- 2) For materials, machines and other goods purchased, inspected and arranged for shipment through the Company from Taiwan suppliers, 1% of supplier's invoice amounts.
- 3) For materials, machines and other goods purchased from Taiwan or overseas directly by Yue Yuen through sourcing services provided by the Company, 0.5% of the supplier's invoice amounts.

b. Purchases

Related Parties Categories	For the Year Ended December 31	
	2016	2015
Subsidiaries	\$ 3,939	\$ 3,770
Associates	<u>793,431</u>	<u>785,943</u>
	<u>\$ 797,370</u>	<u>\$ 789,713</u>

Purchases from related parties have prices and payment terms that have no significant differences with non-related parties.

c. Rental income

Related Parties Categories	For the Year Ended December 31	
	2016	2015
Subsidiaries	\$ 125,119	\$ 119,379
Associates	2,706	2,531
Others	<u>4,671</u>	<u>3,147</u>
	<u>\$ 132,496</u>	<u>\$ 125,057</u>

d. Receivables from related parties

Related Parties Categories	December 31	
	2016	2015
Subsidiaries	\$ 1,850,215	\$ 1,497,662
Associates	<u>4,579</u>	<u>4,865</u>
	<u>\$ 1,854,794</u>	<u>\$ 1,502,527</u>

e. Payables to related parties

Related Parties Categories	December 31	
	2016	2015
Subsidiaries	\$ 661	\$ 364
Associates	<u>126,316</u>	<u>82,650</u>
	<u>\$ 126,977</u>	<u>\$ 83,014</u>

f. Compensation of key management personnel

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

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	<u>\$ 171,674</u>	<u>\$ 139,377</u>

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

31. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

- a. The Company invests in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd. According to a request by the FSC, the Company provides shares of Yue Yuen in the custody during the period from June 27, 2011 to June 27, 2021. The Company will not disposal or do encumbrance to the shares of Wealthplus which is equal to the shares of Yue Yuen during the trust period.
- b. Because of the Company's investment in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd., the Company received a request by the FSC for the Company to provide 490,000 thousand ordinary shares of Ruen Chen in the custody of the trust department of First Bank, and the trust period is ten years.
- c. The Company entered into project agreements with the Institute for Information Industry ("III"). According to the project agreements, the Company has to provide promissory notes and bank guarantee to III as guarantee.

32. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

**Unit: In Thousands of Foreign Currencies/
In Thousands of New Taiwan Dollars**

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 79,292	32.25	\$ 2,557,162
RMB	21,446	4.617	99,018
Non-monetary items			
USD	4,090	32.25	131,915
RMB	61,917	4.617	285,872

Financial liabilities

Monetary items			
USD	20,499	32.25	661,087
Non-monetary items			
USD	19	32.25	604
RMB	19,055	4.617	87,979

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 65,743	32.825	\$ 2,158,010
RMB	80,831	4.995	403,752
Non-monetary items			
USD	1,224	32.825	40,175
RMB	578	4.995	2,889
<u>Financial liabilities</u>			
Monetary items			
USD	21,066	32.825	691,485
Non-monetary items			
USD	96	32.825	3,166