Pou Chen Corporation

Financial Statements for the
Years Ended December 31, 2017 and 2016 and
Independent Auditors' Report

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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, 2017 and 2016, 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 our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, 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 Matter

Key audit matter is a matter that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. This matter was 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 this matter. The following is the key audit matter of the financial statements for the year ended December 31, 2017.

<u>Impairment Assessment Goodwill on of Investments Accounted for Using Equity Method</u>

We draw attention to Notes 4, 5 and 15 to the financial statements, which describes that any excess of the cost of investment over the fair value of the net identifiable assets of investee is recognized as goodwill. The management performs impairment test of goodwill in accordance with IAS 36.

The management evaluates impairment of an asset by estimating the recoverable amount of such asset based on forecast sales, estimated future cash flows, and discount rate. Impairment test involves the management's critical estimations and judgments. Therefore, we consider impairment assessment of goodwill of investments accounted for using equity method is a key audit matter for the year ended December 31, 2017.

For this key audit matter, we evaluated the reasonableness of the significant assumptions, the basis of the evaluation model, the rationality of the basic information, and the amount of impairment.

Other Matter

The Company's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method and were based on its 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, 2017 and 2016, the carrying value of the investments were $16,659,984 thousand and $8,912,633 thousand which constituted 14.4% and 8.45% of the Company's total assets, respectively. For the years ended December 31, 2017 and 2016, the share of profit of the associate were $3,775,090 thousand and $4,255,105 thousand which constituted 28.29% and 30.86% 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, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2018

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,199,584	1	$ 540,793	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	131,915	-
Available-for-sale financial assets - current (Notes 4 and 8)	4,685,590	4	4,468,517	4
Debt investments with no active market - current (Notes 4 and 9)	-	-	90,493	-
Notes receivable (Notes 4 and 10)	54,923	-	21,253	-
Notes receivable from related parties (Notes 4, 10 and 31)	64	-	17	-
Accounts receivable (Notes 4 and 10)	48,466	-	29,504	-
Accounts receivable from related parties (Notes 4, 10 and 31)	1,445,747	2	1,854,777	2
Other receivables (Notes 4 and 10)	257,958	-	266,973	-
Inventories (Notes 4 and 11)	38,650	-	76,257	-
Other current assets (Notes 4 and 12)	132,375	-	61,028	-
Total current assets	7,863,357	7	7,541,527	7
NON-CURRENT ASSETS				
Held-to-maturity financial assets - non-current (Notes 4 and 13)	282,432	-	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)	100,234,720	87	90,991,502	86
Property, plant and equipment (Notes 4 and 16)	4,859,896	4	4,503,791	4
Investment properties (Notes 4 and 17)	2,039,425	2	1,976,031	2
Deferred tax assets (Notes 4 and 25)	3,510	-	50,938	-
Other non-current assets (Notes 4 and 12)	324,130	-	116,700	-
Total non-current assets	107,805,113	93	97,985,834	93
TOTAL	$ 115,668,470	100	$ 105,527,361	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	$ 9,275,200	8	$ 6,515,000	6
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	206,060	-	113,284	-
Notes payable (Notes 4 and 19)	47,850	-	16,676	-
Notes payable to related parties (Notes 4, 19 and 31)	11,211	-	25,724	-
Accounts payable (Notes 4 and 19)	1,123,244	1	1,324,640	1
Accounts payable to related parties (Notes 4, 19 and 31)	44,428	-	101,253	-
Other payables (Note 20)	2,352,183	2	1,394,239	2
Current tax liabilities (Notes 4 and 25)	1,006,020	1	606,668	1
Current portion of long-term borrowings (Note 18)	750,000	1	-	-
Other current liabilities	71,461	-	113,032	-
Total current liabilities	14,887,657	13	10,210,516	10
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 18)	16,250,000	14	17,000,000	16
Deferred tax liabilities (Notes 4 and 25)	125,106	-	801,343	1
Net defined benefit liabilities (Notes 4 and 21)	752,580	1	1,789,168	1
Other non-current liabilities (Note 15)	37,749	-	21,190	-
Total non-current liabilities	17,165,435	15	19,611,701	18
Total liabilities	32,053,092	28	29,822,217	28
EQUITY (Notes 4 and 22)				
Share capital				
Common shares	29,467,872	25	29,467,872	28
Capital surplus	4,615,341	4	4,540,163	4
Retained earnings				
Legal reserve	12,518,889	11	11,213,184	11
Special reserve	13,636,368	12	11,905,595	11
Unappropriated earnings	37,294,138	32	32,214,698	31
Total retained earnings	63,449,395	55	55,333,477	53
Other equity	(13,917,230)	(12)	(13,636,368)	(13)
Total equity	83,615,378	72	75,705,144	72
TOTAL	$ 115,668,470	100	$ 105,527,361	100

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

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

POU CHEN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 23 and 31)	$ 11,704,905	100	$ 12,294,428	100
OPERATING COSTS (Notes 24 and 31)	7,736,216	66	8,461,282	69
GROSS PROFIT	3,968,689	34	3,833,146	31
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	13,533	-	1,456	-
REALIZED GROSS PROFIT	3,982,222	34	3,834,602	31
OPERATING EXPENSES (Notes 21 and 24)				
Selling and marketing expenses	68,949	1	69,745	-
General and administrative expenses	1,785,903	15	2,054,693	17
Research and development expenses	1,648,447	14	1,465,702	12
Total operating expenses	3,503,299	30	3,590,140	29
INCOME FROM OPERATIONS	478,923	4	244,462	2
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 24 and 31)	670,751	6	530,857	4
Other gains and losses (Note 24)	(1,424,361)	(12)	(123,499)	(1)
Finance costs (Note 24)	(313,483)	(3)	(338,342)	(3)
Share of the profit of subsidiaries and associates (Notes 4 and 15)	13,932,128	119	13,476,549	110
Total non-operating income and expenses	12,865,035	110	13,545,565	110
INCOME BEFORE INCOME TAX	13,343,958	114	13,790,027	112
INCOME TAX EXPENSE (Notes 4 and 25)	(422,352)	(3)	(732,977)	(6)
NET INCOME FOR THE YEAR	12,921,606	111	13,057,050	106

(Continued)

POU CHEN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 21)	$ (206,462)	(2)	$ (272,105)	(2)
Share of the other comprehensive loss of subsidiaries and associates	(179,045)	(1)	(107,414)	(1)
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	217,073	2	349,438	3
Share of the other comprehensive loss of subsidiaries and associates	(497,935)	(5)	(2,080,212)	(17)
Other comprehensive loss for the year, net of income tax	(666,369)	(6)	(2,110,293)	(17)
TOTAL COMPREHENSIVE INCOME	$ 12,255,237	105	$ 10,946,757	89
EARNINGS PER SHARE (Note 26)				
Basic	$ 4.38		$ 4.43	
Diluted	$ 4.37		$ 4.29	

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

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

POU CHEN CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity		
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Income on Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2016	$ 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
Appropriation of 2016 earnings (Note 22)								
Legal reserve	-	-	1,305,705	-	(1,305,705)	-	-	-
Special reserve	-	-	-	1,730,773	(1,730,773)	-	-	-
Cash dividends	-	-	-	-	(4,420,181)	-	-	(4,420,181)
	-	-	1,305,705	1,730,773	(7,456,659)	-	-	(4,420,181)
Net income for the year ended December 31, 2017	-	-	-	-	12,921,606	-	-	12,921,606
Other comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	(385,507)	(4,899,702)	4,618,840	(666,369)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,536,099	(4,899,702)	4,618,840	12,255,237
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 22)	-	(47,650)	-	-	-	-	-	(47,650)
Share of changes in equities of subsidiaries (Notes 4 and 22)	-	(7,579)	-	-	-	-	-	(7,579)
Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 22)	-	130,407	-	-	-	-	-	130,407
Change in equity for the year ended December 31, 2017	-	75,178	1,305,705	1,730,773	5,079,440	(4,899,702)	4,618,840	7,910,234
BALANCE AT DECEMBER 31, 2017	$ 29,467,872	$ 4,615,341	$ 12,518,889	$ 13,636,368	$ 37,294,138	$ (1,790,529)	$(12,126,701)	$ 83,615,378

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

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

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 13,343,958	$ 13,790,027
Adjustments for:		
Depreciation expenses	261,758	244,682
Net gain on fair value change of financial instruments at FVTPL	(60,430)	(105,337)
Finance costs	313,483	338,342
Interest income	(27,010)	(17,197)
Dividends income	(275,865)	(288,827)
Share of the profit of subsidiaries and associates	(13,932,128)	(13,476,549)
Net loss on disposal of property, plant and equipment	21,149	296
Net loss on disposal of associates	-	4,277
Realized gain on the transactions with subsidiaries	(13,533)	(1,456)
Unrealized loss on foreign currency exchange	3,203	12,826
Changes in operating assets and liabilities		
Financial instruments held for trading	285,121	81,056
Notes receivable	(33,670)	(10,036)
Notes receivable from related parties	(47)	-
Accounts receivable	(18,962)	(2,444)
Accounts receivable from related parties	409,030	(352,267)
Other receivables	6,437	(56,429)
Inventories	37,607	(9,803)
Other current assets	(71,095)	(4,409)
Other operating assets	(24,766)	(3,119)
Notes payable	31,174	(2,931)
Notes payable to related parties	(14,513)	10,644
Accounts payable	(201,396)	(101,109)
Accounts payable to related parties	(56,825)	33,319
Other payables	850,727	96,253
Other current liabilities	(41,571)	43,607
Net defined benefit liabilities	(1,243,050)	(325,390)
Cash used in operations	(451,214)	(101,974)
Interest paid	(305,514)	(330,411)
Income tax paid	(651,808)	(1,377,626)
Net cash used in operating activities	(1,408,536)	(1,810,011)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of debt investments with no active market	-	(97,412)
Proceeds on sale of debt investments with no active market	90,493	401,524
Acquisition of held-to-maturity financial assets	-	(298,823)
Acquisition of associates under equity method	(82,000)	-
Acquisition of property, plant and equipment	(604,314)	(354,469)
Proceeds from disposal of property, plant and equipment	64,548	5,237
Increase in refundable deposits	(1,964)	(84)
Increase in prepayments for equipment	(13,974)	(178,832)

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POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Increase in other prepayments	$ (226,594)	$ -
Interest received	29,825	13,903
Dividends received	4,471,593	4,862,609
Cash dividends from reduction of capital surplus from associates	-	3,503
Net cash generated from investing activities	3,727,613	4,357,156
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,760,200	1,808,500
Proceeds from long-term borrowings	-	12,500,000
Repayments of long-term borrowings	-	(12,500,000)
Cash dividend	(4,420,181)	(4,420,181)
Increase in guarantee deposits	-	736
Decrease in guarantee deposits	(305)	-
Net cash used in financing activities	(1,660,286)	(2,610,945)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	658,791	(63,800)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	540,793	604,593
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,199,584	$ 540,793

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

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

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 ("HKEx").

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 26, 2018.

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

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

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

   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 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amended IAS 36 will not have significant effect on the presentation of the financial statements for the year ended December 31, 2017.

2) IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Company accrues the related liability when the transaction or activity that triggers the payment of the levy occurs. If the obligating event occurs over a period of time (such as the generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

IFRIC 21 will not have a significant effect on the presentation of the financial statements for the year ended December 31, 2017.

3) Annual Improvements to IFRSs 2010-2012 Cycle

Several standards, including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments”, were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Company or another entity in the same Company or the market price of the equity instruments of the Company or another entity in the same Company (i.e. a market condition); that a performance target can relate either to the performance of the Company as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Company, but also of other entities outside the Company. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions are accounted for differently, and the aforementioned amendment should be applied prospectively to those share-based payments granted on or after January 1, 2017.

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

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

The short-term receivables and payables with no stated interest rate are measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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 if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. The amended IFRS 13 will not have a significant effect the presentation of the financial statements for the year ended December 31, 2017.

5) Annual Improvements to IFRSs 2012-2014 Cycle

Several standards, including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34, were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal groups) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, the previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale. The amendment is applied prospectively to transactions that occur on or after January 1, 2017.

6) 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 and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions 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 transaction amount or balance with a specific related party is 10% or more of the Company’s respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosure of related party transaction is enhanced, please refer to Note 31.

b. IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2014 - 2016 Cycle	Note 2
Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Concluded)

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

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

1) IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

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

For the 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:

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

b) For debt instruments, if they are held within a business model whose objective is achieved by both 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 is 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.

Except for the above measurements, 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.

The Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

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

b) Debt investments classified as held-to-maturity financial assets and debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

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

For purchased or originated credit-impaired financial assets, the 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.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9; the cumulative effect of the initial application is recognized at the date of initial application and disclosures related to the classification and the adjustment information are made on initial application of IFRS 9.

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

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Financial assets at fair value through other comprehensive income - current	$ -	$ 4,685,590	$ 4,685,590
Available-for-sale financial assets - current	4,680,590	(4,685,590)	-
Held-to-maturity financial assets - non -current	282,432	(282,432)	-
Financial assets measured at amortized cost -non- current	-	282,432	282,432
Financial assets measured at cost -non-current	61,000	(61,000)	-
Financial assets at fair value through other comprehensive income - non-current	-	63,923	63,923
Investments accounted for using equity method	100,234,720	13,769,463	114,004,183
Total effect on assets	$ 105,263,742	$ 13,772,386	$ 119,036,128
Financial liabilities at fair value through profit or loss - current	$ 206,060	$ -	$ 206,060
Total effect on liabilities	$ 206,060	$ -	$ 206,060
Retained earnings	$ 63,449,395	$ 292,111	$ 63,741,506
Other equity	(13,917,230)	13,480,275	(436,955)
Total effect on equity	$ 49,532,165	$ 13,772,386	$ 63,304,551

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

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

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

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

When adopted, IFRS 15 and related amendments will not have a significant effect on the presentation of the financial statements.

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Company expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Company should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Company’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

In assessing a deferred tax asset, the Company currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendments will be applied retrospectively in 2018.

4) 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.

There is no anticipated material impact of the amendments to reflect the conditions that exist at January 1, 2018.

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

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

The Company will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company assessed application of other standards and interpretations will not have significant effect on the Company’s financial position and financial performance.

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

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

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

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

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

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

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

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

2) IFRS 16 "Leases"

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

Under IFRS 16, if the 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 leases under IAS 17 to low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 will not have a significant effect 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.

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

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

4) Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

When the amendments become effective, the Company shall apply the amendments retrospectively. However, the Company may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

5) Annual Improvements to IFRSs 2015-2017 Cycle

   Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 "Borrowing Costs", were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

6) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

   The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

Except for the above impact, as of the date the consolidated 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 Company's financial statement, 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 30.

   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.

<u>Equity instruments</u>

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.

<u>Financial liabilities</u>

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 30.

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.

<u>Derivative financial instruments</u>

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.

l. 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) Termination benefits

A liability for a termination benefit is recognized when the Group 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.

Investments Accounted for Using Equity Method

The Company immediately recognizes impairment losses on its net investment accounted for using equity method when there is any indication that the investment may be impaired and the carrying amounts may not be recoverable. The Company's management evaluates the impairment based on the estimated future cash flow expected to be generated by the investment. The Company also takes into consideration the market conditions and industry development to evaluate the appropriateness of the relevant assumptions.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	$ 1,110	$ 1,374
Checking accounts and demand deposits	568,623	216,179
Cash equivalent (time deposits with original maturities of less than three months)		
Time deposits	327,847	-
Repurchase agreements collateralized by bonds	302,004	323,240
	$ 1,199,584	$ 540,793

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

	December 31	
	2017	2016
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Exchange rate swap contracts (a)	$ -	$ 118,917
Cross currency swap contracts (b)	-	12,998
	$ -	$ 131,915
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Exchange rate swap contracts (a)	$ 197,154	$ 88,583
Cross currency swap contracts (b)	5,797	-
Interest rate swap contracts (c)	3,109	17,246
Exchange rate option contracts (d)	-	7,455
	$ 206,060	$ 113,284

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

December 31, 2017

Notional Amount (In Thousands)	Maturity Date	Rate
US$ 10,000	2018.01	US$:NT$ 30.0725
US$ 25,000	2018.01	US$:NT$ 30.0720
US$ 31,000	2018.01	US$:NT$ 30.0720
US$ 30,300	2018.01	US$:NT$ 30.0720
US$ 35,000	2018.01	US$:NT$ 30.0720
US$ 26,800	2018.01	US$:NT$ 30.0720
US$ 40,000	2018.01	US$:NT$ 30.0730
US$ 35,000	2018.01	US$:NT$ 30.0720
US$ 32,300	2018.01	US$:NT$ 30.0720
US$ 32,200	2018.01	US$:NT$ 30.0720
US$ 32,000	2018.01	US$:NT$ 30.0720
US$ 30,000	2018.01	US$:NT$ 30.0740
US$ 20,600	2018.01	US$:NT$ 30.0740
US$ 7,300	2018.01	US$:NT$ 30.0740
US$ 23,400	2018.01	US$:NT$ 30.0740
US$ 41,000	2018.01	US$:NT$ 30.0740
US$ 48,000	2018.01	US$:NT$ 29.9500
US$ 6,000	2018.01	US$:NT$ 29.9500
US$ 30,000	2018.01	US$:NT$ 29.9500
US$ 2,000	2018.01	US$:NT$ 29.9500
US$ 23,500	2018.01	US$:NT$ 29.9290
US$ 72,900	2018.01	US$:NT$ 29.8690
US$ 21,300	2018.02	US$:NT$ 29.8730
US$ 34,000	2018.02	US$:NT$ 29.9090
US$ 26,000	2018.02	US$:NT$ 29.8870
US$ 38,400	2018.02	US$:NT$ 29.8290

December 31, 2016

Notional Amount (In Thousands)		Maturity Date	Rate	
US$	7,300	2017.01	US$:NT$	31.820
US$	20,600	2017.01	US$:NT$	31.820
US$	23,400	2017.01	US$:NT$	31.870
US$	30,000	2017.01	US$:NT$	31.859
US$	48,000	2017.01	US$:NT$	31.805
US$	6,000	2017.01	US$:NT$	31.805
US$	30,000	2017.01	US$:NT$	31.805
US$	2,000	2017.01	US$:NT$	31.805
US$	21,300	2017.01	US$:NT$	31.881
US$	10,000	2017.01	US$:NT$	31.881
US$	18,000	2017.01	US$:NT$	32.012
US$	35,000	2017.02	US$:NT$	32.017
US$	35,000	2017.02	US$:NT$	32.017
US$	32,300	2017.02	US$:NT$	32.017
US$	26,000	2017.02	US$:NT$	32.187
US$	3,000	2017.02	US$:NT$	32.187
US$	32,200	2017.02	US$:NT$	32.187
US$	30,300	2017.02	US$:NT$	32.187
US$	25,000	2017.02	US$:NT$	32.187
US$	26,800	2017.02	US$:NT$	32.187
US$	40,000	2017.02	US$:NT$	32.187
RMB	45,000	2017.03	RMB:NT$	4.8513
RMB	123,900	2017.03	RMB:NT$	4.8500
RMB	53,000	2017.03	RMB:NT$	4.8500
RMB	30,000	2017.03	RMB:NT$	4.6150
RMB	50,000	2017.07	RMB:NT$	4.6993

The Company entered into exchange rate swap contracts for the years ended December 31, 2017 and 2016 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, 2017

Notional Amount (In Thousands)		Maturity Date	Rate		Interest %
US$	10,000	2018.02	US$:NT$	30.165	0.42
US$	10,000	2018.03	US$:NT$	30.010	0.40

December 31, 2016

Notional Amount (In Thousands)		Maturity Date	Rate		Interest %
US$	10,000	2017.02	US$:NT$	31.920	0.76
US$	10,000	2017.03	US$:NT$	31.263	0.76

The Company entered into cross-currency swap contracts for the years ended December 31, 2017 and 2016 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, 2017

Notional Amount (In Thousands)	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)
$ 125,000	2018.06	1.340	0.65833
225,000	2018.06	1.310	0.65833
150,000	2018.06	1.310	0.65833
125,000	2018.06	1.290	0.65833
125,000	2018.06	1.278	0.65833
75,000	2018.06	1.265	0.65833
125,000	2018.06	1.280	0.65833
50,000	2018.06	1.260	0.65833

December 31, 2016

Notional Amount (In Thousands)	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)
$ 375,000	2018.06	1.340	0.65922
675,000	2018.06	1.310	0.65922
450,000	2018.06	1.310	0.65922
375,000	2018.06	1.290	0.65922
375,000	2018.06	1.278	0.65922
225,000	2018.06	1.265	0.65922
375,000	2018.06	1.280	0.65922
150,000	2018.06	1.260	0.65922

The Company entered into interest rate swap contracts for the years ended December 31, 2017 and 2016 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 (In Thousands)		Type	Buy/Sale	Maturity Date	Rate
US$	10,000	Put	Sell	2017.01	US$:NT$ 32.30
US$	20,000	Put	Sell	2017.01	US$:NT$ 32.20

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2017	2016
Domestic investments		
Listed shares	$ 4,685,590	$ 4,468,517

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2017	2016
Time deposits with original maturity more than three months	$ -	$ 90,493

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2017	2016
Notes receivable (including related parties)		
Notes receivable - operating	$ 2,147	$ 21,039
Notes receivable - non-operating	52,840	231
Less: Allowance for doubtful accounts	-	-
	$ 54,987	$ 21,270
Accounts receivable (including related parties)		
Accounts receivable	$ 1,494,213	$ 1,884,281
Less: Allowance for doubtful accounts	-	-
	$ 1,494,213	$ 1,884,281
Other receivables		
Tax refund receivables	$ 31,984	$ 62,948
Others	225,974	204,025
Less: Allowance for doubtful accounts	-	-
	$ 257,958	$ 266,973

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, 2017 and 2016 were not past due.

b. Accounts receivable

The aging analysis of the accounts receivable as at December 31, 2017 and 2016 were as follows:

December 31, 2017

	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	$ 644,310	$ -	$ -	$ -	$ 644,310
31-90 days	849,903	-	-	-	849,903
More than 90 days	-	-	-	-	-
	$ 1,494,213	$ -	$ -	$ -	$ 1,494,213

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	-	-	-	-	-
	$ 1,884,281	$ -	$ -	$ -	$ 1,884,281

The above aging schedule was based on the invoice date.

11. INVENTORIES

	December 31	
	2017	2016
Raw materials	$ 22,225	$ 47,212
Supplies	172	288
Work in progress	891	1,101
Finished goods	12,957	19,869
Merchandise	2,405	7,787
	$ 38,650	$ 76,257

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $7,736,216 thousand and $8,461,282 thousand, respectively.

12. OTHER ASSETS

	December 31	
	2017	2016
Current		
Prepayments	$ 29,808	$ 33,659
Supplies inventory	64,313	8,583
Temporary payments	2,418	5,512
Value-added tax retained	35,836	13,274
	$ 132,375	$ 61,028
Non-current		
Prepayments	$ 289,742	$ 38,382
Prepayments for equipment	21,377	67,270
Refundable deposits	9,142	7,179
Others	3,869	3,869
	$ 324,130	$ 116,700

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

	December 31	
	2017	2016
Foreign investments		
Corporate bonds	$ 109,875	$ 111,349
Structured product	172,557	174,523
	$ 282,432	$ 285,872

14. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
Domestic shares		
Unlisted shares	$ 61,000	$ 61,000
Classified according to measurement categories		
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	
	2017	2016
Investments in subsidiaries	$ 82,115,785	$ 80,593,852
Investments in associates	18,118,935	10,397,650
	$ 100,234,720	$ 90,991,502

a. Investments in subsidiaries

	December 31	
	2017	2016
Unlisted companies	$ 82,115,785	$ 80,593,852

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

	December 31	
Name of Subsidiary	**2017**	**2016**
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, 2017. Therefore, the Company recognized $19,855 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, 2017 and 2016 was based on the subsidiaries' financial statements audited by the auditors for the same years.

b. Investments in associates

	December 31	
	2017	2016
Material associates		
Ruen Chen Investment Holding Co., Ltd.	$ 16,659,984	$ 8,912,633
Associates that are not individually material	1,458,951	1,485,017
	$ 18,118,935	$ 10,397,650

1) Material associates

Name of Associate	Proportion of Ownership and Voting Rights December 31 2017	2016
Ruen Chen Investment Holding Co., Ltd.	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 2017	2016
Assets	$ 4,035,948,083	$ 3,644,010,238
Liabilities	(3,936,746,594)	(3,587,128,559)
Non-controlling interests	(15,605,007)	(12,021,953)
Owners of Ruen Chen Investment Holding Co., Ltd.	$ 83,596,482	$ 44,859,726
Proportion of the Company	20%	20%
Equity attributable to the Company	$ 16,719,296	$ 8,971,945
Other adjustments	(59,312)	(59,312)
Carrying amount	$ 16,659,984	$ 8,912,633

	For the Year Ended December 31 2017	2016
Operating revenue	$ 674,451,923	$ 657,143,807
Net income	$ 20,864,196	$ 23,499,027
Other comprehensive income (loss)	20,744,687	(6,963,584)
Total comprehensive income	$ 41,608,883	$ 16,535,443

2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights December 31 2017	2016
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	
	2017	**2016**
The Company's share of:		
Net (loss) income	$ 27,870	$ (118,822)
Other comprehensive loss	(52,147)	(60,601)
Total comprehensive (loss) income	$ (24,277)	$ (179,423)

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	
	2017	**2016**
Elitegroup Computer Systems Co., Ltd.	$ 1,390,829	$ 1,093,044

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost								
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	$ 1,771,359	$ 4,037,422	$ 659,468	$ 166,203	$ 347,635	$ 88,918	$ 197,201	$ 7,268,206
Accumulated depreciation								
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	$ -	$ 1,888,431	$ 369,782	$ 134,948	$ 302,916	$ 68,338	$ -	$ 2,764,415
Carrying amounts at January 1, 2016	$ 1,677,136	$ 2,218,910	$ 166,690	$ 37,482	$ 37,112	$ 15,554	$ 34,965	$ 4,187,849
Carrying amounts at December 31, 2016	$ 1,771,359	$ 2,148,991	$ 289,686	$ 31,255	$ 44,719	$ 20,580	$ 197,201	$ 4,503,791
Cost								
Balance at January 1, 2017	$ 1,771,359	$ 4,037,422	$ 659,468	$ 166,203	$ 347,635	$ 88,918	$ 197,201	$ 7,268,206
Additions	-	12,377	201,814	19,143	31,179	3,517	435,280	703,310
Disposals	-	(69,091)	(126,804)	(10,406)	(34,666)	(1,678)	-	(242,645)
Transfers from prepayments for equipment	-	-	24,120	-	657	-	35,090	59,867
Reclassified	(94,223)	2,808	47	-	-	4,400	(30,733)	(117,701)
Balance at December 31, 2017	$ 1,677,136	$ 3,983,516	$ 758,645	$ 174,940	$ 344,805	$ 95,157	$ 636,838	$ 7,671,037

(Continued)

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Accumulated depreciation								
Balance at January 1, 2017	$ -	$ 1,888,431	$ 369,782	$ 134,948	$ 302,916	$ 68,338	$ -	$ 2,764,415
Disposals	-	(44,870)	(72,692)	(10,097)	(31,799)	(1,267)	-	(160,725)
Depreciation expenses	-	102,227	69,439	11,893	18,876	5,675	-	208,110
Reclassified	-	(666)	-	-	-	7	-	(659)
Balance at December 31, 2017	$ -	$ 1,945,122	$ 366,529	$ 136,744	$ 289,993	$ 72,753	$ -	$ 2,811,141
Carrying amounts at January 1, 2017	$ 1,771,359	$ 2,148,991	$ 289,686	$ 31,255	$ 44,719	$ 20,580	$ 197,201	$ 4,503,791
Carrying amounts at December 31, 2017	$ 1,677,136	$ 2,038,394	$ 392,116	$ 38,196	$ 54,812	$ 22,404	$ 636,838	$ 4,859,896

(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:

Items	Estimated Useful Life
Buildings and improvements	
Main buildings	50-55 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

	2017	2016
Cost		
Balance at January 1	$ 2,542,722	$ 2,542,722
Reclassified	117,701	-
Balance at December 31	$ 2,660,423	$ 2,542,722
Accumulated depreciation and impairment		
Balance at January 1	$ 566,691	$ 513,537
Depreciation expenses	53,648	53,154
Reclassified	659	-
Balance at December 31	$ 620,998	$ 566,691
Carrying amounts at January 1	$ 1,976,031	$ 2,029,185
Carrying amounts at December 31	$ 2,039,425	$ 1,976,031

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

Items	Estimated Useful Life
Buildings	
Main buildings	50-55 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:

	December 31	
	2017	2016
Investment property	$ 3,093,510	$ 2,974,940

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Unsecured borrowings		
Credit borrowings	$ 9,275,200	$ 6,515,000

The range of effective interest rate on bank borrowings was 0.67%-2.10% and 0.80%-1.56% per annum as of December 31, 2017 and 2016, respectively.

b. Long-term borrowings

	December 31	
	2017	2016
Unsecured borrowings		
Bank loans	$ 17,000,000	$ 17,000,000
Less: Current portion	(750,000)	-
	$ 16,250,000	$ 17,000,000

Range of maturity dates and interest rates:

	December 31	
	2017	2016
Maturity date		
Long-term borrowings	2019.03.27-2021.12.21	2018.09.27-2021.12.21
Current portion of long-term borrowings	2018.09.27	-
Range of interest rate	1.09%-1.60%	1.09%-1.60%

19. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2017	**2016**
<u>Notes payable (including related parties)</u>		
Operating	$ 53,793	$ 41,726
Non-operating	5,268	674
	$ 59,061	$ 42,400
Accounts payable (including related parties)	$ 1,167,672	$ 1,425,893

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	
	2017	**2016**
Payables for salaries	$ 240,096	$ 240,500
Payables for purchase of property, plant and equipment	183,320	84,324
Compensation due to directors and supervisors	123,428	125,474
Employee compensation payables	678,216	623,725
Interest payables	32,116	23,896
Payables for annual leave	108,186	80,694
Others	986,821	215,626
	$ 2,352,183	$ 1,394,239

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	
	2017	2016
Present value of defined benefit obligation	$ 1,512,580	$ 2,103,407
Fair value of plan assets	(760,000)	(314,239)
Net defined benefit liability	$ 752,580	$ 1,789,168

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, 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	24,860	284	25,144
Recognized in profit or loss	62,971	284	63,255
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	147,309	-	147,309
Recognized in other comprehensive income (loss)	274,237	(2,132)	272,105
Contributions from the employer	-	(388,645)	(388,645)
Benefits paid	(101,877)	101,877	-
Balance at December 31, 2016	$ 2,103,407	$ (314,239)	$ 1,789,168
Balance at January 1, 2017	$ 2,103,407	$ (314,239)	$ 1,789,168
Service cost	21,030	-	21,030
Net interest expense	22,955	(5,947)	17,008
Recognized in profit or loss	43,985	(5,947)	38,038
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	763	763
Actuarial loss arising from changes in demographic assumptions	199,141	-	199,141
Actuarial loss arising from changes in financial assumptions	(25,637)	-	(25,637)
Actuarial loss arising from experience adjustments	32,195	-	32,195
Recognized in other comprehensive income (loss)	205,699	763	206,462

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Contributions from the employer	$ -	$ (546,796)	$ (546,796)
Benefits paid	(106,219)	106,219	-
Others	(734,292)	-	(734,292)
Balance at December 31, 2017	$ 1,512,580	$ (760,000)	$ 752,580

(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	
	2017	2016
Operating costs	$ 109	$ 148
Selling and marketing expenses	22	62
General and administrative expenses	27,093	44,972
Research and development expenses	10,814	18,073
	$ 38,038	$ 63,255

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

a. 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.

b. 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.

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

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

	December 31	
	2017	2016
Discount rate	1.250%	1.125%
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	
	2017	2016
Discount rate(s)		
0.25% increase	$ (44,769)	$ (52,270)
0.25% decrease	$ 46,740	$ 54,296
Expected rate(s) of salary increase		
0.25% increase	$ 45,574	$ 52,531
0.25% decrease	$ (43,880)	$ (50,834)

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

	December 31	
	2017	2016
The expected contributions to the plan for the next year	$ 169,807	$ 554,666
The average duration of the defined benefit obligation	12.1 years	10.1 years

22. EQUITY

a. Share capital

	December 31	
	2017	2016
Number of shares authorized (in thousands)	4,500,000	4,500,000
Shares authorized	$ 45,000,000	$ 45,000,000
Number of shares issued and fully paid (in thousands)	2,946,787	2,946,787
Shares issued	$ 29,467,872	$ 29,467,872

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
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	343,269	390,919

(Continued)

	December 31	
	2017	2016
May be used to offset a deficit only (2)		
Recognized from share of changes in equities of subsidiaries	$ 15,653	$ 23,232
May not be used for any purpose		
Recognized from share of changes in net assets of associates	135,716	5,309
	$ 4,615,341	$ 4,540,163

(Concluded)

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 is 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 2016 and 2015 had been approved in the shareholders' meetings on June 15, 2017 and June 15, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2016	For Year 2015	For Year 2016	For Year 2015
Legal reserve	$ 1,305,705	$ 953,136	$ -	$ -
(Reversal) special reserve	1,730,773	6,297,042	-	-
Cash dividends	4,420,181	4,420,181	1.50	1.50

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 15, 2018.

d. Other equity item

1) Exchange differences on translation foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 3,109,173	$ 5,020,886
Exchange differences arising on translation of foreign subsidiaries and associates	(4,899,702)	(1,911,713)
Balance at December 31	$ (1,790,529)	$ 3,109,173

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (16,745,541)	$ (16,926,480)
Unrealized gain on available-for-sale financial assets	217,073	349,438
Unrealized gain (loss) on available-for-sale financial assets of subsidiaries and associates	4,401,767	(168,499)
Balance at December 31	$ (12,126,701)	$ (16,745,541)

23. REVENUE

	For the Year Ended December 31	
	2017	2016
Revenue from the products	$ 9,600,331	$ 10,458,648
Revenue from the rendering of services	2,104,574	1,835,780
	$ 11,704,905	$ 12,294,428

24. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Year Ended December 31	
	2017	2016
Rental income (Note 31)		
Rental income from operating lease		
Investment properties	$ 119,595	$ 118,647
Others	32,056	30,149
	151,651	148,796
Interest income		
Cash in bank	10,200	3,386
Repurchase agreements collateralized by bonds	4,428	990
Held-to-maturity financial assets	11,480	5,444
Debt investment with no active market	902	7,377
	27,010	17,197
Dividends income	275,865	288,827
Others	216,225	76,037
	$ 670,751	$ 530,857

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Net loss on disposal of property, plant and equipment	$ (21,149)	$ (296)
Net foreign exchange loss	(1,400,702)	(164,491)
Net gain on disposal of available-for-sale financial assets	-	-
Net loss on disposal of associates	-	(4,277)
Net gain arising on financial assets designated as at FVTPL	146,545	158,907
Net loss arising on financial liabilities designated as at FVTPL	(86,115)	(53,570)
Others	(62,940)	(59,772)
	$ (1,424,361)	$ (123,499)

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank borrowings	$ 301,952	$ 310,626
Interest on short-term bills payable	3,911	1,781
Other interest expense	7,620	25,935
	$ 313,483	$ 338,342

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 208,110	$ 191,528
Investment properties	53,648	53,154
	$ 261,758	$ 244,682
An analysis of depreciation by function		
Operating costs	$ 8,384	$ 6,883
Operating expenses	199,726	184,645
Non-operating expenses	53,648	53,154
	$ 261,758	$ 244,682

e. Direct expenses with investment properties

	For the Year Ended December 31	
	2017	2016
Direct operating expenses from investment properties that generated rental income	$ 70,226	$ 66,675
Direct operating expenses from investment properties that did not generated rental income	65	65
	$ 70,291	$ 66,740

f. Employee benefits expense

	2017			2016		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Salary						
Termination benefits	$ 1,157	$ 11,959	$ 13,116	$ -	$ 11,087	$ 11,087
Others	23,728	2,467,549	2,491,277	20,109	2,390,166	2,410,275
	24,885	2,479,508	2,504,393	20,109	2,401,253	2,421,362
Labor and health insurance	2,523	221,593	224,116	2,239	209,495	211,734
Post-employment benefit						
Defined contribution plans	1,276	109,567	110,843	1,076	125,590	126,666
Defined benefit plans	109	37,929	38,038	148	63,107	63,255
	1,385	147,496	148,881	1,224	188,697	189,921
Other employee benefits	917	76,123	77,040	891	134,976	135,867
Total employee benefits expense	$ 29,710	$ 2,924,720	$ 2,954,430	$ 24,463	$ 2,934,421	$ 2,958,884

As of December 31, 2017 and 2016, there were 3,775 and 3,520 employees, respectively, in the Company. The Company accounts for employee benefits expense based on the number of employees.

- Employees' compensation and remuneration of directors and supervisors for 2017 and 2016

In compliance with the Company Act, 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, 2017 and 2016 which were approved by the Company's board of directors on March 26, 2018 and March 27, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	**2016**
Employees' compensation	1.8%	1.8%
Remuneration of directors and supervisors	0.9%	0.9%

Amount

	For the Year Ended December 31			
	2017		**2016**	
	Cash	**Shares**	**Cash**	**Shares**
Employees' compensation	$ 246,856	$ -	$ 255,108	$ -
Remuneration of directors and supervisors	123,428	-	127,554	-

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, 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2018 and 2017 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	
	2017	2016
Current tax		
In respect of the current year	$ 485,625	$ 608,121
Adjustments for prior years' income tax	43,448	(1,430)
Income tax expense of unappropriated earnings	522,087	-
	1,051,160	606,691
Deferred tax	(628,808)	126,286
Income tax expense recognized in profit or loss	$ 422,352	$ 732,977

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

	For the Year Ended December 31	
	2017	2016
Income before income tax	$ 13,343,958	$ 13,790,027
Income tax expense calculated at the statutory rate	$ 2,268,473	$ 2,344,305
Tax effect of adjusting items		
Tax-exempt income	(46,897)	(49,101)
Investment income recognized under equity method	(2,368,462)	(1,578,289)
Others	(39,661)	619
Income tax on unappropriated earnings	522,087	-
Current tax	335,540	717,534
Deferred tax	43,364	16,873
Adjustments for prior years' income tax	43,448	(1,430)
Income tax expense recognized in profit or loss	$ 422,352	$ 732,977

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

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $619 thousand and $6,805 thousand, respectively, in 2018.

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

b. Deferred tax assets and liabilities

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

	December 31	
	2017	2016
Deferred tax assets		
Temporary differences		
Unrealized pension expense	$ -	$ 47,929
Others	3,510	3,009
	$ 3,510	$ 50,938
Deferred tax liabilities		
Temporary differences		
Investment income from foreign subsidiaries	$ -	$712,725
Land value increment tax	86,547	86,547
Others	38,559	2,071
	$ 125,106	$ 801,343

c. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated before January 1, 1998	$ -	$ 221,425
Generated on and after January 1, 1998	-	31,993,273
	$ - (Note)	$ 32,214,698
Imputation credit account	$ - (Note)	$ 2,562,413

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earning	Note	10.01%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

d. Income tax assessments

The tax returns of the Company through 2015, except 2014, 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, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Net income (in thousand dollars)		
Earnings used in the computation of earnings per share	$ 12,921,606	$ 13,057,050
Weighted average number of shares outstanding (in thousand shares)		
Weighted average number of common shares in computation of basic earnings per share	2,946,787	2,946,787
Effect of potentially dilutive common shares:		
Employee share options	-	85,463
Bonus to employees	7,888	8,502
Weighted average number of common shares used in the computation of diluted earnings per share	2,954,675	3,040,752
Earnings per share (in dollars)		
Basic earnings per share	$4.38	$4.43
Diluted earnings per share	$4.37	$4.29

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 be 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.

Information about employee share options for the years ended December 31, 2017 and 2016 was as follows:

	For the Year Ended December 31			
	2017		2016	
Employee Share Options	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	$ 17.40	145,791	$ 18.00
Options exercised	(145,791)	16.80	-	-
Balance at December 31	-	-	145,791	17.40
Exercisable options at December 31	-	-	145,791	17.40

Information about outstanding employee share options as of December 31, 2017 and 2016 was as follows:

	December 31	
	2017	2016
Exercise price (NT$)	$ -	$ 17.40
Weighted-average remaining contractual life (years)	-	0.85

28. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Operating leases relate to leases of plant, dormitory, and office with lease terms between 1 to 6 years. The Company does not have a bargain purchase option to acquire the leased plant, dormitory, and office at the expiration of the lease periods.

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

	December 31	
	2017	2016
Not later than 1 year	$ 14,696	$ 6,227
Later than 1 year and not later than 5 years	13,340	9,835
	$ 28,036	$ 16,062

The lease contract includes terms of the contingent rental payments requiring that the Company should pay contingent rentals based on the actual application situation.

b. The Company as lessor

Operating leases relate to leasing of investment properties with lease terms between 1 to 10 years. The lessees do not have bargain purchase options to acquire the properties at the expiry of the lease periods.

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

	December 31	
	2017	**2016**
Not later than 1 year	$ 66,701	$ 148,373
Later than 1 year and not later than 5 years	49,059	84,417
	$ 115,760	$ 232,790

In addition to the minimum lease payments receivable, the above property lease contracts also included contingent rental clauses stipulating that the lessees should pay contingent rentals based on the actual application situation.

29. 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.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

Except for financial assets measured at cost whose fair value cannot be reliably measured, the management considers the carrying amounts of financial assets and financial liabilities recognized in the financial statements as approximate fair values.

b. 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:

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

	December 31	
	2017	**2016**
Financial assets		
Available-for-sale financial assets		
Domestic listed securities		
Equity investment	$ 4,685,590	$ 4,468,517

2) 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	
	2017	**2016**
Financial assets		
Financial assets at FVTPL		
Derivative financial instruments	$ -	$ 131,915
Financial liabilities		
Financial liabilities at FVTPL		
Derivative financial instruments	206,060	113,284

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). When 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 was 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.

c. Categories of financial instruments

	December 31	
	2017	**2016**
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ -	$ 131,915
Held-to-maturity financial assets	282,432	285,872
Loans and receivables (Note 1)	3,015,884	2,810,989
Available-for-sale financial assets	4,685,590	4,468,517
Financial assets measured at cost	61,000	61,000
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	206,060	113,284
Amortized cost (Note 2)	29,872,010	26,395,731

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.

d. 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 derivate 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 34.

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	
	2017	**2016**
USD	$ (102,228)	$ (94,774)
RMB	(314)	(4,954)

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	
	2017	**2016**
Cash flow interest rate risk		
Financial liabilities	$ 20,775,200	$ 18,015,000

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 $207,752 thousand and $180,150 thousand during the years ended December 31, 2017 and 2016, 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, 2017 and 2016 would have decrease by $60,764 thousand and $55,616 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 issued by upper-medium rating grade bank 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, 2017 and 2016, 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, 2017

	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
Non-derivative financial liabilities						
Non-interest bearing	-	$ 720,650	$ 735,573	$ 2,140,586	$ -	$ -
Floating interest rate liabilities	1.12	5,660,000	1,895,200	1,720,000	11,500,000	-
Fixed interest rate liabilities	1.50	-	-	750,000	4,750,000	-
		$ 6,380,650	$ 2,630,773	$ 4,610,586	$ 16,250,000	$ -

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
Non-derivative financial liabilities						
Non-interest bearing	-	$ 783,304	$ 733,326	$ 1,364,101	$ -	$ -
Floating 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	-
		$ 3,943,304	$ 3,088,326	$ 2,364,101	$ 17,000,000	$ -

The amounts included above for floating interest rate instruments for non-derivative financial liabilities was subject to change if floating 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, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Exchange rate swap contracts	$ 173,367	$ 23,787	$ -	$ -	$ -
Interest rate swaps contracts	-	-	3,109	-	-
Cross-currency swap contracts	-	5,797	-	-	-
	$ 173,367	$ 29,584	$ 3,109	$ -	$ -

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 contracts	$ -	$ 75,090	$ 13,493	$ -	$ -
Interest rate swaps contracts	-	-	-	17,246	-
Exchange rate option contracts	7,455	-	-	-	-
	$ 7,455	$ 75,090	$ 13,493	$ 17,246	$ -

c) Financing facilities

	December 31 2017	2016
Unsecured bank facility and reviewed annually:		
Amount used	$ 26,320,826	$ 23,554,336
Amount unused	9,132,230	8,011,414
	$ 35,453,056	$ 31,565,750

31. TRANSACTIONS WITH RELATED PARTIES

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

a. The names and the relationships of the related parties with whom the Company has significant transactions

Names of the Related Parties	Relationships
Yue Yuen Industrial (Holdings) Limited	Subsidiaries
Barits Development Corporation	Subsidiaries
Pan Asia Insurance Services Co., Ltd.	Subsidiaries
Pou Yii Development Co., Ltd.	Subsidiaries
Pou Shine Investments Co., Ltd.	Subsidiaries
Pou Chin Development Co., Ltd.	Subsidiaries
Song Ming Investments Co., Ltd.	Subsidiaries
Wang Yi Construction Co., Ltd.	Subsidiaries
Windsor Entertainment Co., Ltd.	Subsidiaries
Pro Arch International Development Enterprise Inc.	Subsidiaries
Chang Yang Material Corporation	Associates
High Shine Investments Ltd.	Associates
San Fang Chemical Industry Co., Ltd	Associates
Nan Pao Resins Chemical Co., Ltd.	Associates
Platinum Long John Co., Ltd.	Associates
Sheachang Enterprise Corporation	Other related parties

b. Operating revenue

Account Items	Related Parties Categories	For the Year Ended December 31 2017	2016
Sales and service revenue	Yue Yuen	$ 11,378,947	$ 12,041,168
	Subsidiaries	1,303	226
	Associates	67,361	42,644
		$ 11,447,611	$ 12,084,038

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.

c. Purchases

Account Items	Related Parties Categories	For the Year Ended December 31 2017	2016
Purchases	Subsidiaries	$ 2,135	$ 3,939
	Associates	751,799	793,431
		$ 753,934	$ 797,370

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

d. Rental income

Account Items	Related Parties Categories	For the Year Ended December 31 2017	2016
Rent income	Windsor	$ 108,099	$ 108,071
	Yue Yuen	16,248	15,169
	Subsidiaries	2,266	1,879
	Associates	967	2,707
	Other related parties	4,670	4,670
		$ 132,250	$ 132,496

e. Receivables from related parties

Account Items	Related Parties Categories	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Notes receivable and accounts receivable	Yue Yuen	$ 1,417,774	$ 1,850,215
	Subsidiaries	78	-
	Associates	27,959	4,579
		$ 1,445,811	$ 1,854,794

f. Payables to related parties

Account Items	Related Parties Categories	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Notes payable and accounts payable	Subsidiaries	$ 112	$ 661
	Associates	55,527	126,316
		$ 55,639	$ 126,977

g. Compensation of key management personnel

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

	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Short-term employee benefits	$ 170,121	$ 171,674

The remuneration of directors and key management personnel was determined by the remuneration committee based on the performance of individuals and market trends.

32. 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 provided 61,295 thousand ordinary shares of Yue Yuen in the custody of the trust department of Mega Bank during the period from June 27, 2011 to June 27, 2021. The Company will not dispose of or make encumbrance to the shares of Wealthplus equal to the share value 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 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.

d. The total price of the construction in progress is $988,074 thousand. The unpaid balance as of December 31, 2017 was $399,991 thousand.

33. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

a. The Subsidiaries of the Company participated in the acquisition of Evermore Chemical Industry Co., Ltd. ("Evermore") proposed by Aica Kogyo Co., Ltd. in November 2017. This transaction was completed in January, 2018 and the subsidiaries disposed of 20,786 thousand shares with the amount of $415,720 thousand. After the transaction, the proportion of ownership and voting rights of the subsidiaries decreased from 29.05% to 8.13%, and lose significant influence over Evermore.

b. Wealthplus entered into a Scheme of Arrangeent under the Company Act of Bermuda ("Scheme of Arrangement") to undertake privatization of Pou Sheng International (Holdings) Limited ("The Privatization Plan").

1) Under the Scheme of Arrangement and the Option Offer, Wealthplus will make an appropriate offer to all the ordinary shareholders and option holders:

a) To shareholders ("Scheme Shareholders") who hold 5,338,548,615 ordinary shares ("Scheme Shares") of Pou Sheng, the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK$2.03 per Scheme Share; and

b) Option holders, (35,002,190 shares of Pou Sheng), can get cancellation price as below:

- When the exercise price of Pou Sheng Option is equal to or lower than the cancellation price, an amount equal to the cancellation price minus the exercise price of such Pou Sheng Option; or

- When the exercise price of Pou Sheng Option is higher than or equal to the cancellation price, a nominal amount of HK$0.00001.

The transaction amount of Scheme and Options Offer is approximately HK$10,908,308 thousand.

2) Subject to Scheme of Arrangement becoming effective, all the ordinary shares and Options of Pou Sheng will be cancelled, in exchange for the payment of Cancellation Price stated in paragraph (1). On the effective date of Scheme of Arrangement and immediately before the Scheme Shares are cancelled, Pou Sheng will issue one share at par to Wealthplus. After Scheme Shares are cancelled, Pou Sheng will issue 5,338,548,615 ordinary shares to Wealthplus.

3) The Scheme of Arrangement should get the approval and resolution including but not limited to:

a) Approval of meeting of the Scheme Shareholders of Pou Sheng at the direction of the Bermuda Court;

b) Approval of Pou Sheng Special General Meeting ("SGM");

c) The sanction of the Scheme by the Bermuda Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Bermuda Court for registration;

d) The approval by the Investment Commission of the Ministry of Economic Affairs of Taiwan of the additional investment in China by Pou Chen because of the Privatization;

e) Approval of Yue Yuen SGM; and

f) All documents and declarations of the Privatization approved by the Securities and Futures Commission of Hong Kong, and HKEx.

The Scheme has been approved by Yue Yuen SGM on March 16, 2018.

34. 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, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 89,598	29.76	$ 2,666,423
RMB	1,376	4.565	6,281
Non-monetary items			
RMB	61,869	4.565	282,432
Financial liabilities			
Monetary items			
USD	20,896	29.76	621,855
Non-monetary items			
USD	6,820	29.76	202,951

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
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