GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE THREE-MONTH PERIODS ENDED
31 MARCH 2017 AND 2016

Notice to readers:
The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Address: No.22, Jianguo Rd., Taichung Export Processing Zone, Tanzi Dist., Taichung, Taiwan, R.O.C.
Telephone: 886-4-25349676

EY 安永
Building a better working world

安永聯合會計師事務所

40341 台中市民權路239號7樓
7F, No. 239, Minquan Road
Taichung City, Taiwan, R.O.C.

Tel: 886 4 2305 5500
Fax: 886 4 2305 5577
www.ey.com/taiwan

REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

The Board of Directors and Stockholders of
GLOBE UNION INDUSTRIAL CORP.

We have reviewed the accompanying consolidated balance sheets of Globe Union Industrial Corp. and subsidiaries as of 31 March 2017 and 2016, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three-month periods ended 31 March 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue the review report based on our reviews.

Except for as follows, we conducted our reviews in accordance with the Statements of Auditing Standards No. 36, "Review of Financial Statements" of the Republic of China. A review is limited primarily to applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Certain subsidiaries, which were accounted for under the consolidated statements based on the financial statements of the subsidiaries, were not reviewed by independent accountants. The relevant assets of these consolidated subsidiaries that were not reviewed by independent accountants amounted to NT$1,199,302 thousand, and NT$1,432,922 thousand, which represented 9%, and 9% of the total consolidated assets as of 31 March 2017 and 2016, respectively; the relevant liabilities amounted to NT$714,721 thousand and NT$652,113 thousand, which represented 10 % and 8% of the total consolidated liabilities as of 31 March, 2017 and 2016, respectively; the related comprehensive income of the subsidiaries amounted to NT$(3,456) thousand and NT$(20,937) thousand, which represented 2 % and 33% of the consolidated comprehensive income for the three-month periods ended 31 March, 2017 and 2016, respectively. Our review, insofar as it related to the investments accounted for under the equity method amounting to NT$ 23,675 thousand and NT$28,226 thousand as of 31 March, 2017 and 2016, respectively; the related shares of investment income from the associates and joint ventures amounting to NT$(332) thousand and NT$(378) thousand for the three-month periods ended 31 March, 2017 and 2016, respectively; and the related shares of other comprehensive income from the associates and joint ventures amounted to NT$(1,140) thousand and NT$(77) thousand for the three-month periods ended 31 March 2017 and 2016, respectively; was recognized based upon the financial statements prepared by investee companies not reviewed by the independent accountants in compliance with the review procedures described in the preceding paragraph. The information disclosed in Note (13) to the consolidated financial statements is not reviewed by the independent accountants.

EY 安永
Building a better working world

安永聯合會計師事務所

40341 台中市民權路239號7樓
7F, No. 239, Minquan Road
Taichung City, Taiwan, R.O.C.

Tel: 886 4 2305 5500
Fax: 886 4 2305 5577
www.ey.com/taiwan

Based on our reviews, except for the above-mentioned subsidiaries and investments' financial statement which were not reviewed by independent accountants, we are not aware of any material modifications or adjustments that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, "Interim Financial Reporting" which is endorsed and issued into effect by Financial Supervisory Commission of the Republic of China.

Ernst & Young

Ernst & Young
CERTIFIED PUBLIC ACCOUNTANTS
5 May 2017
Taichung, Taiwan
Republic of China

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 March 2017, 31 December 2016 and 31 March 2016 (31 March 2017 and 2016 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

		As at		
Assets	Notes	31 Mar 2017	31 Dec 2016	31 Mar 2016
Current Assets				
Cash and cash equivalents	4, 6(1)	$3,270,457	$3,291,337	$2,725,867
Financial assets at fair value through profit or loss, current	4, 6(2)	132,845	1,486	1,799
Notes receivable, net	4, 6(3)	47,143	35,551	30,896
Accounts receivable, net	4, 6(4), 8	2,755,340	2,879,520	3,514,941
Inventories, net	4, 6(5)	2,855,990	3,150,200	3,738,534
Prepayment	6(6)	163,274	134,905	192,627
Other current assets	7, 8	399,011	542,598	369,005
Total Current Assets		9,624,060	10,035,597	10,573,669
Non-current assets				
Financial assets at fair value through profit or loss, noncurrent	4, 6(2)	-	-	61
Investments accounted for under the equity method	4, 6(7)	23,675	25,147	28,226
Property, plant and equipment	4, 6(8), 8	1,580,068	1,677,650	2,003,217
Investment property,net	4, 6(9)	11,979	12,780	14,517
Intangible assets	4, 6(10)	72,198	91,351	150,754
Goodwill	4, 6(10)(11)	762,466	791,909	1,692,952
Deferred tax assets	4, 6(26)	324,177	358,516	326,809
Deposits-out		33,458	34,999	37,854
Other non-current assets	6(12)	157,454	140,957	186,600
Long-term prepaid rent expenses	6(12)	174,072	183,439	202,156
Total non-current assets		3,139,547	3,316,748	4,643,146
Total assets		$12,763,607	$13,352,345	$15,216,815

(The accompanying notes are an integral part of the consolidated financial statements)
(continued)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 March 2017, 31 December 2016 and 31 March 2016 (31 March 2017 and 2016 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

		As of		
Liabilities and Equity	Notes	31 Mar 2017	31 Dec 2016	31 Mar 2016
Current liabilities				
Short-term loans	4, 6(13)	$1,119,846	$1,068,471	$1,352,286
Financial liabilities at fair value through profit or loss, current	4, 6(14)	983	75	11,240
Notes payable		69,175	63,641	60,353
Accounts payable		2,086,532	2,270,084	2,262,657
Other payables	6(15)	242,282	254,815	215,979
Accrued expenses	6(16)	974,321	1,199,147	937,660
Current tax liabilities	4, 6(26)	130,045	97,577	134,753
Current portion of bonds payable	4, 6(17)	201,010	200,217	-
Current portion of long-term loans	4, 6(18)	256,652	255,181	275,971
Other current liabilities		362,849	395,989	372,919
Total current liabilities		5,443,695	5,805,197	5,623,818
Non-current liabilities				
Bonds payable	4, 6(17)	-	-	197,837
Long-term loans	4, 6(18)	1,557,964	1,567,127	1,814,615
Deferred tax liabilities	4, 6(26)	36,103	42,129	83,331
Other non-current liabilities		29,231	31,410	32,876
Net defined benefit obligation, noncurrent	4, 6(19)	267,176	253,250	211,432
Total non-current liabilities		1,890,474	1,893,916	2,340,091
Total liabilities		7,334,169	7,699,113	7,963,909
Equity attributable to the parent company	4, 6(20)			
Capital				
Common stock		3,517,692	3,553,042	3,543,042
Additional paid-in capital		935,473	940,467	924,777
Retained earnings				
Legal reserve		698,685	698,685	648,394
Retained earnings		840,393	709,885	1,822,059
Total retained earnings		1,539,078	1,408,570	2,470,453
Other components of equity				
Exchange differences on translation of foreign operations		(633,311)	(273,081)	211,982
Unearned employee salary		(11,667)	(12,833)	-
Total other components of equity		(644,978)	(285,914)	211,982
Treasury stock		-	(44,868)	-
Non-controlling interests	6(20)	82,173	81,935	102,652
Total equity		5,429,438	5,653,232	7,252,906
Total liabilities and equity		$12,763,607	$13,352,345	$15,216,815

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-month periods ended 31 Mar 2017 and 2016
(Reviewed, Not Audited)
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the three-month periods ended 31 Mar.	
	Notes	2017	2016
Net Sales	6(22)	$4,449,386	$4,846,297
Cost of Sales	6(23)	(3,146,295)	(3,448,145)
Gross Profit		1,303,091	1,398,152
Operating Expenses	6(23)		
Selling and marketing		(331,150)	(404,650)
General and administrative		(647,748)	(813,087)
Research and development		(49,788)	(55,674)
Total operating expenses		(1,028,686)	(1,273,411)
Operating Income		274,405	124,741
Non-operating income and expenses	6(24)		
Other revenue		30,935	34,130
Other gain and loss		(66,161)	(21,593)
Financial costs		(14,099)	(18,299)
Share of profit or loss of associates and joint ventures	4, 6(7)	(332)	(378)
Subtotal		(49,657)	(6,140)
Income from continuing operations before income tax		224,748	118,601
Income tax expense	6(26)	(82,977)	(56,032)
Income from Continuing Operations, net of tax		141,771	62,569
Other comprehensive income (loss)	6(25)		
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(359,166)	(125,765)
Share of other comprehensive of associates and joint ventures		(1,140)	(77)
Total other comprehensive income (loss), net of tax		(360,306)	(125,842)
Total comprehensive income (loss)		($218,535)	($63,273)
Net income attributable to:			
Stockholders of the parent		$141,457	$62,795
Non-controlling interests		314	(226)
		$141,771	$62,569
Comprehensive income attributable to:			
Stockholder of the parent		$(218,773)	$(63,343)
Non-controlling interests		238	70
		$(218,535)	$(63,273)
Earnings per share (NTD)	6(27)		
Earnings per share-basic		$0.40	$0.18
Earnings per share-diluted		$0.39	$0.17

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended 31 March 2017 and 2016

(Reviewed, Not Audited)

(Expressed in Thousands of New Taiwan Dollars)

		Capital		Retained Earnings		Other components of equity					
	Notes	Common Stock	Additional Paid-in Capital	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Losses on Available-For-Sale Financial Assets	Treasury Stock	Total	Non-controlling interests	Total equity
Balance as at 1 Jan 2016	6(20)	$3,543,042	$920,265	$648,394	$1,759,264	$338,120	$ -	$ -	$7,209,085	$102,582	$7,311,667
Net income for the three-month period ended March 31,					62,795				62,795	(226)	62,569
Other comprehensive income (loss), net of tax for the three-month period ended 31 March 2016						(126,138)			(126,138)	296	(125,842)
Total comprehensive income (loss) for the three-month period ended 31 March 2016		-	-	-	62,795	(126,138)	-	-	(63,343)	70	(63,273)
Share-based payment transactions			4,512						4,512		4,512
Balance as at 31 Mar 2016	6(20)	$3,543,042	$924,777	$648,394	$1,822,059	$211,982	$ -	$ -	$7,150,254	$102,652	$7,252,906
Balance as at 1 Jan 2017	6(20)	$3,553,042	$940,467	$698,685	$709,885	($273,081)	$(12,833)	(44,868)	$5,571,297	$81,935	$5,653,232
Net income for the three-month period ended 31 Mar					141,457				141,457	314	141,771
Other comprehensive income (loss), net of tax for the three-month period ended 31 March 2017						(360,230)			(360,230)	(76)	(360,306)
Total comprehensive income (loss) for the three-month period ended 31 Mar 2017		-	-	-	141,457	(360,230)	-	-	(218,773)	238	(218,535)
Treasury stock acquired								(10,326)	(10,326)		(10,326)
Treasury stock retired		(35,350)	(8,895)		(10,949)			55,194	-		-
Share-based payment transactions			3,901				1,166		5,067		5,067
Balance as at 31 Mar 2017	6(20)	$3,517,692	$935,473	$698,685	$840,393	$(633,311)	$(11,667)	$ -	$5,347,265	$82,173	$5,429,438

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended 31March 2017 and 2016

(Reviewed, Not Audited)

(Expressed in Thousands of New Taiwan Dollars)

		For the three-month periods ended 31 March,	
	Notes	2017	2016
Cash flows from operating activities:			
Net income before tax		$224,748	$118,601
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		64,286	79,510
Amortization		20,515	22,661
Allowance for doubtful accounts		2,770	1,753
Net gain of financial assets/liabilities at fair value through profit or loss		(5,419)	(20,759)
Interest expense		14,099	18,299
Interest revenue		(14,590)	(18,721)
Share-based payment expense		5,067	4,512
Share of loss of subsidiaries, associates and joint ventures		332	378
Changes in operating assets and liabilities:			
(Increase) decrease in financial assets held for trading		(125,416)	29,042
(Increase) decrease in notes receivable		(11,592)	11,126
Decrease in accounts receivable		22,544	87,017
Decrease in inventories, net		136,905	341,640
Increase in prepayments		(28,369)	(86,997)
Decrease in other current assets		143,587	9,891
Iincrease in other assets-others		(6,982)	(3,555)
Increase (decrease) in financial liabilities held for trading		384	(20,151)
Increase in notes payable		5,534	11,435
Decrease in accounts payable		(183,552)	(353,271)
Decrease in other payables		(237,305)	(137,831)
Increase in other current liabilities		38,436	925
Decrease in defined benefit obligation		(57,650)	(30,370)
Decrease in other liabilities-others		(2,179)	(1,268)
Cash generated from operations		6,153	63,867
Interest received		14,590	18,721
Interest paid		(13,360)	(18,130)
Income tax paid		(22,196)	(34,513)
Net cash (used in) generated from operating activities		(14,813)	29,945

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

(Continued)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended 31March 2017 and 2016

(Reviewed, Not Audited)

(Expressed in Thousands of New Taiwan Dollars)

		For the three-month periods ended 31 March,	
	Notes	2017	2016
(Continued)			
Cash flows from investing activities:			
Acquisition of property, plant and equipment		$(29,156)	$(49,238)
Disposal of property, plant and equipment		2,061	2,506
Decrease in deposits-out		1,541	186
Acquisition of intangible assets		(4,156)	(1,680)
Net cash used in investing activities		(29,710)	(48,226)
Cash flows from financing activities:			
Borrow short-term loan		1,009,846	1,202,286
Repayment short-term loan		(958,471)	(1,370,682)
Decrease in long-term loans		(7,692)	(50,073)
Increase in Treasury stock		(10,326)	-
Net cash generated from (used in) from financing activities		33,357	(218,469)
Effect of changes in exchange rate on cash and cash equivalents		(9,714)	(434)
Net decrease in cash and cash equivalents		(20,880)	(237,184)
Cash and cash equivalents at beginning of period	6(1)	3,291,337	2,963,051
Cash and cash equivalents at end of period		$3,270,457	$2,725,867

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the three-month periods ended 31 March 2017 and 2016
(Reviewed, Not Audited)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. HISTORY AND ORGANIZATION

GLOBE UNION INDUSTRIAL CORP. ("the Company") was incorporated on 29 October 1979 to manufacture and sell plumbing products. On December 1, 1995, the Company acquired Chen Ling Industrial Co. Ltd., a company specializing in manufacturing and sale of plumbing products. The Company applied to be listed on the GreTai Securities Market on 1 June 1998, and was authorized to trade its shares over the counter on 7 May 1999. The Company applied to be listed on Taiwan Stock Exchange on 16 June 2000 and its shares were authorized to be listed on Taiwan Stock Exchange on 11 September 2000. The Company's registered office and the main business location is at No.22, Jianguo Rd., Taichung Export Processing Zone, Tanzi Dist., Taichung, Taiwan (R.O.C.).

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the three-month periods ended 31 March 2017 and 2016 were authorized for issue by the board of directors on 5 May 2017.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2017. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

IAS 36 "Impairment of Assets" (Amendment)

This amendments relate to the amendments issued in May 2011 and require entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendments also require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

(2) Standards or interpretations issued, revised or amended, by IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below.

(a) *IFRS 15 "Revenue from Contracts with Customers"*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognisez revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after 1 January 2018.

(b) *IFRS 9"Financial Instruments"*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018.

(c) *IFRS 10"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(d) *IFRS 16"Leases"*

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after 1 January 2019.

(e) *IAS 12"Income Taxes" — Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify how to account for deferred tax assets for unrealized losses. The amendments are effective for annual periods beginning on or after 1 January 2017.

(f) *Disclosure Initiative — Amendment to IAS 7 "Statement of Cash Flows":*

The amendments relate to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendments are effective for annual periods beginning on or after 1 January 2017.

(g) *IFRS 15 "Revenue from Contracts with Customers" — Clarifications to IFRS 15*

The amendments clarify how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a license should be recognized at a point in time or over time. The amendments are effective for annual periods beginning on or after 1 January 2018.

(h) *IFRS 2 "Shared-Based Payment" — Amendments to IFRS 2*

The amendments contain (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognized in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognized on that date. Any difference between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2018.

(i) *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4*

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (1 January 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before 1 January 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

(j) *Transfers of Investment Property — Amendments to IAS 40*

The amendments relate to the transfers of investment property. The amendments clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after 1 January 2018.

(k) *Improvements to International Financial Reporting Standards (2014-2016 cycle)*:

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The amendments revise and amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after 1 January 2018.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after 1 January 2017.

IAS 28"Investments in Associates and Joint Ventures"

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments" on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after 1 January 2018.

(l) IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*"

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 "The Effects of Changes in Foreign Exchange Rates", in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after 1 January 2018.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements of the Group for the three-month periods ended 31 March 2017 and 2016 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 *Interim Financial Reporting* as endorsed and became effective by the FSC.

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("$") unless otherwise stated.

(3) Basis of consolidation

(a) Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
b. exposure, or rights, to variable returns from its involvement with the investee

c. the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. the contractual arrangement with the other vote holders of the investee
b. rights arising from other contractual arrangements
c. the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

a. derecognizes the assets (including goodwill) and liabilities of the subsidiary
b. derecognizes the carrying amount of any non-controlling interest
c. recognizes the fair value of the consideration received
d. recognizes the fair value of any investment retained

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

e. recognizes any surplus or deficit in profit or loss
f. reclassifies the parent’s share of components previously recognized in other comprehensive income to profit or loss

(b) The consolidated entities are as follows:

			Percentage of ownership (%)			
Investor	Subsidiary	Main Business	31 March 2017	31 December 2016	31 March 2016	Note
Globe Union Industrial Corp.	Home Boutique International Co., Ltd.	Selling sanitary ceramic wares	86.319%	86.319%	86.319%	
Home Boutique International Co., Ltd.	YI SHEH CO., LTD.	Selling and distributing kitchen and bathroom products	100.00%	100.00%	100.00%	
Home Boutique International Co., Ltd.	Great Hope Management Consulting Inc.	Holding company	100.00%	100.00%	100.00%	
Great Hope Management Consulting Inc.	HBS CO., LTD	Selling and distributing kitchen and bathroom products	63.61%	63.61%	62.39%	Note1
Home Boutique International Co., Ltd.	Home Boutique Co., Ltd.	Selling and distributing kitchen and bathroom products	100.00%	100.00%	100.00%	
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Holding company	100.00%	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling bathroom products	100.00%	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Qingdao Globe Union Technology Industrial Corp.	Manufacturing faucets, kitchen products and related parts	100.00%	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Qingdao Lin Hon Precision Industrial Corp.	Manufacturing faucets, kitchen products and related parts	100.00%	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	13.99%	13.99%	13.99%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	HBS CO., LTD	Selling and distributing kitchen and bathroom products	36.39%	36.39%	37.61%	Note1
Qingdao Globe Union Technology Industrial Corp.	Qingdao Chenglin Imp.&Exp. Trading Co., Ltd	Import and export trading	-	-	100.00%	Note2
Globe Union Industrial Corp.	Globe Union Cayman Corp.	Holding company	100.00%	100.00%	100.00%	

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

			Percentage of ownership (%)			
Investor	Subsidiary	Main Business	31 March 2017	31 December 2016	31 March 2016	Note
Globe Union Cayman Corp.	Globe Union Verwaltungs GmbH	Selling faucets and parts	100.00%	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union Germany GmbH & Co.KG	Manufacturing and selling faucets and parts	100.00%	100.00%	100.00%	
Globe Union (Canada) Inc.	Aquanar Inc.	Product design and development	60.00%	60.00%	60.00%	
Globe Union Industrial Corp.	Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Holding company	100.00%	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Globe Union Group, Inc.	Holding company	100.00%	100.00%	100.00%	
Globe Union Group, Inc.	Danze Inc.	Sales and maintenance center	100.00%	100.00%	100.00%	
Globe Union Group, Inc.	Globe Union (Canada) Inc.	Sales and maintenance center	100.00%	100.00%	100.00%	
Globe Union Group, Inc.	Gerber Plumbing Fixtures, LLC	Manufacturing and selling faucets and sanitary ceramic wares	100.00%	100.00%	100.00%	
Globe Union Group, Inc.	Globe Union Services Inc.	Customer service center	100.00%	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	86.01%	86.01%	86.01%	
Globe Union Cayman Corp.	Globe Union UK Ltd.	Holding company	100.00%	100.00%	100.00%	
Globe Union UK Ltd	PJH Trustees Limited	Trust industry	100.00%	100.00%	100.00%	
Globe Union UK Ltd	PJH Group Limited	Selling kitchen and bathroom products	100.00%	100.00%	100.00%	
Globe Union UK Ltd	PJH (HK) Limited	Holding company	100.00%	100.00%	100.00%	
PJH (HK) Limited	PJH Procurement Consultancy Shanghai Company Limited	Consulting industry	100.00%	100.00%	100.00%	

Note 1: Great Hope Management Consulting Inc.’s loan to HBS CO., LTD amounted to USD 500,000, which has been converted into the share capital of HBS CO., LTD. The registration process was completed in May 2016, therefore the percentage of ownership that Great Hope Management Consulting Inc. held in HBS CO., LTD increased from 62.39% to 63.61%, and the percentage of ownership that Globe Union Industrial (B.V.I.) Corp. held in HBS CO., LTD decreased from 37.61% to 36.39%.

Note 2: Qingdao Chenglin Imp. & Exp. Trading Co., Ltd was closed down in December 2016 and legally dissolved. Therefore, the percentage of ownership that Qingdao Globe Union Technology Industrial Corp. held in Qingdao Chenglin Imp. & Exp. Trading Co., Ltd decreased from 100% to 0%.

The financial statements of some of the consolidated subsidiaries listed above had not been reviewed by auditors. As at 31 March 2017 and 31 March 2016, the related assets of the subsidiaries which were unreviewed by auditors amounted to $1,199,302 and $1,432,922, respectively; and the related liabilities amounted to $714,721 and $652,113, respectively. The comprehensive income of these subsidiaries amounted to $(3,456) and $(20,937) for the three-month periods ended 31 March 2017 and 2016, respectively.

(4) Foreign Currency Transactions

The Group’s consolidated financial statements are presented in NT$, which is also the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation
(b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(b) The Group holds the asset primarily for the purpose of trading.
(c) The Group expects to realize the asset within twelve months after the reporting period.
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle
(b) The Group holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial Instruments

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

Financial assets and financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial Assets

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term

ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency
ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

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

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

i significant financial difficulty of the issuer or obligor
ii. a breach of contract, such as a default or delinquency in interest or principal payments
iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation
iv. the disappearance of an active market for that financial asset because of financial difficulties

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired
ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(b) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IAS 39 *Financial Instruments: Recognition and Measurement.*
Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

<u>Financial liabilities</u>

Financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term

ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency
ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative financial instrument

The Group uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials	—	Weighted average of actual procurements
Work in process and finished goods	—	Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Finished goods and work in process are accounted under the weighted average method

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(12) Investments accounted for under the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro-rata basis.

When the associate issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.* If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets.*

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	5～54 years
Machinery and equipment	4～10 years
Transportation equipment	5 years
Furniture, fixtures and equipment	2～7 years
Leasehold improvements	The shorter of lease terms or economic useful lives

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(14) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(15) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	20 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

A summary of the policies applied to the Group’s intangible assets is as follows:

	Customer relationships	Trademarks	Computer software
Useful lives	10 years	10～15 years	3～5 years
Amortization method used	Amortized on a straight-line basis	Amortized on a straight-line basis	Amortized on a straight- line basis
Internally generated or acquired	Acquired	Acquired	Acquired

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

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

(19) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(20) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

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

(a) The significant risks and rewards of ownership of the goods have transferred to the buyer.
(b) Neither continuing managerial involvement nor effective control over the goods sold have been retained.
(c) The amount of revenue can be measured reliably.
(d) It is probable that the economic benefits associated with the transaction will flow to the entity.
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

For all financial assets measured at amortized cost (including loans and receivables), interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(21) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(22) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(23) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(24) Income Tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

(25) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Investment Property

The purpose of some real estate held by the Group was to earn rentals or for capital appreciation, some others were for the Group's own use. If the parts can be sold separately, they are treated as investment property, and property, plant and equipment. If any of the parts cannot be sold separately, it is classified as investment property only when the part for the Group's own use is an insignificant portion.

(b) Operating lease commitment－Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

(c) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases. Please refer to Note 6 for more details.

(d) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

(e) Revenue recognition – sales returns and allowance

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

(f) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(g) Accounts receivables–estimation of impairment loss

The Group considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(h) Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Cash on hand	$2,525	$2,067	$7,383
Demand deposits	2,390,709	2,403,533	1,720,612
Time deposits	877,223	810,826	997,872
Cash equivalents	-	74,911	-
Total	$3,270,457	$3,291,337	$2,725,867

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Financial assets at fair value through profit or loss

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Held for trading:			
Derivatives not designated as hedging instruments			
Forward foreign exchange contracts	$635	$1,486	$1,799
Embedded derivatives-bonds payable	-	-	61
Subtotal	$635	$1,486	$1,860
Non-derivative financial assets			
Capital-protected financial instruments	$132,210	$-	$-
Total	$132,845	$1,486	$1,860
Current	$132,845	$1,486	$1,799
Non-current	-	-	61
Total	$132,845	$1,486	$1,860

Financial assets held for trading were not pledged.

Please refer to Note 12(2) for more details on forward foreign exchange contracts.

(3) Notes receivables

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Notes receivables	$47,143	$35,551	$30,896

Notes receivables were all generated from operating activities and were not pledged.

(4) Trade receivables, net

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Trade receivables - non related parties	$3,062,918	$3,109,790	$3,714,878
Less: allowance for sales discounts	(222,680)	(142,234)	(146,814)
Less: allowance for doubtful accounts	(84,898)	(88,036)	(53,123)
Total	$2,755,340	$2,879,520	$3,514,941

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Trade receivables are generally on 60-70 day terms. The movements in the provision for impairment of trade receivables are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As at 1 Jan. 2017	$-	$88,036	$88,036
Charge for the current period	-	2,770	2,770
Write-off	-	(1,600)	(1,600)
Foreign exchange effects	-	(4,308)	(4,308)
As at 31 Mar. 2017	$-	$84,898	$84,898
As at 1 Jan. 2016	$-	$54,686	$54,686
Charge for the current period	-	1,753	1,753
Write-off	-	(2,953)	(2,953)
Foreign exchange effects	-	(363)	(363)
As at 31 Mar. 2016	$-	$53,123	$53,123

Ageing analysis of trade receivables that are past due as at the end of the reporting period but not impaired is as follows:

		Past due but not impaired				
	Neither past due nor impaired	1-90 days	91-180 days	181-365 days	Upon 366 days	Total
31 Mar. 2017	$2,526,763	$228,577	$-	$-	$-	$2,755,340
31 Dec. 2016	$2,513,611	$365,909	$-	$-	$-	$2,879,520
31 Mar. 2016	$3,145,784	$369,157	$-	$-	$-	$3,514,941

Please refer to Note 8 for more details on trade receivables under pledge.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Inventories

(a) Details as follows

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Raw materials	$282,279	$262,984	$331,466
Supplies & parts	16,338	10,738	17,062
Work in progress	313,180	306,147	318,396
Finished goods	313,335	387,037	397,978
Merchandise	1,930,858	2,183,294	2,673,632
Total	$2,855,990	$3,150,200	$3,738,534

(b) For the three-month periods ended 31 March 2017 and 2016, the Group recognized $3,146,295 and $3,448,145 for costs of inventories in expenses. The profit and loss that related to cost of goods sold are as follows:

	3-month periods ended 31 Mar	
	2017	2016
(Write-down) reversal of excess and obsolete inventory	$18,964	$(23,938)
Scraps	(12,082)	(1,026)
Net	$6,882	$(24,964)

(c) The reversal in the three-month period ended 31 Mar 2017 was due to the scrap of obsolete inventory, which reduced the book quantities of obsolete inventory.

No inventories were pledged.

(6) Prepayments

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Prepayment for purchases	$31,647	$31,094	$33,463
VAT paid	-	76,743	-
Other prepayments	131,627	27,068	159,164
Total	$163,274	$134,905	$192,627

Prepayments were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

	As at					
	31 Mar. 2017		31 Dec. 2016		31 Mar. 2016	
Investees	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:						
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	$23,675	49.00%	$25,147	49.00%	$28,226	49.00%
Arte En Bronce, S.A. DE C.V.	-	48.89%	-	48.89%	-	48.89%
Total	$23,675		$25,147		$28,226	

After the interest in the associate - Arte En Bronce, S.A. DE C.V. was reduced to zero, additional losses were provided for, and a liability was recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

The Group's investments in Chengxinzhao (Zhangzhou) Hardware Co., Ltd. and Arte En Bronce, S.A. DE C.V. are not individually material. The aggregate financial information based on the Group's share of associates is as follows:

	3-month periods ended	
	31 Mar. 2017	31 Mar. 2016
Profit or loss from continuing operations	$(332)	$(378)
Other comprehensive income	(1,140)	(77)
Total comprehensive income	$(1,472)	$(455)

The associates had no contingent liabilities or capital commitments as at 31 March 2017, 31 December 2016 and 31 March 2016, and did not provide any guarantee.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(8) Property, plant and equipment

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at 1 Jan. 2017	$139,340	$1,471,865	$1,652,677	$57,666	$555,239	$748,441	$21,232	$4,646,460
Additions	-	748	2,708	704	12,174	8,663	4,159	29,156
Disposals	-	-	(4,533)	(1,441)	(25,903)	(3,433)	-	(35,310)
Transfers	-	-	(45,269)	-	-	-	3,640	(41,629)
Exchange differences	-	(55,612)	(75,477)	(2,231)	(24,050)	(35,047)	(974)	(193,391)
As at 31 Mar. 2017	$139,340	$1,417,001	$1,530,106	$54,698	$517,460	$718,624	$28,057	$4,405,286
As at 1 Jan. 2016	$139,340	$1,530,168	$1,934,007	$66,414	$610,279	$751,141	$14,157	$5,045,506
Additions	-	4,689	3,063	280	12,003	15,874	13,329	49,238
Disposals	-	-	(1,174)	(9,446)	(4,153)	(3,166)	-	(17,939)
Transfers	-	(910)	-	-	-	7,721	(6,643)	168
Exchange differences	-	(6,137)	(5,468)	(1,116)	(8,506)	(5,699)	(35)	(26,961)
As at 31 Mar. 2016	$139,340	$1,527,810	$1,930,428	$56,132	$609,623	$765,871	$20,808	$5,050,012

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Depreciation and impairment:								
As at 1 Jan. 2017	$-	$763,378	$1,111,047	$41,893	$500,839	$544,663	$6,990	$2,968,810
Depreciation	-	16,599	22,560	1,699	6,522	16,683	-	64,063
Disposals	-	-	(3,268)	(1,433)	(25,424)	(3,124)	-	(33,249)
Transfers	-	-	(40,864)	-	-	-	-	(40,864)
Exchange differences	-	(31,345)	(52,019)	(1,579)	(22,180)	(26,098)	(321)	(133,542)
As at 31 Mar. 2017	$-	$748,632	$1,037,456	$40,580	$459,757	$532,124	$6,669	$2,825,218
As at 1 Jan. 2016	$-	$763,853	$1,206,156	$49,226	$488,756	$494,379	$-	$3,002,370
Depreciation	-	19,357	26,217	2,084	12,781	18,827	-	79,266
Disposals	-	-	(930)	(8,265)	(3,114)	(3,124)	-	(15,433)
Transfers	-	(873)	-	9	(78)	32	-	(910)
Exchange differences	-	(4,007)	(2,275)	(725)	(6,870)	(4,621)	-	(18,498)
As at 31 Mar. 2016	$-	$778,330	$1,229,168	$42,329	$491,475	$505,493	$-	$3,046,795
Net carrying amount:								
31 Mar. 2017	$139,340	$668,369	$492,650	$14,118	$57,703	$186,500	$21,388	$1,580,068
31 Dec. 2016	$139,340	$708,487	$541,630	$15,773	$54,400	$203,778	$14,242	$1,677,650
31 Mar. 2016	$139,340	$749,480	$701,260	$13,803	$118,148	$260,378	$20,808	$2,003,217

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(a) Please refer to Note 8 for more details on property, plant and equipment under pledge.

(b) There is no occurrence of capitalization of interest due to purchasing property, plant and equipment for the 3-month periods ended 31 March 2017 and 2016.

(9) Investment property

	Buildings
Cost:	
As at 1 Jan. 2017	$19,968
Additions from subsequent expenditure	-
Exchange differences	(916)
As at 31 Mar. 2017	$19,052
As at 1 Jan. 2016	$21,607
Additions from subsequent expenditure	-
Exchange differences	(61)
As at 31 Mar. 2016	$21,546

	Buildings
Depreciation and impairment:	
As at 1 Jan. 2017	$7,188
Depreciation	223
Exchange differences	(338)
As at 31 Mar. 2017	$7,073
As at 1 Jan. 2016	$6,806
Depreciation	244
Exchange differences	(21)
As at 31 Mar. 2016	$7,029
Net carrying amount:	
31 Mar. 2017	$11,979
31 Dec. 2016	$12,780
31 Mar. 2016	$14,517

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	3-month periods ended March 31, 2017	2016
Rental income from investment property	$1,027	$1,127
Less:		
Direct operating expenses from investment property generating rental income	(223)	(244)
Total	$804	$883

No investment property was pledged.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of the investment properties was $19,168 and $30,052 as at 31 March 2017 and 2016, respectively. The Group contacted a real estate agency to investigate the final prices of the same types of buildings sold to determine the current fair value.

(10) Intangible assets

	Computer software	Trademarks	Customer relationships	Goodwill	Total
Cost:					
As at 1 Jan. 2017	$176,263	$121,760	$501,463	$1,475,281	$2,274,767
Addition-acquired separately	4,156	-	-	-	4,156
Transfers	(1,758)	-	-	-	(1,758)
Exchange differences	(4,572)	(3,077)	(22,788)	(58,783)	(89,220)
As at 31 Mar. 2017	$174,089	$118,683	$478,675	$1,416,498	$2,187,945
As at 1 Jan. 2016	$148,483	$137,355	$616,922	$1,771,791	$2,674,551
Addition-acquired separately	1,680	-	-	-	1,680
Transfers	(685)	-	-	-	(685)
Disposals	(336)	-	-	-	(336)
Exchange differences	(1,367)	(4,155)	(30,764)	(78,839)	(115,125)
As at 31 Mar. 2016	$147,775	$133,200	$586,158	$1,692,952	$2,560,085

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Computer software	Trademarks	Customer relationships	Goodwill	Total
Amortization and impairment:					
As at 1 Jan. 2017	$136,676	$90,197	$481,262	$683,372	$1,391,507
Amortization	6,273	1,266	12,976	-	20,515
Transfers	(1,610)	-	-	-	(1,610)
Exchange differences	(3,743)	(1,963)	(22,085)	(29,340)	(57,131)
As at 31 Mar. 2017	$137,596	$89,500	$472,153	$654,032	$1,353,281
As at 1 Jan. 2016	$109,385	$89,663	$526,284	$-	$725,332
Amortization	4,120	2,502	16,039	-	22,661
Transfers	(634)	-	-	-	(634)
Disposals	(336)	-	-	-	(336)
Exchange differences	(1,618)	(2,369)	(26,657)	-	(30,644)
As at 31 Mar. 2016	$110,917	$89,796	$515,666	$-	$716,379
Net carrying amount:					
31 Mar. 2017	$36,493	$29,183	$6,522	$762,466	$834,664
31 Dec. 2016	$39,587	$31,563	$20,201	$791,909	$883,260
31 Mar. 2016	$36,858	$43,404	$70,492	$1,692,952	$1,843,706

Amortization expense of intangible assets under the statement of comprehensive income:

	3-month periods ended	
	31 Mar. 2017	31 Mar. 2016
Operating costs	$477	$344
Operating expenses	$20,038	$22,317

(11) Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to two cash-generating units, which are also reportable operating segments, for impairment testing as follows:

(a) Channel cash-generating unit
(b) Manufacturing cash-generating unit

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Carrying amount of goodwill allocated to each of the cash-generating units:

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Goodwill			
- Channel unit 1	$609,989	$639,029	$1,501,648
- Channel unit 2	70,550	70,550	108,279
- Manufacturing unit	81,927	82,330	83,025
Total	$762,466	$791,909	$1,692,952

Channel cash-generating unit 1

The recoverable amount of the channel unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections was 10.9% as at 31 March 2017 (2016: 10.1%) and cash flows beyond the five-year period were extrapolated using a 0% growth rate as at 31 March 2017(2016: 2%) that was the same as the long-term average growth rate for the electronics industry. As a result of this analysis, management did not identify any impairment for goodwill in the amount of $609,989 which was allocated to this cash-generating unit

Channel cash-generating unit 2

The recoverable amount of the channel unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. Because the foreign channel cash-generating unit sustained losses, the consolidated company decided to focus on the other channel. The discount rate applied to cash flow projections was 10.1% as at 31 March 2017 (2016:9.8%) and cash flows beyond the five-year period were extrapolated using a 1% growth rate as at 31 March 2017 (2016:0%), that did not exceed the long-term average growth rate for its industry. As a result of this analysis, management did not identify any impairment for goodwill in the amount of $70,550 which was allocated to this cash-generating unit

Manufacturing cash-generating unit

The recoverable amount of the manufacturing unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections is 12.3% as at 31 March 2017 (2016: 12.25%) and cash flows beyond the five-year period are extrapolated using a 0% growth rate as at 31 March 2017 (2016: 3%) that does not exceed the long-term average growth rate for its industry. As a result of this analysis, management did not identify any impairment for goodwill of $81,927 which is allocated to this cash-generating unit

Key assumptions used in value-in-use calculations

The calculation of value-in-use for both channel and manufacturing units are most sensitive to the following assumptions:

(a) Gross margin
(b) Discount rates; and
(c) Growth rate used to extrapolate cash flows beyond the budget period.

Gross margins – Gross margins are based on average values achieved in the one year preceding the start of the budget period. These exclude the possibility of margin increase over the budget period for anticipated efficiency improvements. The gross margins applied for the channel unit and the manufacturing unit remained the same.

Discount rates – Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Group’s investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Group has obligation to settle. Specific risk relating to the operating segments is accounted for by considering the individual beta factor which is evaluated annually and based on publicly available market information.

Growth rate estimates – Rates are based on industry average growth rates or local industry research. For the reasons explained above, the long-term average growth rates used to extrapolate the budget for the channel unit and the manufacturing unit have been adjusted based on industry average growth rates.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the channel unit and the manufacturing unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

The implications of the key assumptions for the recoverable amount are discussed below:

Raw materials price inflation – Management didn't consider the possibility of raw material price inflation. Budgeted price inflation remained the same because currently the international raw materials price movements were small. Management believed there was no raw material price deviating from the budget for the three-month periods ended 31 March 2017 and 2016, and therefore no further impairment may arise.

Growth rate assumptions – Management recognizes that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts included in the budget. The estimated long-term growth rates of channel unit 1, channel unit 2 and manufacturing unit were 0%, 1%, 0%, and 2%, 0%, 3% for the three-month periods ended 31 March 2017 and 2016, respectively. Management deemed these growth rates reasonable after considering the long-term growth rate and the economic environment for the three-month periods ended 31 March 2017 and 2016. Therefore, no further impairment may arise.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(12) Other non-current assets (including long-term prepaid rent)

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Long-term prepaid rent	$174,072	$183,439	$202,156
Other assets	154,704	138,083	182,926
Others	2,750	2,874	3,674
Total	$331,526	$324,396	$388,756

Long-term prepaid rent included land use rights in the amount of $174,072, $183,439 and $202,156, as at 31 March 2017, 31 December 2016 and 31 March 2016, respectively.

(13) Short-term loans

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Unsecured bank loans	$1,119,846	$1,068,471	$1,352,286
Interest Rates (%)	0.95%-3.00%	0.82%-3.00%	1.05%-3.50%

The Group's unused short-term lines of credits amounted to $1,674,949, $2,674,419 and $3,078,154 as at 31 March 2017, 31 December 2016 and 31 March 2016, respectively.

(14) Financial liabilities at fair value through profit or loss - current

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Held for trading:			
Derivatives not designated as hedging Instruments			
Forward foreign exchange contracts	$983	$75	$11,240

Financial liabilities at fair value through profit or loss were not pledged.

Please refer to Note 12(2) for more details on forward foreign exchange contracts.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(15) Other payables

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Accrued VAT payables	$39,968	$44,167	$33,665
Others	202,314	210,648	182,314
Total	$242,282	$254,815	$215,979

(16) Accrued expenses

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Accrued payroll and bonus	$292,286	$416,241	$374,230
Accrued sales discounts	121,076	189,154	188,026
Accrued freight	149,392	173,178	108,573
Others	411,567	420,574	266,831
Total	$974,321	$1,199,147	$937,660

(17) Bonds payable

(a) Details of bonds payable are as follows:

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Liability component:			
Principal amount of second convertible bonds payable	$202,800	$202,800	$202,800
Less: discounts on bonds payable	(1,790)	(2,583)	(4,963)
Net	201,010	200,217	$197,837
Less: current portion	(201,010)	(200,217)	-
Net	$-	$-	$197,837
Financial assets at fair value through profit or loss			
Second convertible bonds payable	$-	$-	$61
Equity component:			
Second convertible bonds payable	$18,423	$18,423	$18,423

(b) The Company issued six-year, zero coupon convertible bonds with a face value of $100 for the second time on 20 October 2011. The total amount of the bonds payable issued was $1,650,000, with a volume of 16,500. The conversion price was originally set at NT$20.6 per share. Bonds may be redeemed in cash at the option of bondholders after 3 years and 6 years of the issuance at the principal amount with an interest calculated (after 3 years of the issuance: 104.5% of principal amount of bonds, rate of return 1.478%; after 6 years of the issuance: 110% of principal amount of bonds, rate of return 1.724%). Except for the book closure period, the bonds are exchangeable at any time after 1 month of issuance and prior to ten days before the maturity date into common shares of the Company. The conversion price was adjusted from NT$20.6 per share to NT$19.4 per share on 8 August 2012.

The conversion price was adjusted from NT$19.4 per share to NT$17.8 per share on 10 September 2014. The conversion price was adjusted from NT$17.8 per share to NT$17.1 per share on 8 August 2015. The conversion price was adjusted from NT$17.1 per share to NT$15.7 per share on 27 July 2016. The total volume of bonds already exchanged was 7,292 as at 31 March 2017 and the bonds were converted into 37,527,259 shares of common stock.

(c) Redemption clauses:

a. The Company may redeem the bonds in cash after one month of the issuance and 40 days prior to the maturity date, at the principal amount if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 130% of the conversion price.

b. The Company may redeem the bonds in cash after one month of the issuance and 40 days prior to the maturity date, at the principal amount if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

c. Bondholders have the right to require the Company to redeem all or any portion of the bonds in cash after 3 years of the issuance at the principal amount. The Company should pay the bondholders by wire transfer or check within 5 days after the put date. The total volume of bonds redeemed by the Company upon request of the bondholders was 7,180 on 20 October 2014. The redemption of the bonds led to decrease in capital surplus amounting to $65,227. The total volume of bonds already redeemed was 7,180 as at 31 March 2017.

(18) Long-term loans

Details of long-term loans as at 31 March 2017, 31 December 2016 and 31 March 2016 are as follows:

Lenders	Type	As at 31 Mar. 2017	Maturity date and terms of repayment	Guarantee
TC Bank	Syndicated bank loans	$990,000	2014/06-2019/06 Interest is paid monthly; repayable annually starting from 2 years after the drawdown of the loan. The annual payment of each year is 110 million, 220 million, 330 million, and 440 million.	None
TC Bank	Syndicated bank loans	350,000	2014/06-2019/06 Interest is paid monthly.	None
KGI Bank	Credit	140,000	2016/06-2018/06 Interest is paid monthly.	None
Chinatrust Commercial Bank	Credit	100,000	2016/12-2018/12 Interest is paid monthly.	None
Chang Hwa Commercial Bank	Secured loan	100,000	2014/03-2034/03 Interest is paid monthly, with a grace period of 36 months. Payable monthly after the grace period. Due within 204 payments.	Land and buildings
Industrial Bank of Taiwan	Credit	84,616	2014/11-2019/10 Interest is paid monthly. With a grace period of 2 years. Payable quarterly after the grace period.	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	50,000	2016/12-2019/12 Interest is paid monthly. With a grace period of 1 year. Payable in principle 12.5 million half of a year after the grace period.	None
Subtotal		1,814,616		
Less: current portion		(256,652)		
Total		$1,557,964		
Interest rate		1.279%-1.648%		

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Lenders	Type	As at 31 Dec. 2016	Maturity date and terms of repayment	Guarantee
TC Bank	Syndicated bank loans	$990,000	2014/06-2019/06 Interest is paid monthly; repayable annually starting from 2 years after the drawdown of the loan. The annual payment of each year is 110 million, 220 million, 330 million, and 440 million.	None
TC Bank	Syndicated bank loans	350,000	2014/06-2019/06 Interest is paid monthly.	None
KGI Bank	Credit	140,000	2016/06-2018/06 Interest is paid monthly.	None
Chinatrust Commercial Bank	Credit	100,000	2016/12-2018/12 Interest is paid monthly.	None
Chang Hwa Commercial Bank	Secured loan	100,000	2014/03-2034/03 Interest is paid monthly, with a grace period of 36 months. Payable monthly after the grace period. Due within 204 payments.	Land and buildings
Industrial Bank of Taiwan	Credit	92,308	2014/11-2019/10 Interest is paid monthly. With a grace period of 2 years. Payable quarterly after the grace period.	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	50,000	2016/12-2019/12 Interest is paid monthly. With a grace period of 1 year. Payable in principle 12.5 million half of a year after the grace period.	None
Subtotal		1,822,308		
Less: current portion		(255,181)		
Total		$1,567,127		
Interest rate		1.279%-1.648%		

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Lenders	Type	As at 31 Mar. 2016	Maturity date and terms of repayment	Guarantee
TC Bank	Syndicated bank loans	$1,100,000	2014/06-2019/06 Interest is paid monthly; repayable annually starting from 2 years after the drawdown of the loan. The annual payment of each year is 110 million, 220 million, 330 million, and 440 million.	None
TC Bank	Syndicated bank loans	400,000	2014/06-2019/06 Interest is paid monthly.	None
Shin Kong Bank	Credit	150,000	2015/03-2017/02 Interest is paid monthly.	None
KGI Bank	Credit	140,000	2015/06-2017/06 Interest is paid monthly.	None
Chinatrust Commercial Bank	Credit	100,000	2015/12-2017/12 Interest is paid monthly.	None
Industrial Bank of Taiwan	Credit	100,000	2014/11-2019/10 Interest is paid monthly. With a grace period of 2 years. Payable quarterly after the grace period.	None
Chang Hwa Commercial Bank	Secured loan	100,000	2014/03-2034/03 Interest is paid monthly, with a grace period of 36 months. Payable monthly after the grace period. Due within 204 payments.	Land and buildings
CITROEN Bank	Secured loan	586	2014/06-2016/07 Interest is paid monthly. 1. 24 payments. First payment EUR401.33, 2~23 payments EUR382.33, and 24th payment EUR7,309.17 2. 24 payments. First payment EUR419.27, 2~23 payments EUR400.24, and 24th payment EUR6,737.16	Transportation equipment
Subtotal		2,090,586		
Less: current portion		(275,971)		
Total		$1,814,615		
Interest rate		1.312%-1.970%		

Please refer to Note 8 for further details on secured loans. Please refer to Note 9(4) for further details on syndicated bank loans.

(19) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.
Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the three-month periods ended 31 March 2017 and 2016 were $42,139 and $44,838, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopted a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

Expenses under the defined benefits plan for the three-month periods ended 31 March 2017 and 2016 were $4,710 and $6,796, respectively.

(20) Equities

(a) Common stock

As at 1 January 2016, the Company's authorized capital was $6,000,000, divided into 600,000,000 shares with par value of NT$10 each. The issued and outstanding capital stocks were $3,543,042, divided into 354,304,224 shares.

There were no employee stock options nor bonds payable being converted during the year ended 31 December 2016.

The Company resolved at its shareholder's meeting held on 24 June 2016 to issue restricted stocks for employees, and issued new restricted shares to employees in the amount of 1,000,000 shares, each at par value NT$10 totaling $10,000. The record date of capital increase was 6 October 2016.

As at 31 December 2016, the Company's authorized capital was $6,000,000, divided into 600,000,000 shares with par value of NT$10 each. The issued and outstanding capital stocks were $3,553,042, divided into 355,304,224 shares.

There were no employee stock options nor bonds payable converted during the three-month period ended 31 March 2017.

The Company resolved at its board of directors meeting held on 3 March 2017 to retire 3,535,000 shares of treasury stock. The record date of capital decrease was 10 March 2017. The abovementioned transaction was approved by the competent authority on 22 March 2017.

As at 31 March 2017, the Company's authorized capital was $6,000,000, divided into 600,000,000 shares with par value of NT$10 each. The issued and outstanding capital stocks were $3,517,692, divided into 351,769,224 shares.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Capital surplus

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Additional paid-in capital	$885,096	$893,991	$893,991
Share of changes in net assets of associates and joint ventures accounted for using the equity method	3,187	3,187	2,629
Premium from merger	1,895	1,895	1,895
Share-based payment transactions	22,872	18,971	7,839
Share options	18,423	18,423	18,423
Restricted stock for employees	4,000	4,000	-
Total	$935,473	$940,467	$924,777

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Treasury stock

	Buying back to write off the stock(in thousand shares)	Total(in thousand shares)
1 Jan 2016	-	-
Increase	2,917	2,917
Decrease	-	-
31 Dec 2016	2,917	2,917
Increase	618	618
Decrease	(3,535)	(3,535)
31 Mar 2017	-	-

According to Securities and Exchange Act, the treasury stock held by the Company cannot be pledged, and has no voting right nor right to receive dividends.

(d) Legal reserve

The Company Act provides that companies must retain at least 10% of their annual earnings, as defined in the Act, until such retention equals the amount of paid-in capital. This retention is accounted for as a legal reserve account. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

(e) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues
b. Offset prior years' operation losses
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve
d. Set aside or reverse special reserve in accordance with law and regulations
e. The distribution of the remaining portion, if any, will be recommended by the board of directors and resolved in the shareholders' meeting

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The board of directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 90% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company did not have any special reserve due from first-time adoption of the TIFRS.

Details of the 2016 and 2015 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on 24 March 2017 and 24 June 2016, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2016	2015	2016	2015
Legal reserve	$-	$50,291		
Special reserve	285,914	-		
Common stock -cash dividend	350,769	425,165	$1.00	$1.20

Please refer to Note 6(23) for further details on employees' compensation and remuneration to directors and supervisors.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(f) Unearned employee salary

Restricted stocks for employees issuance as approved and resolved by the shareholder's meeting. Please refer to Note6 (21) for details.

	3-month periods ended	
	31 Mar 2017	31 Mar 2016
Beginning balance	$(12,833)	$-
Issuance	-	-
Recognized shared-based payment expense	1,166	-
Ending balance	$(11,667)	$-

(g) Non-controlling interests

	3-month periods ended	
	31 Mar 2017	31 Mar 2016
Beginning balance	$81,935	$102,582
Net income attributable to non-controlling interests	314	(226)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(76)	296
Ending balance	$82,173	$102,652

(21) Share-based payment plans

(a) On 2 October 2015, the Company was authorized by the Financial Supervisory Comission Republic of China (Taiwan), Executive Yuan, to issue non-compensatory employee share options with a total number of 10,500 units. Each unit entitles an optionee to subscribe for 1,000 shares of the Company's common shares. Settlement upon the exercise of the options will be made through the issuance of new shares. The exercise price of the option was set at the closing price of the Company's common share on the grant date. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan. The contractual term of each option granted is five years. If there are changes in the common shares of the Company, the exercise price of share options will be recalculated and adjusted in proportion to the number of shares being held by each of the optionee.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

a. For the 1,800 units firstly issued, the optionee may exercise 50% of the options starting 2 years and 3 years from the grant date. The contractual term of each option granted is five years. If there are changes in the common shares of the Company, the exercise price of share options will be recalculated and adjusted in proportion to the number of shares being held by each of the optionee.

b. For the 8,700 units secondly issued, the optionee may exercise 100% of the options starting 2 years from the grant date. The contractual term of each option granted is five years. If there are changes in the common shares of the Company, the exercise price of share options will be recalculated and adjusted in proportion to the number of shares being held by each of the optionee.

As at 31 March 2017, the Company has not cancelled or modified the share-based payment plan proposed for employees. The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted (unit)	Total number of share options outstanding (unit)	Shares to be subscribed (unit)	Exercise price of share options (NT$)
29 Oct 2015	10,500	8,315	8,315	14.40

c. The following table contains further details on the aforementioned share-based payment plan:

	3-month period ended			
	31 Mar 2017		31 Mar 2016	
	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT$)	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT$)
Outstanding at beginning of period	8,540	$14.40	10,500	$15.75
Forfeited	(225)	14.40	(650)	15.75
Outstanding at end of period	8,315	$14.40	9,850	$15.75
Weighted average fair value of share options (NT$)	$3.9; 4.3		$3.9; 4.3	

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

d. The following table contains further details on the aforementioned share-based payment plan as at 31 March 2017:

		Share options outstanding				Share options exercisable	
Share options	Range of exercise price (NT$)	Number (unit)	Maturity date	Weighted average remaining contractual life (Years)	Weighted average exercise price of share options (NT$)	Number (unit)	Weighted average exercise price of share options (NT$)
2015/10/29 Share options plan- 1,800 units firstly issued	$14.40	1,350	2020/10/28	3.58	$14.40	-	$-
2015/10/29 Share options plan -8,700 units secondly issued	$14.40	6,965	2020/10/28	3.58	$14.40	-	$-

Note: If there are changes in the common shares of the Company (such as capital increase by cash or capitalization of retained earnings), the exercise price of share options will be adjusted according to the employee share options plan.

The compensation cost is accounted for under the fair value method. The fair value of the share options is estimated at the grant date using a Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The Company recognized compensation expense of $3,901 and $4,512 in the three-month period ended 31 March 2017 and 2016, respectively. The following table lists the inputs to the model used for the plan:

For the 1,800 units first issued:

	Share-based payment plan
Dividend yield (%)	0%
Expected volatility (%)	33.42%; 33.99%
Risk-free interest rate (%)	0.6227%; 0.6769%
Expected option life (Years)	3.5 years; 4 years

For the 8,700 units secondly issued:

	Share-based payment plan
Dividend yield (%)	0%
Expected volatility (%)	33.42%
Risk-free interest rate (%)	0.6227%
Expected option life (Years)	3.5 years

(b) The Company issued restricted stocks for employees in the amount of NT$10,000, up to 1,000,000 shares in total. The Company will issue these shares at one time within one year following shareholder’s meeting.

a. The vesting condition of restricted stocks for employees is as follows:
   i. Employees must remain in service for 3 years or more after being vested

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ii. Performance period is from 2016 to 2018

iii. Employees could be vested 50% of the shares when the average return on equity is more than 8% in performance period; 100%, when average return on equity is more than 10% in performance period.

b. The restricted rights before being vested shares are as follows:

i. Employees may not sell, pledge (as collateral or security), assign, give away, or in any other manner dispose of the restricted stocks.
ii. The restricted stocks are not entitled to receive cash or stock dividends, cash or stocks from capital reserves and participate in cash capital increase.
iii. Employees are not entitled to attend shareholders' meetings, propose, speak, vote and engage in any other matters related to shareholders' rights and interests.

If employees do not meet the vesting condition, the Company will withdraw the shares without compensation and then cancel them.

The price of the restricted stock for employees at grant date was NT$14 per share. The record date of capital increase was 6 October 2016. The Company will issue restricted stocks and grant to employees 1,000,000 shares, each at par value of NT$10 totaling $10,000.

(22) Operating revenue

	3-month periods ended	
	31 Mar 2017	31 Mar 2016
Sale revenue	$4,825,246	$5,221,526
Less: Sales returns, discounts and allowances	(375,860)	(375,229)
Total	$4,449,386	$4,846,297

(23) Summary statement of employee benefits, depreciation and amortization expenses by function for the three-month periods ended 31 March 2017 and 2016:

Function / Nature	3-month periods ended					
	31 Mar 2017			31 Mar 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$234,720	$355,907	$590,627	$266,491	$489,984	$756,475
Labor and health insurance	3,918	30,575	34,493	4,444	35,012	39,456
Pension	29,901	16,948	46,849	30,403	21,231	51,634
Other employee benefits expense	1,757	5,110	6,867	2,080	7,214	9,294
Depreciation	35,552	28,734	64,286	36,451	43,059	79,510
Amortization	477	20,038	20,515	344	22,317	22,661

A resolution was passed at the shareholder's meeting of the Company held on 24 June 2016 to amend the Articles of Incorporation of the Company. According to the resolution, no less than 2% of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the three-month period ended 31 March 2017, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the three-month period ended 31 March 2017 to be 5.09% and 1.27% of profit of the current three-month period, respectively. The employees' compensation and remuneration to directors and supervisors for the three-month period ended 31 March 2017 amounted to $8,400 and $2,100, respectively, recognized as salary expense. Based on profit of the three-month period ended 31 March 2016, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the three-month period ended 31 March 2016 to be 7.35% and 1.84% of profit of the current three-month period, respectively. The employees' compensation and remuneration to directors and supervisors for the three-month period ended 31 March 2016 amounted to $6,600 and $1,650, respectively, recognized as salary expense.

As the Company posted losses in the year ended 31 December 2016, the Company did not estimate the amounts of the employees' compensation and remuneration to directors and supervisors.

A resolution was passed at the shareholder's meeting held on 24 June 2016 to distribute $17,902 and $4,475 in cash as employees' compensation and remuneration to directors and supervisors of 2015, respectively. The difference of $2,918 between the actual employee bonuses and the estimated amount of $25,295 was recognized as an adjustment to current income in 2016.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(24) Non-operating income and expenses

(a) Other income

	3-month periods ended	
	31 Mar 2017	31 Mar 2016
Interest income	$14,590	$18,721
Others	16,345	15,409
Total	$30,935	$34,130

(b) Other gains and losses

	3-month periods ended	
	31 Mar 2017	31 Mar 2017
Foreign exchange losses, net	$(65,794)	$(37,181)
Gains on financial assets at fair value through profit or loss	5,943	25,852
Losses on financial liabilities at fair value through profit or loss	(524)	(5,093)
Others	(5,786)	(5,171)
Total	$(66,161)	$(21,593)

(c) Finance costs

	3-month periods ended	
	31 Mar 2017	31 Mar 2017
Interest on loans from bank	$13,306	$17,506
Interest on bonds payable	793	793
Total	$14,099	$18,299

(25) Components of other comprehensive income

For the three-month periods ended 31 March 2017:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	$(359,166)	$-	$(359,166)	$-	$(359,166)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,140)	-	(1,140)	-	(1,140)
Total of other comprehensive income	$(360,306)	$-	$(360,306)	$-	$(360,306)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the three-month periods ended 31 March 2016:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	$(125,765)	$-	$(125,765)	$-	$(125,765)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(77)	-	(77)	-	(77)
Total of other comprehensive income	$(125,842)	$-	$(125,842)	$-	$(125,842)

(26) Income tax

The major components of income tax expense (income) are as follows:

(a) Income tax expense recognized in profit or loss

	3-month periods ended	
	31 Mar 2017	31 Mar 2017
Current income tax expense :		
Current income tax charge	$62,014	$75,074
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	20,963	(19,042)
Total income tax expense	$82,977	$56,032

(b) Imputation credit information

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Balances of imputation credit amounts	$237,461	$237,461	$268,902

	For the years ended	
	31 Dec 2016	31 Dec 2015
Expected (actual) creditable ratio	40.31%	16.20%

The income tax payable of 2016 was included in the calculation of the expected creditable ratio for 2016.

The Company's earnings generated in the year ended 31 December 1997 and prior years have been fully distributed.

There is no supplementary withholding tax, so the creditable ration and balance of 31 March 2017 was same as 2016.

(c) The assessment of income tax returns

As at 31 March 2017, the assessment of the income tax returns of the Company and its domestic subsidiaries is as follows:

	The assessment of income tax returns
Globe Union Industrial Corp.	Assessed and approved up to 2013
Subsidiary - Home Boutique International Co., Ltd.	Assessed and approved up to 2015
Subsidiary - YI SHEH CO., LTD.	Assessed and approved up to 2015
Subsidiary - Home Boutique Co., Ltd.	Assessed and approved up to 2015

As at 31 March 2017, all foreign subsidiaries governed by foreign tax authorities have filed income tax returns up to 2015.

(27) Earnings per share

	3-month periods ended	
	31 Mar 2017	31 Mar 2016
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$141,457	$62,795
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	350,786(note1)	354,304
Basic earnings per share (NT$)	$0.40	$0.18

	3-month periods ended	
	31 Mar 2017	31 Mar 2016
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$141,457	$62,795
Interest expense from convertible bonds (in thousand NT$)	658	658
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$142,115	$63,453
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	350,786	354,304
Effect of dilution:		
Employee compensation－stock (in thousands)	507	428
Employee stock options (in thousands)	- (note2)	- (note3)
Convertible bonds (in thousands)	12,917	11,860
Restricted stock for employees (in thousands)	311	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	364,521	366,592
Diluted earnings per share (NT$)	$0.39	$0.17

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

Note1: Restricted stock for employees were excluded until the restriction is lifted.

Note2: In 2017 there was anti-dilutive effect so they were excluded from the computation of diluted earnings per share.

Note3: In 2016 there was anti-dilutive effect so they were excluded from the computation of diluted earnings per share.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	Associate

(1) Significant transactions with related parties

(a) Other receivables – related parties (recorded under other current assets)

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Associates	$1,692	$1,692	$1,692

(b) Key management personnel compensation

	3-month periods ended	
	31 Mar 2017	31 Mar 2016
Short-term employee benefits	$35,707	$36,520
Post-employment benefits	613	1,435
Total	$36,320	$37,955

8. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Group pledged as security:

	Carrying amount as at			
Assets pledged for security	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016	Secured liabilities
Accounts receivable	$379,846	$274,696	$313,406	Security for loans
Other receivable - time deposit (recorded under other current assets)	100,276	98,127	108,516	Security for loans
Land	139,340	139,340	139,340	Security for loans
Buildings	44,582	45,803	45,538	Security for loans
Transportation equipment	-	-	586	Security for loans
Total	$664,044	$557,966	$607,386	

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) On 1 October 2013, the Company has entered into a land lease agreement with the Taichung Branch of the Export Processing Zone Administration. The lease term is ten years, starting from 1 October 2013 to 30 September 2023. The rent is adjusted based on the land price, and current monthly rent is $59.

(2) The Company and its subsidiaries provided endorsement/guarantee to related parties. Please refer to Note 13(1)(b) for more details.

(3) Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain offices and warehouses. Future minimum rentals payable as at 31 March 2017, 31 December 2016, and 31 March 2016 are as follows:

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Not later than one year	$142,653	$150,216	$116,352
Later than one year and not later than five years	332,782	353,206	446,167
Later than five years	280,783	296,646	19,353
Total	$756,218	$800,068	$581,872

(4) In February 2014, the Company has entered into a syndicated loan agreement with TC Bank and eleven lending institutions of syndicated credits, including Chinatrust Commercial Bank, Chang Hwa Bank, Industrial Bank of Taiwan, Bank of Taiwan, E.SUN Commercial Bank, and Taipei Fubon Commercial Bank. The agreement contains the following restrictive covenants:

(a) The current ratio shall not be lower than 100%.
(b) The liability ratio shall not be higher than 180%.
(c) The interest coverage ratio shall not be lower than 2.

The Company shall review these ratios every half year based on the audited annual consolidated financial statements and the audited semi-annual financial.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Financial instruments

(a) Categories of financial instruments

Financial assets

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Financial assets at fair value through profit or loss:			
Forward foreign exchange contracts	$635	$1,486	$1,799
Embedded derivative- bonds payable	-	-	61
Capital-protected financial instruments	132,210	-	-
Loans and receivables:			
Cash and cash equivalents (exclude cash on hand)	3,267,932	3,289,270	2,718,484
Notes and accounts receivable	2,802,483	2,915,071	3,545,837
Other receivables- time deposit	100,276	98,127	108,516

Financial liabilities

	As at		
	31 Mar. 2017	31 Dec. 2016	31 Mar. 2016
Financial liabilities at amortized cost:			
Short-term loans	$1,119,846	$1,068,471	$1,352,286
Notes and accounts payable	2,155,707	2,333,725	2,323,010
Bonds payable (including current portion with maturity less than 1 year)	201,010	200,217	197,837
Long-term loans (including current portion with maturity less than 1 year)	1,814,616	1,822,308	2,090,586
Financial liabilities at fair value through profit or loss:			
Forward foreign exchange contracts	983	75	11,240

(b) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk and interest rate risk.

In practice, it is rarely the case that a single risk variable will change interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

a. Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and CNY. The information of the sensitivity analyses as follows:

(i) When NTD strengthens against USD by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
Three-month periods ended 31 Mar 2017	$-	$12,094
Three-month periods ended 31 Mar 2016	$-	$5,906

(ii) When NTD strengthens against CNY by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
Three-month periods ended 31 Mar 2017	$-	$1,904
Three-month periods ended 31 Mar 2016	$-	$(1,774)

For a 1% weakening of NTD against the relevant currencies when all the other factors remain the same, there would be a comparable impact on the pre-tax profit or equity, and the balances above would be negative.

b. Equity price risk

The fair value of the Group's listed and unlisted equity securities and conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under held for trading financial assets or available-for-sale financial assets, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's board of directors reviews and approves all equity investment decisions.

Please refer to Note 12 (1) (g) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

c. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the three-month periods ended 31 March 2017 and 2016 to decrease/increase by $2,934 and $3,443, respectively.

(d) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, ratings from credit rating agencies, historical experiences, prevailing economic condition and the Group’s internal rating criteria, etc. Certain customer’s credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As at 31 March 2017, 31 December 2016 and 31 March 2016, amounts receivables from top ten customers represented 49.65%, 45.29% and 50.75% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group’s treasury in accordance with the Group’s policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(e) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank loans. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as at the end of the reporting period.

Non-derivative financial instruments

	Less than 1year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Mar. 2017					
Short-term borrowings	$1,121,779	$-	$-	$-	$1,121,779
Notes and accounts payable	2,155,707	-	-	-	2,155,707
Convertible bonds	223,080	-	-	-	223,080
Long-term borrowings(including current portion with maturity less than 1 year)	281,842	1,497,477	14,082	76,981	1,870,382
Other payables	242,282	-	-	-	242,282
As at 31 Dec. 2016					
Short-term borrowings	$1,070,317	$-	$-	$-	$1,070,317
Notes and accounts payable	2,333,725	-	-	-	2,333,725
Convertible bonds	223,080	-	-	-	223,080
Long-term borrowings(including current portion with maturity less than 1 year)	281,375	1,510,938	14,127	78,662	1,885,102
Other payables	254,815	-	-	-	254,815
As at 31 Mar. 2016					
Short-term borrowings	$1,354,581	$-	$-	$-	$1,354,581
Notes and accounts payable	2,323,010	-	-	-	2,323,010
Convertible bonds	-	223,080	-	-	223,080
Long-term borrowings(including current portion with maturity less than 1 year)	308,635	906,870	878,733	84,224	2,178,462
Other payables	215,979	-	-	-	215,979

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Mar. 2017					
Inflows	$259,227	$-	$-	$-	$259,227
Outflows	(260,210)				(260,210)
Net	$(983)	$-	$-	$-	$(983)
As at 31 Dec. 2016					
Inflows	$66,443	$-	$-	$-	$66,443
Outflows	(66,518)	-	-	-	(66,518)
Net	$(75)	$-	$-	$-	$(75)
As at 31 Mar. 2016					
Inflows	$778,641	$-	$-	$-	$778,641
Outflows	(789,881)	-	-	-	(789,881)
Net	$(11,240)	$-	$-	$-	$(11,240)

The table above contains the undiscounted net cash flows of derivative financial instruments.

(f)Fair values of financial instruments

a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

b. Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, accounts receivables, accounts payable and other current liabilities whose carrying amount approximate their fair value, the fair value of the Group's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount as at		
	31 March 2017	31 December 2016	31 March 2016
Financial liabilities			
Bonds payable	$201,010	$200,217	$197,837

	Fair value as at		
	31 March 2017	31 December 2016	31 March 2016
Financial liabilities			
Bonds payable	$221,782	$221,032	$218,943

c. Fair value measurement hierarchy for financial instruments

Please refer to Note 12 (1) (g) for fair value measurement hierarchy for financial instruments of the Group.

(g) Fair value measurement hierarchy

a. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

b. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As at 31 Mar. 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$-	$635	$-	$635
Embedded derivatives- bonds payable	-	-	-	-
Capital-protected financial instruments	-	132,210	-	132,210
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	983	-	983

As at 31 Dec. 2016

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$-	$1,486	$-	$1,486
Embedded derivatives- bonds payable	-	-	-	-
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	75	-	75

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at 31 Mar. 2016

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$-	$1,799	$-	$1,799
Embedded derivatives- bonds payable	-	61	-	61
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	11,240	-	11,240

Transfers between Level 1 and Level 2 during the period

During the three-month periods ended 31 March 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

c. Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As at 31 Mar. 2017

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	$-	$-	$19,168	$19,168
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payables	$-	$-	$221,782	$221,782

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at 31 Dec. 2016

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	$-	$-	$20,090	$20,090
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payables	$-	$-	$221,032	$221,032

As at 31 Mar. 2016

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	$-	$-	$30,052	$30,052
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payables	$-	$-	$218,943	$218,943

(2) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 March 2017, 31 December 2016 and 31 March 2016 is as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Notional Amount (in thousands)	Contract Period
As at 31 Mar. 2017		
Forward currency contract	Buy USD 614	From Apr, 2017 to May, 2017
Forward currency contract	Sell USD 13,768	From Apr, 2017 to Jul, 2017
Forward currency contract	Sell GBP2,070	From Jan, 2017 to May, 2017
Forward currency contract	Buy EUR 489	From Apr, 2017 to May, 2017
As at 31 Dec. 2016		
Forward currency contract	Sell GBP 2,289	From Oct, 2016 to Feb, 2017
Forward currency contract	Sell USD 1,500	Jan, 2017
Forward currency contract	Sell CAD 490	March, 2017
Forward currency contract	Buy EUR 446	Jan, 2017
As at 31 Mar. 2016		
Forward currency contract	Buy USD 553	From Apr, 2016 to May, 2016
Forward currency contract	Sell USD 29,000	From Apr, 2016 to Aug, 2016
Forward currency contract	Sell GBP 1,641	From Jan, 2016 to May, 2016
Forward currency contract	Sell EUR 1,900	From Apr, 2016 to Aug, 2016
Forward currency contract	Sell CAD 2,200	From Apr, 2016 to May, 2016
Forward currency contract	Sell EUR 180	Apr, 2016

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6 (17) for further information on this transaction.

The counterparties for the aforementioned derivatives transactions are well known local or overseas banks, as they have sound credit ratings, the credit risk is insignificant.

With regard to the forward foreign exchange contracts, as they have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

Unit: Thousands

	As at 31 March 2017			As at 31 December 2016			As at 31 March 2016		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets									
Monetary items:									
USD	$48,039	30.310	$1,456,062	$44,913	32.250	$1,448,444	$30,883	32.220	$995,050
CNY	336,344	4.407	1,482,268	385,535	4.619	1,780,786	254,959	4.984	1,270,716
EUR	5,594	32.430	181,413	4,591	33.910	155,681	5,688	36.610	208,238
CAD	7,757	22.750	176,472	6,447	23.930	154,277	9,378	24.860	233,137
GBP	17,994	37.810	680,353	17,230	39.610	682,480	16,146	46.300	747,560
Financial liabilities									
Monetary items:									
USD	$8,138	30.310	$246,663	$9,287	32.250	$299,506	$12,553	32.220	$404,458
CNY	293,145	4.407	1,291,890	315,310	4.619	1,456,417	290,546	4.984	1,448,081
EUR	1,658	32.430	53,769	1,030	33.910	34,927	1,088	36.610	39,832
CAD	1,857	22.750	42,247	1,527	23.930	36,541	1,175	24.860	29,211
GBP	21,565	37.810	815,373	23,075	39.610	914,001	20,628	46.300	955,076

The Group is unable to disclose foreign exchange gains or losses on significant assets and liabilities denominated in foreign currencies because the Group entities have too many functional currencies. The exchange gains (losses) for the three-month periods ended 31 March 2017 and 2016 were $(65,794) and $(37,181), respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. OTHER DISCLOSURE

(1) Information regarding significant transactions

(a) Financing provided to others for the three-month period ended 31 March 2017: All transactions below were between consolidated entities and have been eliminated in consolidation.

No	Lender	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 5)	Amount of sales to (purchases from) counterparty	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counterparty	Limit of total financing amount
													Item	Value		
1	Globe Union UK Ltd.	PJH Group Limited	Other receivable	Yes	$274,626 GBP6,934,554	$262,212 GBP6,934,554 (Note 6)	$262,212 GBP6,934,554	-	2	$-	For operating	$-	-	$-	$242,524 GBP6,414,286 (Note 3)	$242,524 GBP6,414,286 (Note1)
2	Great Hope Management Consulting Inc.	HBS CO., LTD	Other receivable	Yes	$48,232 USD2,039,488	$46,662 USD1,539,488 (Note 7)	$46,662 USD1,539,488	-	2	$-	For operating	$-	-	$-	$5,550 (Note 3)	$5,550 (Note1)
3	Globe Union Industrial (BVI) Corp.	Globe Union (UK) Ltd.	Other receivable	Yes	$79,200 GBP2,000,000	$75,620 GBP2,000,000	$75,620 GBP2,000,000	-	2	$-	For operating	$-	-	$-	$542,398 (Note2)	$1,446,395 (Note1)
3	Globe Union Industrial (BVI) Corp	Globe Union Cayman Corp.	Other receivable	Yes	$39,600 GBP1,000,000	$37,810 GBP1,000,000	$37,810 GBP1,000,000	-	2	$-	For operating	$-	-	$-	$542,398 (Note2)	$1,446,395 (Note1)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

No	Lender	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 5)	Amount of sales to (purchases from) counterparty	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counterparty	Limit of total financing amount
													Item	Value		
3	Globe Union Industrial (BVI) Corp	Qingdao Globe Union Technology Industrial Corp.	Other receivable	Yes	$22,935 RMB5,000,000	$22,035 RMB5,000,000	$10,312 RMB2,340,000	-	2	$-	For operating	$-	-	$-	$542,398 (Note2)	$1,446,395 (Note1)
3	Globe Union Industrial (BVI) Corp	Globe Union Industrial Corp.	Other receivable	Yes	$256,872 RMB56,000,000	$246,792 RMB56,000,000	$246,792 RMB56,000,000	-	2	$-	For operating	$-	-	$-	$542,398 (Note2)	$1,446,395 (Note1)
3	Globe Union Industrial (BVI) Corp	Qingdao Lin Hon Precision Industrial Corp.	Other receivable	Yes	$13,221 RMB3,000,000	$13,221 RMB3,000,000	$8,814 RMB2,000,000	-	2	$-	For operating	$-	-	$-	$542,398 (Note2)	$1,446,395 (Note1)
4	Home Boutique International Co., Ltd.	Home Boutique Co., Ltd	Other receivable	Yes	$3,000	$3,000	$3,000	-	2	$-	For operating	$-	-	$-	$111,112 (Note4)	$222,224 (Note1)

Note 1: Total financing was limited to 40% of net equity of the lender as at 31 March 2017.

Note 2: Financing to individual counterparty was limited to 15% of the net equity of the lender as at 31 March 2017.

Note 3: Financing to individual counterparty was limited to 40% of the net equity of the lender as at 31 March 2017.

Note 4: Financing to individual counterparty was limited to 20% of the net equity of the lender as at 31 March 2017.

Note 5: Code 1 represents an intercompany transaction calls for a loan arrangement; code 2 represents short-term financing.

Note 6: The financing provided by Globe Union UK Ltd. overran the limit of financing amount because Globe Union UK Ltd.'s net equity decreased due to recognizing pension expenses. This has been reported to the supervisors in March 2017.

Note 7: The financing provided by Great Hope Management Consulting Inc. overran the limit of financing amount because Great Hope Management Consulting Inc. net equity decreased due to impairment losses of its subsidiary. This has been reported to the supervisors in March 2017.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Endorsement/Guarantee provided to others for the three-month period ended 31 March 2017:

No	Endorser/ Guarantor	Counterparty		Guarantee Limited Amount for each Counterparty	Maximum balance for the period	Guarantee Amount in the end of 2017	Amount drawn	Value of Collaterals Properties	Ratio of Accumulated Amount of Guarantee Provided to Net Equity of the Latest Financial Statements	Guarantee Limited Amount	Guarantee from the parent to subsidiary	Guarantee from the subsidiary to parent	Guarantee from Mainland China
		Company Name	Relationship (Note3)										
1	YI SHEH CO., LTD.	Home Boutique International Co., Ltd.	4	$21,876 (Note 1)	$9,450	$9,450	$9,450	$-	43.20%	$21,876 (Note 1)	-	-	-
2	Home Boutique International Co., Ltd.	Great Hope Management Consulting INC.	2	$444,448 (Note 2)	$262,660	$260,620	$-	$-	46.91%	$444,448 (Note 2)	-	-	-
2	Home Boutique International Co., Ltd.	YI SHEH CO., LTD.	2	$444,448 (Note 2)	$33,000	$-	$-	$-	-%	$444,448 (Note 2)	-	-	-
2	Home Boutique International Co., Ltd.	HBS CO., LTD	3	$444,448 (Note 2)	$87,724	$84,868	$-	$-	15.28%	$444,448 (Note 2)	-	-	Y

Note 1: The amount of guarantees/endorsements shall not exceed 100% of net equity of the guarantor as at 31 March 2017.

Note 2: The amount of guarantees/endorsements shall not exceed 80% of net equity of the guarantor as at 31 March 2017.

Note 3: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:

(1) A company that has a business relationship with the provider.
(2) A subsidiary in which the provider holds directly over 50% of equity interest.
(3) An investee in which the provider and its subsidiaries hold over 50% of equity interest.
(4) An investee in which the provider holds directly and indirectly over 50% of equity interest.
(5) A company that has provided guarantees to the provider, and vice versa, due to contractual requirements.
(6) An investee in which the provider conjunctly invests with other shareholders, and for which the provider has provided endorsement/guarantee in proportion to its shareholding percentage.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) Securities held as at 31 March 2017(excluding subsidiaries, associates and joint venture):

Name of company	Type of securities/ Name of securities	Relationship	Financial statement account	31 March 2017			
				Units/Shares	Book value	Percentage of ownership (%)	Market value/Net assets value
Shenzhen Globe Union Enterprise Co., Ltd.	Capital protected financial instrument Bank of china Capital protected financial instrument	-	Financial assets at fair value through profit or loss, current	-	$132,210		$132,210
				Total	$132,210		$132,210

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the three-month period ended 31 March 2017: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the three-month period ended 31 March 2017: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the three-month period ended 31 March 2017: None.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(g) Related party transactions for purchases and sales exceeding the lower of NT$100 million or 20 percent of the capital stock for the three-month period ended 31 March 2017:

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd.	Investee company	Purchase	$568,140	18.06%	150 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$(1,109,291)	(51.46)%	-
Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	Investee company	Purchase	$434,969	13.82%	30 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$(134,534)	(6.24)%	-
Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	Investee company	Sales	$(561,368)	(12.62%)	30 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$155,424	5.55%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	$(568,140)	(12.77%)	150 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$1,109,291	39.58%	-
Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	Group direct parent company	Purchase	$561,368	17.84%	30 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$(155,424)	(7.21%)	-
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	$(434,969)	(9.78%)	30 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$134,534	4.80%	-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as at the three-month period ended 31 March 2017:

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for bad debts
					Amount	collection status		
Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	Investee company	$155,424	11.21 times	$-	-	$155,424	$-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	$1,109,291 RMB 240,867,586	2.09 times	$-	-	$159,855 RMB 36,273,001	$-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	Associate	$106,448 RMB 24,154,327	3.00 times	$-	-	$38,110 RMB 8,647,528	$-
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	$134,534 RMB 29,930,577	14.62 times	$-	-	$134,534 RMB 29,930,577	$-

(i) Financial instruments and derivative transactions:

A. Please refer to Note 6(2) and 12(2) for more details on forward foreign exchange contracts.

(j) Significant intercompany transactions between consolidated entities are as follows:
(amount exceeding the lower of NT$100 million or 20 percent of the capital stock)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note3)
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd	1	Purchases	$568,140	Note4(1)	12.77%
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd	1	Accounts payable	(1,109,291)	Note4(3)	(8.69%)
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Purchases	434,969	Note4(1)	9.78%
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Accounts payable	(134,534)	Note4(3)	(1.05%)
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Sales	(561,368)	Note4(2)	(12.62%)
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Accounts receivable	155,424	Note4(3)	1.22%
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(568,140) RMB(124,253,073)	Note4(2)	(12.77%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	1,109,291 RMB 240,867,586	Note4(3)	8.69%
3	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Purchases	561,368 USD 17,935,693	Note4(1)	12.62%
3	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Accounts payable	(155,424) USD (5,034,948)	Note4(3)	(1.22%)
4	Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(434,969) RMB(95,056,616)	Note4(2)	(9.78%)
4	Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	134,534 RMB 29,930,577	Note4(3)	1.05%

Note 1: The Company and its subsidiaries are coded as follows:
(1) The Company is coded "0".
(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: (1) represents the transactions from the parent company to a subsidiary.
(2) represents the transactions from a subsidiary to the parent company.
(3) represents the transaction between subsidiaries.

Note 3: The ratio of transaction amount to the consolidated income or assets is recognized as follows: for assets or liability, the ratio is accounted as the ending balance to consolidated total assets; however, for income or loss accounts, the ratio is based on mid-term accumulated amount to consolidated income.

Note 4: (1) A small portion of the purchase prices were different from the general purchase price due to technical and quality differences. The other products were purchased solely from related parties and thus the purchase price can’t be compared with other goods purchased from the third parities.
(2) A small portion of the selling prices between related parties were the same as the general selling price. For the other selling prices, there were no comparable goods sold to the third parties.
(3) Assets and liabilities were offset against each other.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Information on investees:

(a) Names, locations, main businesses and products, original investment amount, investment as at 31 March 2017, net income (loss) of investee company and investment income (loss) recognized as at 31 March 2017 (excluding investees in Mainland China):

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as at 31 March 2017			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 March 2017	31 December 2016	Number of shares	Percentage of ownership (%)	Book value			
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.)Corp.	P.O. Box 3340, Road Town, Tortola, British Virgin Islands	Holding company	$1,434,538	$1,434,538	44,427,680	100%	$3,596,319	$20,285	$21,782	Note
Globe Union Industrial Corp.	Globe Union (Bermuda) Ltd.	21 Laffan Street, Hamilton HM09, Bermuda	Holding company	$3,098,447	$3,098,447	93,449,027	100%	$3,304,622	$15,223	$60,890	Note
Globe Union Industrial Corp.	Globe Union Cayman Corp.	ScotiaCenter, 4th Floor ,P.O. Box 2804, GerogeTown, Grand Cayman, Cayman Islands	Holding company	$3,066,924	$3,066,924	97,113,389	100%	$747,781	$(6,470)	$(6,470)	
Globe Union Industrial Corp.	Home Boutique International Co., Ltd.	1F., No. 260, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	Selling and distributing kitchen and bathroom products	$705,269	$705,269	62,150,000	86.319%	$540,843	$1,780	$1,512	Note

Note: Current investment income from investees recognized by the Company included investment gain/loss recognized by these investees from upstream/downstream transactions.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Information on investments in mainland China

(a) Information on investments in mainland China from the Company through Globe Union Industrial (B.V.I) Corp. and Globe Union (Bermuda) Ltd. as at 31 March 2017:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as at 1 January 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 31 March 2017	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as at 31 March 2017	Accumulated Inward Remittance of Earnings as at 31 March 2017
					Outflow	Inflow						
Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling plumbing products	$1,676,687 (RMB 380,459,896)	Investment in Mainland China companies through a company invested and established in a third region	$-	$-	$-	$-	$60,934	100%	$60,934 (Note1)	$2,390,346	$188,508
Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	$788,007 (RMB 178,808,100)	Investment in Mainland China companies through a company invested and established in a third region	$508,731 (USD 16,784,252)	$-	$-	$508,731 (USD 16,784,252)	$(267)	100%	$(267) (Note1)	$988,146	$-
Qingdao Globe Union Technology Industrial Corp.	Manufacturing and selling plumbing products	$1,676,291 (RMB 380,370,175)	Investment in Mainland China companies through a company invested and established in a third region	$365,175 (USD 12,048,000)	$-	$-	$365,175 (USD 12,048,000)	$(7,420)	100%	$(7,420) (Note1)	$192,372	$-
Qingdao Lin Hon Precision Industrial Corp.	Manufacturing and selling plumbing products	$475,744 (RMB 107,952,004)	Investment in Mainland China companies through a company invested and established in a third region	$154,581 (USD 5,100,000)	$-	$-	$154,581 (USD 5,100,000)	$(3,145)	100%	$(3,145) (Note1)	$150,046	$-
HBS CO., LTD	Selling and distributing kitchen and bathroom products	$480,512 (RMB 109,033,789)	Investment in Mainland China companies through a company invested and established in a third region	$-	$-	$-	$-	$(4,274)	91.46%	$(3,902) (Note2)	$(56,375)	$-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Accumulated Investment in Mainland China as at March 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$945,200 (USD 31,184,435)	$1,237,587 (USD 40,830,991)	Not applicable (Note 3)

Note 1: The financial statements were reviewed by the public accountants of the parent company in Taiwan.

Note 2: The information was based on the investment statements announced by the company.

Note 3: According to Letter No. Shen-Zi-09704604680 issued by Ministry of Economic Affairs, R.O.C., the Company's investment in Mainland China is not limited to 60% of net worth or consolidated net worth specified by the Investment Commission.

(b) Information on investments in mainland China from the subsidiaries through Great Hope Management Consulting Inc. as at 31 March 2017:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as at 1 January 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 31 March 2017	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as at 31 Mar 2017	Accumulated Inward Remittance of Earnings as at 31 Mar 2017
					Outflow	Inflow						
HBS CO., LTD	Selling of furniture and kitchen products	$480,512 (RMB 109,033,789)	Investment in Mainland China companies through a company invested and established in a third region	$296,280 (USD 9,775,000)	$-	$ -	$296,280 (USD 9,775,000)	$(4,274)	91.30%	$(3,902) (Note1)	$(56,375)	$ -

Accumulated Investment in Mainland China as at 31 March 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
		The lender’s net accounts value×60%
$296,280 (USD 9,775,000)	$390,847 (USD 12,895,000)	$333,336

Note 1: The information was based on the investment statements announced by the company.

(c) Please refer to Note 13(1) and (2) for more details on the significant transactions between the Company and investees in Mainland China.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

14. SEGMENT INFORMATION

For the purpose of operation, the Company operates in a single industry segment by different strategic segments, and they are classified into two segments as follows:

(1) Segment A: In charge of selling faucets and other plumbing products and providing related services.
(2) Segment B: In charge of manufacturing faucets and other plumbing products.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, the financial costs, financial income and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

(1) Information on profit or loss, assets and liabilities of the reportable segment:

(a) For the three-month period ended 31 March 2017

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	$3,689,880	$759,506	$-	$4,449,386
Inter-segment	668,741	1,090,795	(1,759,536)	-
Total revenue	$4,358,621	$1,850,301	$(1,759,536)	$4,449,386
Segment profit	$189,959	$40,668	$(5,879)	$224,748

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b)For the three-month period ended 31 March 2016

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	$4,157,563	$688,734	$-	$4,846,297
Inter-segment	735,666	1,313,071	(2,048,737)	-
Total revenue	$4,893,229	$2,001,805	$(2,048,737)	$4,846,297
Segment profit	$37,985	$64,813	$15,803	$118,601

(2)The following table presents segment assets and liabilities of the Group' operating segments as at 31 March 2017, 31 December 2016, and 31 March 2016:

(a) Segment assets

	Segment A	Segment B	Adjustment and elimination	Consolidated
31 Mar 2017	$17,093,629	$6,317,167	$(10,647,189)	$12,763,607
31 Dec 2016	$17,781,926	$6,672,200	$(11,101,781)	$13,352,345
31 Mar 2016	$21,115,843	$6,969,956	$(12,868,984)	$15,216,815

(b) Segment liabilities

	Segment A	Segment B	Adjustment and elimination	Consolidated
31 Mar 2017	$7,694,648	$1,794,959	$(2,155,438)	$7,334,169
31 Dec 2016	$7,984,625	$1,989,720	$(2,275,232)	$7,699,113
31 Mar 2016	$8,515,172	$1,943,831	$(2,495,094)	$7,963,909