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Walsin Lihwa Corporation

2016 Annual Report

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Contents

I. Letter to Shareholders.....	1
II. Company Introduction	
1. Date of establishment.....	4
2. Company history & evolution	4
III. Corporate Governance Report	
1. Organization system	6
2. Information on Board Directors, Supervisors, President, vice presidents, assistant vice presidents and the heads of various divisions and branches	8
3. Remunerations to Directors, Supervisors, President, and vice presidents in the most recent year	20
4. Corporate governance status	26
5. Information on CPAs' fees	63
6. Information on the replacement of CPAs.....	63
7. Chairman, President, or managers responsible for financial or accounting affairs who worked for the firm to which the certifying CPA belongs or its affiliate in the most recent year	63
8. Transfer and pledge of shares by Directors, Supervisors, managers and shareholders holding more than 10% of the Company's shares	64
9. Information on the relationship between the top ten shareholders where their relationship is that of husband and wife, or within the second degree of kinship	65
10. The number of shares of the same investee held by the Company, its Directors, Supervisors, managers, and which the Company controls directly or indirectly, with the combined percentage of shares calculated.....	70
IV. Capital Overview	
1. The Company's capital and shares.....	71
2. Administering of corporate bonds.....	76
3. Administering of preferred stocks	76
4. Administering of global depositary receipts (GDR)	77
5. Administering of employee stock options and restricted new shares to employees	77
6. Mergers, acquisitions or issuance of new shares for the acquisition of shares from other companies:	77
7. Implementation of capital allocation plan.....	77

V. Business Overview

1. Business activities	78
2. Market, production and sales	86
3. Employee Data	95
4. Environmental protection expenditure information	96
5. Employees-employer relations	106
6. Material Contracts	113

VI. Financial Overview

1. Brief balance sheets and comprehensive income statements of recent five years	114
2. Financial analysis of recent five years	118
3. Supervisors' audit report on the financial report of the most recent year	121
4. Financial report of the most recent year.....	122
5. Financial report of the parent company of the most recent year audited and certified by Supervisors	248
6. Any financial crunch confronted by the Company or its subsidiaries and related impacts in the most recent year and up to the date of annual report publication	332

VII. Review and Analysis of Financial Status, Financial Performance, and Risk Management

1. Financial status	333
2. Financial performance	334
3. Cash flow	335
4. Effect of material capital expenditure in the most recent year on financial business operation	336
5. Reinvestment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year.....	336
6. Risk management and assessment	336
7. Other significant events	339

VIII. Special Items to Be Noted

1. Related information on affiliates and subsidiaries	340
2. Progress of private placement of securities during the most recent year and up to the date of annual report publication.....	350
3. Holding or disposal of stocks of the Company by subsidiaries in the most recent year and up to the date of annual report publication	350
4. Other necessary supplemental information	350
5. Corporate events with material impacts on shareholders' equity or share prices	350



I. Letter to Shareholders

Dear Shareholders,

In 2016, the global economy climbed out of turmoil and gradually stabilized, though the overall operation of the Company still faced significant challenges. The Company continued to integrate resources to optimize its operating efficiency, while enhancing marketing efforts and the product R&D system, in hopes of being able to quickly respond to market changes in order to secure stable and sustained profitability and growth. 2016 also marked an important milestone for Walsin Lihwa, as it was the year in which the Company celebrated its 50th anniversary. We achieved impressive results in terms of operation, with concrete achievements in governance. For us, this has been the manifestation of corporate social responsibility, which provided the momentum for the Company to keep marching forward. We would like to take this opportunity to thank our clients, suppliers, partners and shareholders for your full support and acknowledgment.

Operating results from the past year

In 2016, as average prices of copper and nickel slowly rebounded from previous low levels, supply and demand gradually reached a balance on the market. In response to the market pulse, the Company adjusted its operating strategy, resulting in stable growth in terms of both sales volume and profits for core manufacturing business units. Net consolidated revenue for 2016 totaled approximately NT\$143.355 billion, with consolidated gross profit of NT\$9.564 billion, net income of NT\$4.568 billion and earnings per share of NT\$1.33.

Wire and Cable Business:

With the help of effective production/sales/procurement management, we were able to properly stay on top of energy costs and control the prices of raw materials for copper wiring materials, as profits were secured; confronted with the challenge of slumping domestic demands for power cables, we continued to enhance services and delivery date management to maintain long-term client relationships in order to vie for stable profitability.

Stainless Steel Business:



Taiwan continues to push the envelope with steelmaking. In 2016, the amount of steelmaking increased to 500,000 tons. In the meantime, product portfolios were optimized as sales volume and profits grew hand in hand. Due to rising awareness in environmental protection and the aftermath of de-capacity control, market supply and demand for the business operation in mainland China gradually reached a balance, as both product unit price and sales volume rose. Sales volume increased from 120,000 tons in 2015 to 170,000 tons in 2016, and gross profits also grew simultaneously.

Commercial Real Estate Business:

The Taipei Xinyi headquarters building exhibited a tenant occupancy rate of near-full capacity for stable operations and profitability. As planned, the Walsin Centro project in Nanjing was under development with a rolling approach. Around 28,000 square meters in housing and 60,000 square meters in commercial building space were completed in 2016 and available for pre-order. The construction for retail plazas and connecting office buildings was also launched.

Summary of 2017 Business Plan

In the coming year, the Company's various business units will launch related smart planning and construction to march towards high-value manufacturing service in order to materialize the goal of stable profitability and growth, in addition to continuing to implement the strategy of "Focusing on core businesses", enhancing organizational structure and productivity and advancing corporate governance.

● **Wire and Cable Business:**

Reasonably grasp raw materials prices and changes in capital cost of copper materials and continue optimization of customer and product portfolios to maintain stable profitability. Confronted with stagnant domestic market demands in Taiwan, the power cable business will strive for enhanced customer service in order to increase sales volume and expand market shares. It will also continue to develop industrial cable products to drive mid-term and long-term growth in its power cable business.

● **Stainless Steel Business:**

Aside from devoting to capacity breakthroughs, business operations in Taiwan will also develop new steel categories, optimize product portfolios and improve quality, in an attempt to meet our clients' future needs.



As far as the business operations in China are concerned, the implementation of lean manufacturing will be carried out internally to reduce costs. Externally, we will seek strategic sales partners and expand sales channels in order to further increase operating performance.

- Commercial Real Estate Business:

The construction of housing, commercial and retail plaza buildings will continue. In 2017, housing and commercial buildings will be planned and put up for sale in stages, in accordance with market situations.

Future Corporate Development Strategy under the Influence of External Competition,

Regulatory and Overall Business Environments

Looking ahead this year, a mild rebound in global economy can be expected. Major countries will also gradually steer away from the pressure of deflation. However, under the influence of potential risks such as escalating trade protectionism, uncertainties in the European politics and the greenback's policy direction, 2017 is still a year full of variables and challenges. In addition to adhering to the principle of "Management with integrity to pursue excellence", Walsin Lihwa continues to optimize productivity, advance production efficiency, and strive for improved operation of existing businesses. In the meantime, it will march ahead with the times and launch sweeping developments ranging from smart production to the application of technological information, in order to aggressively elevate its core competitiveness. We hope to further leverage operating synergy to accumulate the growth capacity for sustainable management in a fast-changing industrial environment, while planning for development opportunities for transformation and upgrades.

Chairman



II Company Profile

1. Date of establishment December 2, 1966

2. Company History & Evolution

- 1966 Walsin Wire & Cable Co., Ltd. established.
- 1969 Walsin and Lihwa merged and renamed as Walsin Lihwa Wire & Cable Co., Ltd.
- 1970 Formed technological partnerships with Western Electric in the U.S. and Fujikura in Japan and began production of plastic insulation telephone cable.
- 1972 Began production of EP rubber high-voltage cables.
The Company's shares were listed on the Taiwan Stock Exchange.
- 1977 Completed the Yangmei plant for SCR copper rod production, with annual manufacturing capacity of 50,000 metric tons of oxygen-free copper rods.
- 1982 Expanded SCR production facilities to increase annual manufacturing capacity to 100,000 metric tons of oxygen-free copper rods.
- 1987 Construction of the Yangmei plant completed.
Entered the semiconductor IC industry by investing in Winbond Electronics Corp. and Sumi-Pac Corp.
- 1991 Invested in PT. Walsin Lippo Industries in Indonesia to expand aluminum wire business into the Southeast Asian market.
- 1992 Company renamed Walsin Lihwa Corporation.
Electronics division merged with the acquired Wanbang Electronics to form the new Walsin Technology Corp.
Established plants in Shanghai and Jiangyin to produce power cables and steel cables, thus beginning a new chapter in China investment.
- 1993 Expanded into the stainless steel industry by forming Walsin Cartech Specialty Steel, a joint venture with Carpenter Technology Corp. in the U.S.
Established the Wuhan wire and cable plant for optical communication cable production.
- 1995 Formed Walsin (China) Investment Co., Ltd. and set up four operating locations in China's major cities, including Hangzhou, Shanghai and Nanjing, for the production of power cables, bare copper wires and fiber optic cables.
- 1997 Established specialty steel plants in Changshu and in Baihe, Shanghai, for the production and sale of seamless steel tubes and straight steel bars.
Formed HannStar Board Corp. to expand into the PCB industry.
- 1998 Acquired and incorporated the assets of Walsin Cartech into the company.
Conducted enterprise re-engineering and full implementation of the SAP enterprise resource management system.
Expanded into the TFT-LCD industry by forming HannStar Display Corp.



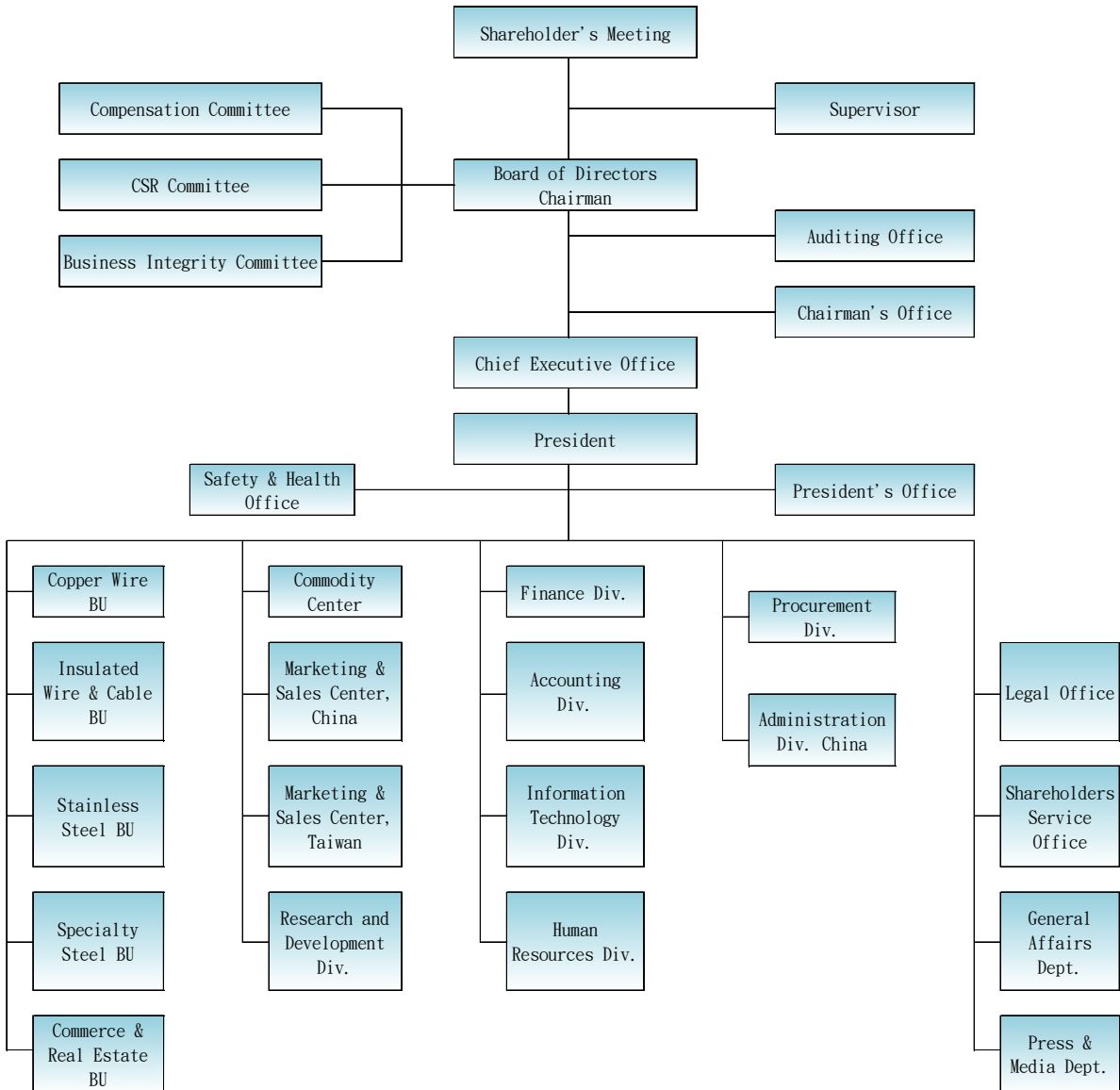
- 2000 Established the Dongguan plant for bare copper wire production.
- 2002 Expansion of Yenshui specialty steel plant was carried out to include slab steelmaking facilities.
- 2003 With Yenshui specialty steel plant beginning slab production, the company expanded into the stainless steel plate market.
- 2005 Set up new plants in Nanjing, Changshu and Jiangyin to produce copper products as well as seamless steel pipes and steel wire products.
- Shanghai and Hangzhou power cable plants completed expansion and increased production capacity; began mass production of 220kV EHV cables.
- Expansion of Yenshui specialty steel plant to include slab steelmaking facilities was completed.
- 2006 New copper production plant in Nanjing completed, with annual production capacity of 250,000 metric tons. Total copper production increased from 400,000 to 650,000 metric tons.
- Development of 500kV EHV cables for Hangzhou power plant was invested and received certification.
- The Company's consolidated revenue exceeded NT\$100 billion.
- 2007 Expanded steel production capacity by acquiring stake in Yantai Huanghai Iron and Steel Co., Ltd.
- Changshu specialty steel plant passed review by the National Nuclear Safety Administration and received certification for nuclear power plant sales.
- Hangzhou power cable plant began expansion efforts and construction of the second VCV process tower and added high voltage cable production lines.
- 2008 Expansion of Yantai plant for stainless steel manufacturing process; added new stainless steel billet products.
- 2009 Yantai stainless steel plant completed transformation of stainless steel manufacturing processes; stainless steel and high-grade alloy steel products were added.
- Changshu plant's seamless steel tube production began Phase 2 expansion to increase production capacity.
- Completion of the new A6 building in Xinyi Development Zone and the relocation of Walsin Lihwa headquarters.
- 2010 Nanjing Walsin Centro began construction in Nanjing's Hexi Newtown. A multi-purpose commercial center spanning one million square meters will be developed over several phases.
- Partnered with Nanjing municipal government to create the Nanjing Taiwan Trade Mart, thus establishing a cross-Strait commercial trading platform.
- 2012 Construction of two office buildings in C1 land plot of Nanjing Walsin Centro completed and transferred to the Jiangsu Branch of the China Development Bank and the Nanjing Branch of China Guangfa Bank.
- 2013 Cold rolled steel coil production officially commenced at the Taichung Harbor stainless steel roll plant.
- 2014 First batch of premium residential buildings in C2 land plot in Nanjing Walsin Centro delivered; phased development of D and AB land plots planned.
- 2015 Taiwan reached a breakthrough in steelmaking, having recorded steady increase in overall steelmaking and annual production of 480,000 metric tons.
- 2016 Walsin Lihwa Corporation marked its 50th anniversary.



III Corporate Governance Report

1. Organizational Chart

(1) Company Organization Chart (March 30, 2017)





(2) Principal Duties of Various Departments

Department	Job Duties & Functions
Compensation Committee	Drafting and periodically reviewing the performance evaluation of board directors, supervisors, and managers, as well as the policy, system, standard, and structure of compensation. Periodically evaluating and determining the compensation for board directors, supervisors, and managers.
CSR Committee	Formulating corporate social responsibility vision and strategy; inspecting the Group's overall as well as various committees' steering and overseeing implementation performances via regular meetings; annual CSR results to be submitted to the Board of Directors in the following year
Business Integrity Committee	Responsible for the formulation of business integrity policies & preventive measures and overseeing implementation; reporting to the Board of Directors on a regular basis
Auditing Office	Responsible for planning and auditing internal auditing systems.
Safety and Health Office	Responsible for the management of the Company's safety & health, environmental protection, policing & fire prevention, energy conservation and carbon reduction
Copper Wire BU	The manufacturing, improvement in production technologies and engineering management of copper rods and wires that power cable and wire industries use as basic raw materials for conductors
Insulated Wire & Cable BU	The manufacturing, improvement in production technologies and engineering management of related products such as various low-, medium- and high-voltage PVC cables, cross-linking PE cables, specialty & professional fire-resistant, fire-retardant, low-smoke and halogen-free cables for different industries, rubber cables, communication cables, related materials for cable insulation, as well as other plastic accessories
Stainless Steel BU	The manufacturing, improvement in production technologies and engineering management of related products such as stainless steel slabs (ingots), hot-rolled steel coils, cold-rolled steel coils, hot-rolled rods and cold drawn straight bars
Specialty Steel BU	The manufacturing, improvement in production technologies and engineering management of related products such as stainless steel slabs (ingots), hot-rolled steel coils, cold-rolled steel coils, hot-rolled rods, cold drawn straight bars, stainless steel seamless pipes and alloy steel pipes, including ordinary fluid pipes, heat-exchanging pipes, boiler pipes, instrumentation tubes, steel wires for pre-stressed concrete, stranded steel wires, zinc-plated steel wires for bridge cables, zinc-plated stranded steel wires, PE for bridge bracing cables and epoxy-coated stranded steel wires
Commerce & Real Estate BU	Developing composite commercial properties, real estate management, etc.
Commodity Center	Responsible for the procurement transactions of raw materials, management and control of raw material price risks and other related matters.
Marketing & Sales Center, China	Responsible for the functions of marketing, business operation and business operation management of various BUs in the mainland China region
Marketing & Sales Center, Taiwan	Responsible for the functions of marketing, business operation and business operation management of various BUs in the Taiwan region
Research & Development Div.	Responsible for forging the capabilities for innovative technologies and products
Finance Div.	Responsible for capital allocation and utilization, financial planning, investment management, risk management and other related matters.
Accounting Div.	Accounting, asset management, credit management, operating analysis, etc.
Information Technology Div.	Information security, development and promotion of core systems, providing the Company and its business units with information and information integrated services.
Human Resources Div.	Organization planning, drafting of human resources policies and employment and performance reviews, performance management, personnel administration, remuneration and benefits, learning and development, employee relations, establishment of a human resources system, etc.
Procurement Div.	Procurement management and planning, raising procurement capabilities, promotion of procurement operations, etc.
Administration Div., China	Acting as the provider of financial, accounting, information, and tax-related management and services to overseas BUs in accordance with Headquarters' policies.
Legal Office	Responsible for avoiding and reducing legal risks faced by the company in order to protect tangible and intangible assets.
Shareholders Service Office	Managing the Company's share-related affairs.
General Affairs Dept.	Responsible for general affairs, managing vehicles, and other various administrative affairs, etc.
Press and Media Dept.	Maintaining the Company's corporate image, communicating with the media, internal communication, etc.



2. Profiles of Board Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Department Heads

(1) Information on Directors and Supervisors

Title	Nationality Or country of registration	Name	Gender	Term Began	Term	Date Firpointed	Shares held when elected		Shares currently held		Spouse and underage children Shares currently held	
							Number of shares	Percent age of Ratio	Number of shares	Percent age of Ratio	Number of shares	Percent age of shares
Chairman	R.O.C.	Yu-Lon Chiao	Male	June 11, 2014	3	April 10, 1981	45,961,773	1.29%	45,961,773	1.35%	19,638,314	0.58%
Vice Chairman (Note 1)	R.O.C.	Patricia Chiao	Female	May 25, 2016	3	May 31, 2005	92,229,006	2.58%	91,969,006	2.71%	0	0.00%
Director (Note 2)	R.O.C.	Yu-Cheng Chiao	Male	June 11, 2014	3	April 10, 1981	39,508,661	1.10%	39,508,661	1.16%	19,032,428	0.56%
Director	R.O.C.	Yu-Heng Chiao	Male	June 11, 2014	3	April 18, 1990	58,957,197	1.65%	58,092,197	1.71%	12,815,390	0.38%



December 31, 2016

	Shares held in the name of others Shares held		Education/work experience	Other current positions within the Company	Other officer, director or supervisor who is the spouse or a relative within second degree		
	Number of shares	Percentage of Ratio			Position	Name	Relation ship
	0	0.00%	Business Administration Department, University of Washington; The Company's former President and Vice Chairman. Board Director at China Steel Corporation & Taishin International Bank.	Chairman of Concord Venture Capital Group Vice Chairman of Hangzhou Walsin Power Cable & Wire Co., Ltd. and Jiangsu Taiwan Development Co., Ltd.; Director of Walton Advanced Engineering, Inc., Jincheng Construction Co., Ltd., Walsin Lihwa Holding Co., Ltd., Walsin Specialty Steel Holding Co., Ltd., Walsin Specialty Steel Co., Ltd., Walsin (Nanjing) Real Estate Development Co., Ltd. and Nanjing Walsin Expo Exhibition Co., Ltd.; Walsin Lippo Industries; P.T. Walsin Lippo Kabel Vice President Commissioner	Vice Chairman Director Director Director	Patricia Chiao Yu-Cheng Chiao Yu-Heng Chiao Wei-Shin Ma	Younger sister Older brother Younger brother Sister-in-law
	0	0.00%	MBA at College of Notre Dame; Former Company clerk, secretary, deputy manager of Finance Dept., special assistant to the President, assistant vice president of Investment Dept., assistant vice president of Financial Dept., head of Financial Investment Dept., assistant vice president of Commodity Center and Financial Investment Management Center.	Chairman of Nanjing Walsin Metal Co., Ltd. & Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.; Board Director of Renowned International Co., Ltd. & Jiangying Walsin Steel Cable Co., Ltd. President of Jinxin Investment Co., Ltd.	Chairman Director Director Director	Yu-Lon Chiao Yu-Cheng Chiao Yu-Heng Chiao Wei-Shin Ma	Older brother Older brother Younger brother Sister-in-law
	0	0.00%	University of Washington Masters of Electrical Engineer and Business Administration The Company's former chairman.	Chairman of Winbond Electronics Corporation, Jinxin Investment Co., Ltd and Nuvoton Technology Corp; Director of Walsin Technology Corporation, Jincheng Construction Co., Ltd., Walsin Lihwa Holding Co., Ltd, Walsin Specialty Steel Holding Co., Ltd., Walsin Specialty Steel Corporation, United Industrial Gases Co., Ltd., Songyong Investment Co., Ltd., Baystar Holdings Ltd., Marketplace Management Limited, Newfound Asian Corporation, Peaceful River Corporation, Pigeon Creek Holding Co., Ltd., Winbond Electronics Corporation America, Winbond Int'l Corporation, Landmark Group Holdings Ltd., and Nuvoton Investment Holding Ltd. Supervisor of MiTAC Holdings Corporation; CEO of Winbond Electronics Corporation; Manager, Goldbond LLC; Independent Director & convener of the Compensation Committee at Taiwan Cement Corp.; Independent Director & member of the Compensation Committee at Synnex Technology International Corporation;	Chairman Vice Chairman Chairman Director Director	Yu-Lon Chiao Patricia Chiao Yu-Heng Chiao Wei-Shin Ma	Younger brother Younger sister Younger brother Sister-in-law
	0	0.00%	Golden Gate University, Master of Business Administration The Company's former vice president and vice chairman.	Chairman of Walsin Technology Corporation, Walton Advanced Engineering, Inc., HannStar Board Corp., Global Brands Manufacture, Prosperity Dielectrics Co., Ltd., Info-Tek Corp., HannStar Color Co. Ltd., VVG Co. Ltd., HannStar Board Corporation (Jiangyi); Director of Yu Yue Corporation, Sheng Cheng Industry and An Xin e-Commerce	Chairman Vice Chairman Chairman Director Director	Yu-Lon Chiao Patricia Chiao Yu-Cheng Chiao Wei-Shin Ma	Older brother Older sister Older brother Sister-in-law



Title	Nationality Or country of registration	Name	Gender	Date appointed	Term	Date first elected	Shares held when elected		Shares currently held		Spouse and underage children Shares currently held		
							Number of shares	Percentage of Ratio	Number of shares	Percentage of Ratio	Number of shares	Percentage of shares	
Director	R.O.C.	Hui-Ming Cheng	Male	June 11, 2014	3	June 10, 2002	700,000	0.02%	1,000,000	0.03%	0	0.00%	
Director	R.O.C.	Jih-Chang Yang	Male	June 11, 2014	3	June 13, 2008	0	0.00%	0	0.00%	0	0.00%	
Director	R.O.C.	Wu-Shung Hong	Male	June 11, 2014	3	June 24, 1972	877,316	0.02%	800,316	0.02%	775	0.00%	
Director	R.O.C.	Wei-Shin Ma	Female	June 11, 2014	3	June 11, 2014	244,033	0.01%	244,033	0.01%	64,197,222	1.89%	
Independent Director	R.O.C.	Ming-Ling Hsueh	Male	June 11, 2014	3	June 11, 2014	0	0.00%	0	0.00%	0	0.00%	
Independent Director	R.O.C.	King-Ling Du	Male	June 11, 2014	3	June 11, 2014	0	0.00%	0	0.00%	15,000	0.00%	



	Shares held in the name of others Shares held		Education/work experience	Other current positions within the Company	Other officer, director or supervisor who is the spouse or a relative within second degree		
	Number of shares	Percentage of Ratio			Position	Name	Relationship
	0	0.00%	Master in Business Administration, Kelley School of Business at Indiana University. Master in Science in Chemical Engineering, University of California, Los Angeles Former CFO at HTC Corporation	The Company's President; Director of Winbond Electronics Corporation, Da-Sheng Venture Capital Co., Ltd., Da-Sheng Yi-I Venture Capital Co., Ltd., Da-Sheng Si Venture Capital Co., Ltd., Acme Electronics Corporation and Gogoro Inc.	None	None	None
	0	0.00%	Ph.D. in Mechanical Engineering, Washington University, USA; Deputy Director, Industrial Technology Research Institute (ITRI); Director, Energy and Resources Laboratories; Executive President, Applied Science and Technology Research Institute (Hong Kong).	Special Expert, ITRI	None	None	None
	0	0.00%	Graduated from the Department of Architecture of Feng Chia University	Chairman of Jincheng Construction Co., Ltd.; Director of Walsin (Nanjing) Real Estate Development Co., Ltd.	None	None	None
	0	0.00%	Peking University, Master of Business Administration for Senior Managers, University of California (Berkeley), Department of East Asian Languages; Chairman of Yuanta Securities Investment Trust Corporation; Special Assistant to Chairman of Yuanta Securities Corporation; Chairman of HannStar Display Corp.	Chairman of HannsTouch Solution Inc., Xingshiyuema Investment Co., Ltd., Yuemayihao Investment Co., Ltd.; Yuemaerhao Investment Co., Ltd., Hannspree, Inc., White Stone Management Consultancy; Director of HannStar Color Co.	Chairman Vice Chairman Director Director	Yu-Lon Chiao Patricia Chiao Yu-Cheng Chiao Yu-Heng Chiao	Brother-in-law Sister-in-law Brother-in-law Brother-in-law
	0	0.00%	Soochow University, Master in Accountancy; Bloomsburg University of Pennsylvania, Master of Business Administration; PwC Taiwan Director; Adjunct Professor at National Taiwan University of Science and Technology.	Independent Director of Yuanta Financial Holdings & Yuanta Commercial Bank, TTY Biopharm and Lite-On Technology Corporation.	None	None	None
	0	0.00%	Mississippi State University, Masters in Mechanical Engineering; New York University, financial management research; Stanford University, Advance marketing research; U.S. representative of China Steel Corporation (Steel Division, U.S. Purchasing Group of Executive Yuan), Deputy General Manager of Business Department, Engineering Department, Corporate Planning Department, and Executive Deputy General Manager; General Manager, Kaohsiung Rapid Transit Corporation; Chairman, China Ecotek Corporation.	Director of Sheh Fung Screws Co., Ltd, Ta Chen International, Inc., Green River Holding Co., Ltd. and Powertec Energy Corp.; Independent Director of Ta Liang Technology Co., Ltd. and Sheh Kai Precision Co., Ltd.	None	None	None

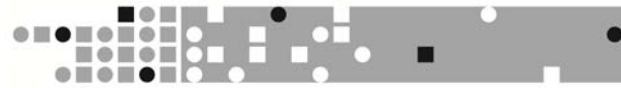
Title	Nationality Or country of registration	Name	Gender	Date appointed	Term	Date first elected	Shares held when elected		Shares currently held		Spouse and underage children Shares currently held	
							Number of shares	Percentage of Ratio	Number of shares	Percentage of Ratio	Number of shares	Percentage of shares
Independent Director	R.O.C.	Shiang-Chung Chen	Male	June 11, 2014	3	June 11, 2014	0	0.00%	0	0.00%	0	0.00%
Supervisor	R.O.C.	Wen-Yuan Chu	Male	June 11, 2014	3	May 31, 2005	3,694,218	0.10%	3,839,365	0.11%	0	0.00%
Supervisor	R.O.C.	Walsin Technology Corporation Co., Ltd. Representative: Yeu-Yuh Chu	Male	June 11, 2014	3	Corporate entity: June 19, 2009 Representative: May 31, 2005	7,170,000 55,065	0.20% 0.00%	32,968,000 55,065	0.97% 0.00%	0 629	0.00% 0.00%
Supervisor	R.O.C.	In-Shek Hsu	Male	June 11, 2014	3	June 11, 2014	0	0.00%	0	0.00%	0	0.00%

Note 1: Appointed for the first time in the re-election at the annual shareholders' meeting on May 25, 2016; named as Vice Chairman by the Board of Directors on July 29, 2016; served on the Company's Board for the first time between May 31, 2005 and June 10, 2014, and from May 25, 2016 until now.

Note 2: Resigned from the post of Vice Chairmanship on June 30, 2016.

Note 3: Director Wen-Chung Chang resigned on March 1, 2016.

Subsequent note: Wei-Shin Ma was appointed as Chairman of Yuemaerhao Investment Co., Ltd; the merger base day of the Company with HannsTouch Solution Inc. was January 23, 2017.



	Shares held in the name of others Shares held		Education/work experience	Other current positions within the Company	Other officer, director or supervisor who is the spouse or a relative within second degree		
	Number of shares	Percentag e of Ratio			Position	Name	Relations hip
	0	0.00%	The School of Industrial Engineering at Purdue University; General Manager of Mercuries Data Systems Ltd.	Chairman and General Manager of Mercuries Data Systems Ltd.; Chairman of Mercuries Insurance Agent Co., Ltd., Wayia.com Inc., and Hipact Tech Inc.; Director of Mercuries Holdings Corporation, Mercuries Data Systems Ltd., Shang-Ling Investment Inc., Shang-Hong Investment Inc., Digicentre Co., Ltd., and EASYCARD Corporation; Supervisor of Powertec Energy Corp.; Independent Director of Keyware Electronic, Corp.	None	None	None
	0	0.00%	MBA in Finance; Finance Director, former Citi Insurance (Singapore), President, Composers and Authors Society of Singapore, President, Walsin Lihwa Corporation, Hong Kong, General Manager, Integral Chemical Co (Shanghai), General Manager, Xcellink Pte. Ltd. (Singapore), Independent Director, Global Brands Manufacture Limited	Vice President of Walsin Technology Corporation; Director of Hwa Chen Automatic Co. Ltd.; Supervisor of HannStar Board Corporation.	None	None	None
	0	0.00%	Graduated from International Trade Dept., Feng Chia University; former Manager of Overseas Sales Department, Manager of Domestic Sales Department; Assistant Manager, Vice President, President of Walsin Technology Corporation.	Chairman of Sheng Cheng Industry; Vice Chairman of Global Brands Manufacture; Director of HannStar Board Corporation; Supervisor of Winbond Electronics Corporation.	None	None	None
	0	0.00%					
	0	0.00%	Ph.D., University of Southern California President of Winbond Electronics Corporation and Nuvoton Technology Corp.	Vice Chairman & CTO of Nuvoton Technology Corp., Winbond Int'l Corp., Landmark Group Holdings Ltd., Winbond Electronics Corporation Japan, Baystar Holdings Ltd., Nuvoton Electronics Technology (Shenzhen) Limited, and Nuvoton Technology Corp. Director of Nuvoton Technology Israel Ltd., Nuvoton Investment Holding Ltd., Marketplace Management Limited, and Pigeon Creek Holding Co., Ltd.	None	None	None

1. Major shareholders of institutional shareholder

December 31, 2016

Name of institutional shareholder	Major shareholders among institutional shareholders (Note)	Shareholding
Walsin Technology Corporation	Walsin Lihwa Corporation	18.30%
	HannStar Board Corporation	7.20%
	The New Labor Pension Fund	3.02%
	Walton Advanced Engineering, Inc.	2.75%
	Kim Eng Securities Private Co., Ltd. investment account under the custodianship of Citibank	2.64%
	Yu-Heng Chiao	2.46%
	Norges Bank investment account under the custodianship of JP Morgan Chase Bank	2.41%
	Global Brands Manufacture Limited	2.29%
	Labor Retirement Supervisory Committee	2.14%
	Winbond Electronics Corporation	1.88%

Note: Names of institutional shareholders who retain the top ten percentages of shares.

2. Major shareholders in Note 2 who are institutional investor and their major shareholders

		March 28, 2017
Name of Institution	Major shareholders of institutional shareholder (Note)	Shareholding
Walsin Lihwa Corporation	LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	7.82%
	Winbond Electronics Corporation	5.89%
	Chin-Xin Investment Co., Ltd	5.24%
	Patricia Chiao	2.71%
	Norges Bank Investment Account under the custodianship of Citibank (Taiwan)	1.90%
	Yu-Heng Chiao	1.71%
	Vanguard Emerging Markets Stock Index Fund under the custodianship of Standard Chartered	1.63%
	Yu-Chi Chiao	1.51%
	Walsin Lihwa Employee Welfare Committee	1.41%
	Pai-Yung Hong	1.40%

Note: Names of shareholders who retain the top ten percentages of shares.

		December 31, 2016
Name of Institution	Major shareholders of institutional shareholder (Note)	Shareholding
HannStar Board Corporation	Walsin Technology Corporation	20.30%
	Walsin Lihwa Corporation	13.09%
	Chin-Xin Investment Co., Ltd	3.84%
	Pai-Yung Hong	1.99%
	Digital Expansion Emerging Market Offshore Fund under the custodianship of HSBC one	1.97%
	UBS AG under the custody of HSBC	1.78%
	BNP Paribas Singapore Branch under the custody of HSBC	1.62%
	HannStar Color Co. Ltd.	1.29%
	Arcadia Emerging Market Small Capital Securities Fund under the custody of HSBC	1.22%
	Mitsubishi UFJ Morgan Stanley Securities Exchange Account under the custody of HSBC	1.15%

Note: Names of shareholders who retain the top ten percentages of shares.

		December 31, 2016
Name of Institution	Major shareholders of institutional shareholder (Note)	Shareholding
Walton Advanced Engineering, Inc.	Walsin Lihwa Corporation	22.71%
	Winbond Electronics Corporation	10.37%
	Prosperity Dielectrics Co., Ltd.	6.61%
	Walsin Technology Corporation	6.60%
	HannStar Board Corporation	4.04%
	Yu-Heng Chiao	1.41%
	The New Labor Pension Fund	1.23%
	HannStar Color Co. Ltd.	1.05%
	Yu-Lon Chiao	1.01%
	Qing-Ren Chen	0.97%

Note: Names of shareholders who retain the top ten percentages of shares.

		December 31, 2016
Name of Institution	Major shareholders of institutional shareholder (Note)	Shareholding
Global Brands Manufacture Limited	HannStar Board Corporation	39.43%
	Beili Development Corporation	6.48%
	Zhi-Wan Li	1.10%
	Qing-Qiu Jiang	1.00%
	Dimension Emerging Market Evaluation Fund under the trust of Citibank (Taiwan)	0.75%
	Ci-Lang Hong	0.74%
	Jin-Zhu Lu	0.51%
	Er-Yun Lian	0.51%
	Vanguard Emerging Market Securities Index Fund Account under the custody of Standard Chartered Bank	0.48%
	Ming-Xiang Zhang	0.44%

Note: Names of shareholders who retain the top ten percentages of shares.

		December 31, 2016
Name of Institution	Major shareholders of institutional shareholder (Note)	Shareholding
Winbond Electronics Corporation	Walsin Lihwa Corporation	22.66%
	Chin-Xin Investment Co., Ltd	5.09%
	Yu-Cheng Chiao	1.63%
	Dimensional Emerging Market Evaluation Fund under the custody of Citibank (Taiwan)	1.38%
	LGT Bank (Singapore) Investment Fund under the custody of Chase Bank	1.10%
	UBS AG under the custody of HSBC	0.97%
	Norges Bank Investment Account under the custodianship of JPMorgan Chase Bank	0.90%
	Pai-Yung Hong	0.90%
	Vanguard Emerging Market Securities Index Fund Account under the custody of Standard Chartered Bank	0.87%
	Benefit Trend International Account under the custody of Deutsche Bank	0.86%

Note: Names of shareholders who retain the top ten percentages of shares.



3. Work experience, specialized knowledge, and independence of directors and supervisors

December 31, 2016

Name	Qualification	Whether possessing at least five-year work experience and the following specialized qualifications			Meet the independence criteria (Note)										Number of other public companies in which the director also serves as an independent director
		An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination and received a certificate	Having work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Yu-Lon Chiao	No	No	Yes					✓					✓	✓	0
Patricia Chiao	No	No	Yes						✓	✓			✓	✓	0
Yu-Cheng Chiao	No	No	Yes	✓									✓	✓	2
Yu-Heng, Chiao	No	No	Yes	✓	✓						✓		✓	✓	0
Hui-Ming Cheng	No	No	Yes			✓	✓		✓	✓	✓	✓	✓	✓	0
Jih-Chang Yang	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wu-Shung Hong	No	Yes	Yes			✓						✓	✓		0
Wei-Shin Ma	No	No	Yes	✓	✓			✓	✓	✓			✓	✓	0
Ming-Ling Hsueh	Yes	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
King-Ling Du	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Shiang-Chung Chen	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wen-Yuan Chu	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Walsin Technology Corporation Representative: Yeu-Yuh Chu	No	No	Yes	✓	✓	✓	✓		✓	✓	✓	✓			0
In-Shek Hsu	No	No	Yes	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	0

Note: If the Director or Supervisor meets any of the following criteria in the two years before being elected or during the term of office, please check "✓" in the corresponding boxes.

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a Director or Supervisor of the Company's affiliates (the same does not apply if the person is an independent director of a company or its parent company, or any subsidiary that have been established in accordance with this regulation or related local laws and regulations).
- (3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.
- (4) Not a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship of any of the persons in the preceding three paragraphs.
- (5) Not a director, supervisor or employee of a juristic-person shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks in the top five shareholders.
- (6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional or an owner, partner, director, supervisor, manager or a spouse of the afore-mentioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company. excluding members of compensation committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not having a marital relationship or a relative within the second degree of kinship to any other Director of the Company.
- (9) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.
- (10) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C.



(2) Profile of President, Vice Presidents, Assistant Vice Presidents, and Department Heads

Title	Nationality	Name	Gender	Date appointed	Shares held		Spouse and underage children Shares held		Shares held in the name of others Shares held	
					Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares
President	R.O.C.	Hui-Ming Cheng	Male	April 28, 2011	1,000,000	0.03%	0	0.00%	0	0.00%
Vice President	R.O.C.	Juei-Lung Chen	Male	July 1, 2010	100,800	0.00%	0	0.00%	0	0.00%
Vice President	R.O.C.	Ben Lin	Male	May 1, 2010	500,000	0.01%	2,735	0.00%	0	0.00%
Served concurrently by a vice president Commerce & Real Estate BU Head	R.O.C.	Fred Pan	Male	July 16, 2007	107,300	0.00%	0	0.00%	0	0.00%
Specialty Steel BU Head	R.O.C.	C.C. Chen	Male	2010.05.01	244,722	0.01%	0	0.00%	0	0.00%
Stainless Steel BU Head	R.O.C.	Tain-Rong Chen	Male	August 28, 2012	25,300	0.00%	0	0.00%	0	0.00%
Insulated Wire & Cable BU Head	R.O.C.	Jin-Renn Leu	Male	August 13, 2014	40,900	0.00%	11,000	0.00%	0	0.00%



December 31, 2016

	Education/work experience	Other current positions at other companies	Manager who is the spouse or a relative within Title Name Date appointed the second degree			Shares Acquired by Managers under Employee Stock Options
			Title	Name	Relationship	
	Master in Business Administration, Kelley School of Business at Indiana University. Master in Science in Chemical Engineering, University of California, Los Angeles Former CFO at HTC Corporation	Director of Winbond Electronics Corporation, Da-Sheng Venture Capital Co., Ltd., Da-Sheng Yi-I Venture Capital Co., Ltd., Da-Sheng Si Venture Capital Co., Ltd., Acme Electronics Corporation and Gogoro Inc.	None	None	None	None
	Graduated from Industrial Management Dept. of Tung Fang Design Institute; Former Head and Chief Marketing Officer of Sales Div. of Stainless Steel BU.; vice president of Specialty Steel BG.	Director of Kuang Tai Metal Industrial Co.	None	None	None	None
	Statistics Dept., National Taipei University; Statistics Dept., National Taipei University; former Credit Assistant Mgr. at ABN AMRO Bank; Fx Transactions Assistant, Vice GM of Credit Lyonnais SA; Fx Transactions Vice GM of Royal Bank of Canada; Manager of Metals Section, Head of Metals Dept., Head of Metals Division, Vice GM of Copper BG.	Director of Nan Jing Walsin Metal Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd., and Dawnredwood Limited.	None	None	None	None
	MBA of US Tulane University; Former Deputy Chief of Accounting Div. of Namchow, Head of Accounting Div. of Royal Foods, Finance Chief of Marketing of Philips Taiwan Semiconductor, Finance Chief of Sales of Philips Asia Pacific Semiconductor, the Company's Accounting Division head.	Chairman of Nanjing Walsin Property Management Co., Ltd.; Director of Walsin International Investment, Joint Success Enterprises Limited; Director and President of Jincheng Construction Co., Ltd., Walsin China Investment Co., Ltd., Walsin Lihwa (Changzhou) Co., Ltd.; President of Walsin (Nanjing) Real Estate Development Co., Ltd.	None	None	None	None
	Accounting Graduate School, National Taiwan University; Audit Team Leader of Deloitte Touche Tohmatsu Limited, Financial Assistant Vice President of Promisedland, Partner of GACPA, Partner of Tianyao United Accountants, the Company's Manager of Performance Analysis Dept. of Financial Service Center, Head of Financial Service Center, Deputy Chief of Financial Service Center, Head of Accounting Div., Head of Management Div., China. Executive vice president of Specialty Steel BG; Head of Yantai BU	Chairman & President of Jiangyin Walsin Steel Cable Co., Ltd.; Chairman of Shanghai Baihe Walsin Lihwa Specialty Steel Products Co., Ltd., Changshu Walsin Specialty Steel Co., Ltd., Yantai Walsin Stainless Steel Co., Ltd., Jiangyin Huaxin Special Alloy Material Co., Ltd.; Director of Walsin International Investment, Walsin China Investment Co., Ltd.; Supervisor of Shaanxi Tianhong Silicon Industrial Co., Ltd.	None	None	None	None
	Master of Mechanical Engineering Graduate School of National Taiwan University of Science and Technology.	Director of Shanghai Baihe Walsin Lihwa Specialty Steel Products Co., Ltd., Yantai Walsin Stainless Steel Co., Ltd.	None	None	None	None
	Masters, Department of Electrical Engineering, Yuan Ze University; The Company's Quality Assurance Department engineer; Section Chief of Inspection Section /Wire & Cable Manufacturing Section; Assistant Manager of Optical Communication Division/Communication Technology Division; Manager of Communication Technology/Quality Assurance Technology Division, Electrical Production/Communication Operation Division; Director of Xinzhuang BU; head of Insulated Wire & Cable BU.	Director of Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. and Chung Tai Technology Development Engineering Co., Ltd.	None	None	None	None



Title	Nationality	Name	Gender	Date appointed	Shares held		Spouse and underage children Shares held		Shares held in the name of others Shares held	
					Number of shares	Percentage of shares	Number of shares	Percentage of shares	Number of shares	Percentage of shares
Copper Wire BU Head	R.O.C.	Witty Liao	Male	August 13, 2014	70,963	0.00%	0	0.00%	0	0.00%
Head of Accounting Dept.	R.O.C.	Nora Lin	Female	September 1, 2014	53,404	0.00%	0	0.00%	0	0.00%
Head of Financial Dept.	R.O.C.	Sophi Pan	Female	November 1, 2015	13,100	0.00%	0	0.00%	0	0.00%

Note: In line with the Company's organization restructuring with effect from August 1, 2016, the job title of existing BG vice president has been adjusted and changed to BU head, and the tenure of Wire & Cable BG President Patricia Chiao has expired on that same day.

With effect from November 1, 2016, Mr. Yu-Lon Chiao has been relieved of his concurrent position as CEO.

Subsequent Note: Mr. Fred Pan has assumed the position of vice president effective from February 2, 2017.



December 31, 2016

	Education/work experience	Other current positions at other companies	Manager who is the spouse or a relative within Title Name Date appointed the second degree			Shares acquired by managers under Employee Stock Options
			Title	Name	Relationship	
	Mechanical and Electro-Mechanical Engineering, Tamkang University; Sales Assistant Manager of Da Hong Corporation, Sales Engineer at Qun-Xin Co. Ltd., Sales Representative of the Company's Private Power Section in the Business Department, Section Chief of Business Dept. Public Power Section/Copper Wire Section, Vice Manager/Manager of Nanjing Walsin, Head of Nanjing Walsin Business Division, Marketing Head of Copper Wire Material Business Division, Head of Nanjing Walsin Sales Division, and Head of Copper Wire Material Business Division.	Chairman of Dongguan Walsin Wire & Cable Co., Ltd.; Vice Chairman of Jiangyin Walsin Steel Cable Co., Ltd.; Director of Nan Jing Walsin Metal Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	None	None	None	None
	Bachelor of Accounting from National Taiwan University; Auditing Assistant Manager of Deloitte Touche Tohmatsu Limited, Financial Manager of China Merchant Ltd., Dunpin Chemical Ltd., Manager of the Company's Investment Management Division, Controller of Wire & Cable BG, Insulated Wire & Cable BU, and Micro Optical-Mechanical-Electronic BG, Head of Financial Department.	Chairman and President of Xi'an Walsin United Technology Co., Ltd., Xi'an Lv Jing Technology Co., Ltd., Xi'an Walsin Metal Products Co., Ltd., and Xi'an Walsin Opto-electronic Limited; Director of Shaanxi Tianhong Silicon Industrial Co., Ltd., ACE RESULT GLOBAL LIMITED, and Walsin Precision Technology Co., Ltd.; Supervisor of Nan Jing Walsin Metal Co., Ltd., Walsin China Investment Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd., Dongguan Walsin Wire & Cable Ltd., Jiangying Walsin Steel Cable Co., Ltd., Nanjing Walsin Expo Exhibition Co., Ltd., Nanjing Taiwan Trade Mart Management Co., Ltd., Shanghai Baihe Walsin Lihwa Specialty Steel Products Co., Ltd., Changshu Walsin Specialty Steel Co., Ltd., Yantai Walsin Stainless Steel Co., Ltd., Walsin Lihwa (Changzhou) Co., Ltd., Jiangyin Huaxin Special Alloy Material Co., Ltd., Walsin (Nanjing) Real Estate Development Co., Ltd., and Nanjing Walsin Property Management Co., Ltd.; Supervisor of Min Maw Precision Industry Corp. and Walsin IEI Co., Ltd.	None	None	None	None
	Bachelor of Accounting from National Chengchi University; The Company's former project manager; controller, manager of the Investment Management Division and manager of the Cost Analysis Division of Walsin IEI Co., Ltd.	Director of Walsin IEI Co., Ltd., Min Maw Precision Industry Corp., Global Investment Holdings, Borrego Solar Systems, Inc.; Supervisor of Chung Tai Technology Development Engineering Co., Ltd.; Supervisor of Xi'an Walsin Metal Products Co., Ltd., Xi'an Lv Jing Technology Co., Ltd., Xi'an Walsin Opto-electronic Limited, Xi'an Walsin United Technology Co., Ltd., Shaanxi LED Co., Ltd.; Walsin Lippo Industries; P.T. Walsin Lippo Kabel Director; Green Lake Capital, LLC. Co-Manager; Touch Micro-System Technology Corp. liquidator.	None	None	None	None

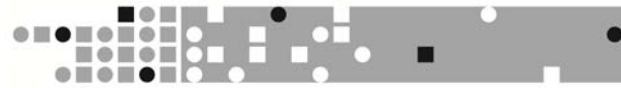
3. Remunerations to Directors, Supervisors, President, and vice presidents in the most recent year

(1) Remuneration to Directors (including Independent Directors)

Title (Note 1)	Name (Note 1)	Director's remuneration								Ratio of total (A), (B), (C), and (D) to after-tax loss (Note 14) (%)	
		Remuneration (A)		Pension (B)		Remuneration to Directors (C) (Note 5)		Business expense (D) (Note 6)		The Company	All companies in consolidated statements (Note 9)
		The Company	Financial Statements All Companies (Note 9)	The Company	Financial Statements All Companies (Note 9)	The Company	Financial Statements All Companies (Note 9)	The Company	Financial Statements All Companies (Note 9)		
Chairman	Yu-Lon Chiao	10,388,415	10,388,415	0	0	30,750,000	30,750,000	4,731,433	4,755,433	1.0041	1.0047
Vice Chairman	Patricia Chiao (Note 2)										
Director	Yu-Cheng Chiao (Note 3)										
Director	Hui-Ming Cheng										
Director	Yu-Heng Chiao										
Director	Wen-Chung Chang (Note 4)										
Director	Jih-Chang Yang										
Director	Wu-Shung Hong										
Director	Wei-Shin Ma										
Independent Director	Ming-Ling Hsueh										
Independent Director	King-Ling Du										
Independent Director	Shiang-Chung Chen										

Remuneration Schedule

Range of Remuneration Paid to Directors	Names of Directors			
	Aggregate of First Four Remunerations(A+B+C+D)		Aggregate of First Seven Remunerations(A+B+C+D+E+F+G)	
	The Company (Note 11)	Included in Financial Statements All companies (Note 12)	The Company (Note 11)	All Companies in Consolidated Statements (Note 13)
<NT\$2,000,000	Wen-Chung Chang	Wen-Chung Chang		
NT\$2,000,000 ~ NT\$5,000,000	Yu-Cheng Chiao; Hui-Ming Cheng; Yu-Heng Chiao; Jih-Chang Yang; Wu-Shung Hong; Wei-Shin Ma; Ming-Ling Hsueh; King-Ling Du; Shiang-Chung Chen	Yu-Cheng Chiao; Hui-Ming Cheng; Yu-Heng Chiao; Jih-Chang Yang; Wu-Shung Hong; Wei-Shin Ma; Ming-Ling Hsueh; King-Ling Du; Shiang-Chung Chen	Yu-Cheng Chiao; Yu-Heng Chiao; Wen-Chung Chang; Jih-Chang Yang; Wu-Shung Hong; Wei-Shin Ma; Ming-Ling Hsueh; King-Ling Du; Shiang-Chung Chen	Wen-Chung Chang; Jih-Chang Yang; Wu-Shung Hong; Ming-Ling Hsueh; King-Ling Du; Shiang-Chung Chen
NT\$5,000,000 ~ NT\$10,000,000	Patricia Chiao	Patricia Chiao		
NT\$10,000,000 ~ NT\$15,000,000	Yu-Lon Chiao	Yu-Lon Chiao	Patricia Chiao	Patricia Chiao; Wei-Shin Ma
NT\$15,000,000 ~ NT\$30,000,000			Yu-Lon Chiao	Yu-Lon Chiao; Yu-Cheng Chiao
NT\$30,000,000 ~ NT\$50,000,000			Hui-Ming Cheng,	Hui-Ming Cheng; Yu-Heng Chiao
NT\$50,000,000 ~ NT\$100,000,000				
> NT\$100,000,000				
Total	12	12	12	12



Unit: NTD

Pay received as an employee								Ratio of total (A), (B), (C), (D), (E), (F) and (G) to after-tax income (Note 14) (%)		Remuneration received from Investees other than subsidiaries (Note 10)
Salary, bonus and special allowance (E) (Note 7)		Pension (F)		Employee Bonus (G) (Note 8)				The Company	All companies in consolidated statements (Note 9)	
The Company	Financial Statements All Companies (Note 9)	The Company	All companies in consolidated statements (Note 9)	The Company		All companies in consolidated statements (Note 9)				
				Cash bonus	Stock bonus	Cash bonus	Stock bonus			
42,590,140	44,664,340	710,491	710,491	652,000	0	652,000	0	1.9663	2.0122	67,944,651

Note 1: This Table lists incumbent Directors in 2016 and their respective remuneration.

Note 2: Ms. Patricia Chiao was appointed as Director for the first time in the re-election at the annual shareholders' meeting on May 25, 2016; Named as Vice Chairman by the Board of Directors on July 29, 2016;

Note 3: Mr. Yu-Cheng Chiao resigned from the post of Vice Chairmanship on June 30, 2016.

Note 4: Mr. Wen-Chung Chang resigned from the post of Directorship due to personal career plans on March 1, 2016.

Note 5: Remunerations to Directors approved by the Board of Directors have been listed.

Note 6: Refers to the expenses incurred by Directors in 2016 to perform relevant duties (including transportation, attendance fees, special disbursements, and various allowances).

Note 7: Refers to the salaries, additional pay, severance pay, various rewards, incentives, treasury stock price difference, transportation subsidies, special allowance, various allowances and salary expenses listed in accordance with IFRS 2 "share-based payment", including shares acquired under employee stock option, restricted new shares to employees and shares acquired from participation in cash capital increase option, and so forth, received by Directors who are also employees (including as President, vice president, managers and employees) in 2016. The amount excludes Director Wu-Shung Hong's company car, with a book value of NT\$0. In addition, the Company's remuneration to drivers totaled NT\$2,592,698/year.

Note 8: Refers to Directors also working as an employee (including as President, vice president, managers and employees) and receiving employee bonus (including stocks and cash) in 2016; employee bonus for 2016 was approved by the Board of Directors.

Note 9: Refers to the total pay to the Company's Directors from all companies in the consolidated statements (including the Company).

Note 10: a. This field shows the amount of related remunerations a Director of the Company receives from investees other than subsidiaries of the Company.

b. The remuneration refers to remuneration, bonus (including bonuses to employees, Directors and Supervisors) and related remunerations for the performance of duties received by a Director of the Company serving as a Director, Supervisor or manager of an investee of the Company other than subsidiaries.

Note 11: For the remuneration paid to Directors of the Company by the Company, names of every Director shall be disclosed in their corresponding range within the remuneration schedule.

Note 12: For the remuneration paid to Directors of the Company by all companies in the consolidated statements (including the Company), names of every Director shall be disclosed in their corresponding range within the remuneration schedule.

Note 13: For the remuneration paid to Directors of the Company by investees (including the Company itself), names of every Director shall be disclosed in their corresponding range within the remuneration schedule.

Note 14: After-tax net income refers to the after-tax net income of individual financial statement in 2016.

* The remuneration content disclosed in this Table differs from the income concept of the Income Tax Act; therefore, this Table acts as a form of information disclosure and does not serve for the purpose of taxation.

(2) Remuneration to Supervisors

Title (Note 1)	Name (Note 1)	Supervisor's Remuneration			
		Remuneration (A)		Bonus (B) (Note 2)	
		The Company	All companies in consolidated statements (Note 4)	The Company	All companies in consolidated statements (Note 4)
Supervisors	Wen-Yuan Chu	0	0	6,150,000	6,150,000
Supervisors	In-Shek Hsu				
Institutional Supervisors and Representative	Walsin Technology Corporation Representative: Yeu-Yuh Chu				

Remuneration Schedule

Range of Remuneration Paid to Supervisors	Names of Supervisors	
	Aggregate of First Three Remunerations(A+B+C)	
	The Company (Note 6)	All Re-investments (Note 7)
<NT\$2,000,000	Yeu-Yuh Chu	
NT\$2,000,000 ~ NT\$5,000,000	Wen-Yuan Chu; In-Shek Hsu; Walsin Technology Corporation	In-Shek Hsu; Walsin Technology Corporation
NT\$5,000,000 ~ NT\$10,000,000		Wen-Yuan Chu; Yeu-Yuh Chu
NT\$10,000,000 ~ NT\$15,000,000		
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
> NT\$100,000,000		
Total	4	4

(3) Remunerations to President and Vice President

Title (Note 1)	Name (Note 1)	Remuneration (A)		Pension (B) (Note 5)		Bonus and special allowance (C) (Note 6)	
		The Company	Financial Statements All Companies (Note 8)	The Company	Financial Statements All Companies (Note 8)	The Company	Financial Statements All Companies (Note 8)
CEO	Yu-Lon Chiao (Note 2)	35,536,273	37,102,928	2,781,896	2,781,896	56,502,442	56,545,930
President	Hui-Ming Cheng						
President of Wire & Cable BG	Patricia Chiao (Note 3)						
President of Specialty Steel BG	Wen-Chung Chang (Note 4)						
Vice President	Ben Lin						
Vice President	Juei-Lung Chen						
Head of Copper Wire BU	Witty Liao						
Head of Insulated Wire & Cable BU	Jin-Renn Leu						
Head of Stainless Steel BU	Tain-Rong Chen						
Head of Specialty Steel BU	C.C. Chen						
Head of Commerce & Real Estate BU	Fred Pan						



Unit: NTD

	Supervisor's Remuneration		Ratio of total (A), (B), and (C) to after-tax income (%) (Note 8)		Remuneration Received from Investees other than Subsidiaries (Note 5)
	Business expense (C) (Note 3)		The Company	All companies in consolidated statements (Note 4)	
	The Company	All companies in consolidated statements (Note 4)			
	816,000	816,000	0.1525	0.1525	10,987,235

Note 1: This Table lists incumbent Supervisors in 2016 and their respective remuneration.

Note 2: Remunerations to Supervisors for 2016 approved by the Board of Directors have been listed.

Note 3: Refers to the expenses incurred by Supervisors in 2016 to perform relevant duties (including transportation, special disbursements, and various allowances).

Note 4: Refers to the total pay to the Company's Supervisors from all companies in the consolidated statements (including the Company).

Note 5: a. This field shows the amount of related remunerations a Supervisor of the Company receives from investees other than subsidiaries of the Company.

b. The remuneration refers to remuneration, bonus (including bonuses to employees, Directors and Supervisors) and related remunerations for the performance of duties received by a Supervisor of the Company serving as a Director, Supervisor or manager of an investee of the Company other than subsidiaries.

Note 6: For the remuneration paid to Supervisors of the Company by the Company, names of every Supervisor shall be disclosed in their corresponding range within the remuneration schedule.

Note 7: For the remuneration paid to Supervisors of the Company by investees (including the Company itself), names of every Supervisor shall be disclosed in their corresponding range within the remuneration schedule.

Note 8: After-tax net income refers to the after-tax net income of individual financial statement in 2016.

* The remuneration content disclosed in this Table differs from the income concept of the Income Tax Act; therefore, this Table acts as a form of information disclosure and does not serve for the purpose of taxation.

Unit: NTD

	Employee Bonus(D) (Note 7)				Ratio of (A), (B), (C), and (D) to after-tax income (%) (Note 12)		Received from entities other than the Company's subsidiaries Remuneration from re-investment (Note 9)
	The Company		All companies in consolidated statements (Note 8)		The Company	All companies in consolidated statements (Note 8)	
	Cash bonus	Stock bonus	Cash bonus	Stock bonus			
	2,485,000	0	2,485,000	0	2.1301	2.1653	1,730,000



Remuneration Schedule

Range of remuneration paid to presidents and vice presidents	Names of presidents and vice presidents	
	The Company (Note 10)	All Re-investments (Note 11)
<NT\$2,000,000		
NT\$2,000,000 ~ NT\$5,000,000	Wen-Chung Chang; Jin-Renn Leu	Wen-Chung Chang; Jin-Renn Leu
NT\$5,000,000 ~ NT\$10,000,000	Patricia Chiao; Ben Lin; Juei-Lung Chen; Witty Liao; Tain-Rong Chen; C.C. Chen; Fred Pan	Ben Lin; Juei-Lung Chen; Witty Liao; Tain-Rong Chen; C.C. Chen; Fred Pan
NT\$10,000,000 ~ NT\$15,000,000	Yu-Lon Chiao	Yu-Lon Chiao; Patricia Chiao
NT\$15,000,000 ~ NT\$30,000,000	Hui-Ming Cheng	Hui-Ming Cheng
NT\$30,000,000 ~ NT\$50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
> NT\$100,000,000		
Total	11	11

Note 1: This Table discloses a summary of the payments managers ranked vice president or above received in 2016.

Note 2: With effect from November 1, 2016, Mr. Yu-Lon Chiao has been relieved of his concurrent position as CEO.

Note 3: In line with the Company's organization restructuring with effect from August 1, 2016, Ms Patricia Chiao has been relieved of her duty as the President of Wire & Cable BG.

Note 4: Mr. Wen-Chung Chang retired on February 28, 2016 and has become a consultant.

Note 5: Refers to pension set aside pursuant to the law.

Note 6: Refers to various bonuses, incentives, company car rental fees, vehicle subsidies, special allowance and salary expenses listed in accordance with IFRS 2 "share-based payment", including shares acquired under employee stock options, restricted new shares to employees and shares acquired from participation in cash capital increase options, and so forth, received by managers ranked vice president or above in 2016. In addition, the Company's remuneration to drivers totaled NT\$2,407,628/year.

Note 7: Refers to employee bonuses (including stock and cash bonuses) approved by the Board of Directors for distribution to managers ranked vice president (and equivalents) or above.

Note 8: Discloses the total pay to manager's ranked vice president (and equivalents) or above from all companies in the consolidated statements (including the Company).

Note 9: a. This field shows the amount of related remuneration managers ranked vice president (and equivalents) or above received from investees other than subsidiaries of the Company.

b. The remuneration refers to pay, bonus (including bonuses to employees, Directors and Supervisors) and related remunerations for the performance of duties received by the Company's managers ranked vice president (and equivalents) or above while serving as a Director, Supervisor or manager of an investee of the Company other than subsidiaries.

Note 10: For the remuneration the Company has paid, names of every manager ranked vice president (and equivalents) or above shall be disclosed in their corresponding range within the remuneration scale.

Note 11: For the remuneration paid to managers ranked vice president (and equivalents) above by all investees (including the Company), names of every manager shall be disclosed in their corresponding range within the remuneration scale.

Note 12: After-tax net income refers to the after-tax net income of individual financial statement in 2016.

* The remuneration content disclosed in this Table differs from the income concept of the Income Tax Act; therefore, this Table acts as a form of information disclosure and does not serve for the purpose of taxation.



(4) Distribution of Employee Bonus to Managers

March 30, 2017

	Title	Name	Stock bonus	Cash bonus	Total	Percentage of the total to the after-tax net income (%)
Managers	President	Hui-Ming Cheng	0	2,818,000	2,818,000	0.0617
	Vice President	Ben Lin				
	Vice President	Juei-Lung Chen				
	Vice President	Fred Pan (Note 1)				
	Head of Copper Wire BU	Witty Liao				
	Head of Insulated Wire & Cable BU	Jin-Renn Leu				
	Head of Stainless Steel BU	Tain-Rong Chen				
	Head of Specialty Steel BU	C.C. Chen				
	Head of Commerce & Real Estate BU	Fred Pan				
	Head of Accounting Dept.	Shu-Ting Lin				
	Head of Financial Dept.	Sophi Pan				

Note: With effect from February 2, 2017, Mr. Fred Pan has become vice president and head of the Commerce & Real Estate BU.

※This Table lists managers in active duty as of the end of 2016 and their summarized 2016 employee bonus for managers approved by the Board of Directors.

※After-tax net income refers to the after-tax net income of individual financial statement in 2016.

(5) Analysis of remunerations to Directors, Supervisors, President and vice presidents as a percentage of earnings in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

1. Analysis of remunerations to Directors, Supervisors, President and vice presidents as a percentage of earnings in the last two years:

Position	Total remunerations as a percentage (%) of after-tax net income (losses)			
	2016		2015	
	The Company	Companies in consolidated statements	The Company	Companies in consolidated statements
Director	1.97	2.01	3.88	4.01
Supervisors	0.15	0.15	0.25	0.25
President and Vice President	2.13	2.17	5.60	5.69

2. Description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

The Company's policy for remunerating its directors and supervisors is formulated based on the Company Law and the Company's regulations. The Company's operating strategy, profitability, future development, and industry condition have also been taken into account. The Compensation Committee usually submits a proposal, which is passed at a board meeting before the policy takes effect.

Remuneration policy toward President, vice presidents and equivalent managers is formulated based on operating strategy, profitability, performance, and contribution to the Company. Prevailing market salary level

is also taken into account. The policy is submitted by the Compensation Committee and takes effect after it is passed at a Boarding meeting.

The said principles may be adjusted based on economic conditions, the Company's future development, profitability, and operating risks.

4. Corporate Governance Status

(1) Overview of Board of Directors Operation

The Board of Directors held 7 meetings in 2016, with attendance records for the Supervisors as follows:

December 31, 2016

Title	Name	Attended in person	Attended by representative	Attendance percentage (%)	Remarks
Chairman	Yu-Lon Chiao	7	0	100%	
Vice Chairman	Patricia Chiao	1	0	50%	Note 1
Director	Yu-Cheng Chiao	5	2	71%	
Director	Yu-Heng Chiao	4	3	57%	
Director	Hui-Ming Cheng	6	1	86%	
Director	Jih-Chang Yang	5	0	71%	
Director	Wu-Shung Hong	7	0	100%	
Director	Wei-Shin Ma	4	1	57%	
Independent Director	Ming-Ling Hsueh	7	0	100%	
Independent Director	King-Ling Du	7	0	100%	
Independent Director	Shiang-Chung Chen	5	0	71%	
Supervisor	Wen-Yuan Chu	7	0	100%	
Supervisors	Walsin Technology Corporation Representative: Yeu-Yuh Chu	5	0	71%	
Supervisors	In-Shek Hsu	6	0	86%	

Note 1: Appointed for the first time in the re-election at annual shareholders' meeting on May 25, 2016; Named as Vice Chairman by the Board of Directors on July 29, 2016; Two meetings were scheduled during the tenure in 2016. Therefore, the actual attendance percentage was 50%.

Note 2: Director Wen-Chung Chang resigned on March 1, 2016. Two meetings were scheduled during his tenure in 2016. Therefore, the actual attendance percentage was 50%.



Other details that need to be recorded in meeting minutes:

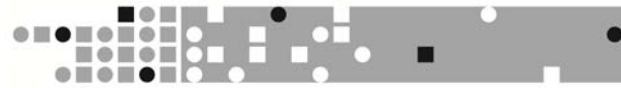
1. In the event of the occurrence of any of the following scenarios with the operation of the Board of Directors, the dates of meetings, session number, resolution, opinions of all Independent Directors and the Company's subsequent action in response to these opinions shall be clearly stated:

(1) Matters and items stipulated in Article 14-3 of the Securities and Exchange Act.

December 31, 2016

Board of Directors	Resolution & Subsequent Action	Article 14-3 of the Securities and Exchange Act Listed Matters & Items	Independent Directors with Opposing or Reserved Opinions
17th Board Meeting 11th Meeting January 15, 2016	Description: Discussion on proposed revision of the Company's regulations for the acquisition or disposal of assets Resolution: Proposal passed.	✓	
	Description: Proposal to approve one-year loans among subsidiaries and capital increase and decrease for related subsidiaries to facilitate the aforementioned lending operation. Resolution: Proposal passed.	✓	
	Description: Proposal to dispose the land and plant of Nanjing Walsin Metal Co., Ltd. Resolution: Revision passed. (Motion passed as proposed, with amendments made to the duration)	✓	
	Description: Proposal to transfer 19% of the shares of Shanxi Tianhong Silicon Industrial Co., Ltd. held by Xi'an Lv Jing Technology Co., Ltd., a subsidiary 100% owned by the Company, to Jiangyin Walsin Specialty Alloy Materials Co., Ltd., for a transfer price of RMB228 million. Resolution: Proposal passed.	✓	
	Description: Proposal to sell 9.707% of the shares of Hangzhou Walsin Power Cable & Wire Co., Ltd. through the subsidiary Ace Result Global Limited. Resolution: Proposal passed.	✓	
	Description: Proposal to revise part of the articles of the Company's regulations on remunerations to Directors, Supervisors and Functional Committee members. Resolution: Proposal passed.	✓	
	Description: Motion to review manager performance as well as bonuses and compensation for 2015. Resolution: Proposal passed. Abstaining directors for avoiding conflicts of interest: Yu-Lon Chiao; Hui-Ming Cheng; Wen-Chung Chang	✓	
	Description: Proposal to change the authorized monetary cap on the disposal of land, plants, and machineries by Xi'an Walsin United Technology Co., Ltd. Resolution: Proposal passed.	✓	
	Opinions of Independent Directors: None		
The Company's reaction to the opinions of Independent Directors: None			

Board of Directors	Resolution & Subsequent Action	Article 14-3 of the Securities and Exchange Act Listed Matters & Items	Independent Directors with Opposing or Reserved Opinions
17th Board Meeting February 26, 2016	Description: Proposal to revise the questionnaires annexed to the Company's regulations on reviewing the performance of the Board of Directors. Resolution: Proposal passed.	✓	
	Description: The Company's distribution proposal of remunerations to employees, Directors and Supervisors for 2015. Resolution: Proposal passed. Abstaining directors for avoiding conflicts of interest: Yu-Lon Chiao; Hui-Ming Cheng	✓	
	Description: Proposal to prepare the Company's management's reports on the internal control system for 2015 Resolution: Proposal passed.	✓	
	Description: Motion to approve the annual compensation to the commissioned accounting firm Deloitte Touche Tohmatsu Limited as well as assess the independence of certified public accountants. Resolution: Proposal passed.	✓	
	Description: Proposal to revise the Company's regulations governing the lending of funds to a third party. Resolution: Proposal passed.	✓	
	Description: Proposal to lift the non-competition ban on Directors imposed by Article 209 of the Company Act. Resolution: Proposal passed. Abstaining directors for avoiding conflicts of interest.: Yu-Lon Chiao	✓	
	Opinions of Independent Directors: None		
The Company's reaction to the opinions of Independent Directors: None			
17th Board Meeting March 8, 2016	Description: Proposal to lift the non-competition ban on newly appointed Directors. Resolution: Proposal passed.	✓	
	Opinions of Independent Directors: None		
The Company's reaction to the opinions of Independent Directors: None			
17th Board Meeting April 8, 2016	Description: Proposal to lift the non-competition ban on Directors imposed by Article 209 of the Company Act. Resolution: Proposal passed.	✓	
	Opinions of Independent Directors: None		
The Company's reaction to the opinions of Independent Directors: None			
17th Board Meeting April 29, 2016	Description: In order to increase the efficiency with which the Company utilizes its capital, it is proposed to use Walsin China Investment Co., Ltd. as the main operating company in the mainland China area to set up a cross-border capital pool for renminbi and	✓	



Board of Directors	Resolution & Subsequent Action	Article 14-3 of the Securities and Exchange Act Listed Matters & Items	Independent Directors with Opposing or Reserved Opinions
	foreign currencies. Resolution: Proposal passed.		
	Proposal: Walsin (Nanjing) Development Co., Ltd. to continue construction of development phase 2 on the A and B plots of land and to obtain the right of use of the green space between the two plots. Resolution: Proposal passed.	✓	
	Views from the independent directors: None		
	The Company's treatment of the views from the independent directors: None		
17th Board Meeting July 29, 2016	Proposal: To continue buying liability insurance for the current directors, supervisors and important staff members. Resolution: Proposal passed.	✓	
	Proposal: To adjust the organization of the Company's first-class units and to change their managers. Resolution: Adjusted and passed. (The changes of managerial positions were passed as proposed except the change of the deputy CEO's duty) Directors Ms. Patricia Chiao. withdrawing from the meeting:	✓	
	Views from the independent directors: None		
	The Company's treatment of the views from the independent directors: None		
17th Board Meeting October 28, 2016	Proposal: To amend the internal control system for the Company's shareholder services unit. Resolution: Proposal passed.	✓	
	Proposal: To decrease the capital of Walsin Lihwa Holdings Co., Ltd. by US\$225 million. Resolution: Proposal passed.	✓	
	Proposal: To dispose of an office building constructed by Walsin (Nanjing) Development Co., Ltd. on the A B plots of land under development phase 1. Resolution: Proposal passed.	✓	
	Proposal: To appoint Independent Director Hsueh Ming-Ling as a member of the Compensation Committee. Resolution: Proposal passed. Directors Ming-Ling Hsueh. withdrawing from the meeting:	✓	
	Proposal: To amend the Regulations for the Performance Appraisal of the Board of Directors of the Company. Resolution: Proposal passed.	✓	
	Proposal: To amend partial articles of the Regulations for Payments of Remunerations to the Directors, Supervisors, Members of Functional Committees of the Company. Resolution: Proposal passed.	✓	

Board of Directors	Resolution & Subsequent Action	Article 14-3 of the Securities and Exchange Act Listed Matters & Items	Independent Directors with Opposing or Reserved Opinions
	Proposal: Suggestion on the remunerations for the Company's Chairman and Vice Chairman. Resolution: Proposal passed. Directors Yu-Lon Chiao. withdrawing from the meeting:	✓	
	Proposal: To amend the Regulations Governing the Performance Appraisal and Remunerations for the Company's Managers. Resolution: Proposal passed. Directors Hui-Ming Cheng. withdrawing from the meeting:	✓	
Views from the independent directors: None			
The Company's treatment of the views from the independent directors: None			

(2) In addition to the foregoing, there were other matters to be resolved by directors board meetings about which an independent director expressed objections or reservations that had been included in records or stated in writing: Not applicable.

2. That the directors withdrew from the meetings on the agenda item due to conflicts of interests totaled seven times:

2016/12/31

Title	Date Board & Meeting numbers	Name of Director	Content of motion	Reason for avoidance	Voted or not
1	2016/01/15 The 17th Borad, 11th Meeting	Yu-Lon Chiao Hui-Ming Cheng Wen-Chung Chang	Proposal for deliberation on the performance appraisal and bonus rewards of the Company's mangers in 2015.	Personal interests	Withdrawal from voting rights as provided by law
2	2016/02/26 The 17th Borad, 12th Meeting	Yu-Lon Chiao Hui-Ming Cheng	Proposal for distribution of compensation for the Company's employees and directors & supervisors.	Personal interests	Withdrawal from voting rights as provided by law
3	2016/02/26 The 17th Borad, 12th Meeting	Yu-Lon Chiao	To release the prohibition on directors from participating in competitive businesses as per Article 209 of the Company Act.	Personal interests	Withdrawal from voting rights as provided by law
4	2016/07/29 The 17th Borad, 16th Meeting	Patricia Chiao	To adjust the organization of the Company's first-class units and to change their managers.	Personal interests	Withdrawal from voting rights as provided by law
5	2016/10/28 The 17th Borad,	Ming-Ling Hsueh.	To appoint Independent Director Hsueh Ming-Ling	Personal interests	Withdrawal from voting



Title	Date Board & Meeting numbers	Name of Director	Content of motion	Reason for avoidance	Voted or not
	17th Meeting		as a member of the Compensation Committee.		rights as provided by law
6	2016/10/28 The 17th Borad, 17th Meeting	Yu-Lon Chiao	Suggestion on the remunerations for the Company's Chairman and Vice Chairman.	Personal interests	Withdrawal from voting rights as provided by law
7	2016/10/28 The 17th Borad, 17th Meeting	Hui-Ming Cheng	To amend the Regulations Governing the Performance Appraisal and Remunerations for the Company's Managers.	Personal interests	Withdrawal from voting rights as provided by law

3. Evaluation of achieving the objectives of the board's functions in the current year and the most recent year (e.g. establishing an Audit Committee and rising information transparency):

- (1) Formulation of regulations related to the corporate governance: In addition to explicitly stating the powers and duties of the Board of Directors in the company's articles of incorporation, the Company also follows rules and regulations including the "Board of Directors Procedural Regulations", "Guidelines for the Ethical Conduct of Directors and Supervisors", "Procedures for the Processing of Critical Internal Information", "Corporate Governance Principles and Practice", "Corporate Management Integrity Principles", "Behavioral Guidelines and Operation Procedures for Honest Practices", "Guidelines for the Ethical Conduct of Employees", "Procedures for Stakeholder Complaints and Recommendations for the Supervising Department", "Practical Guidelines for Corporate Social Responsibility" and "Corporate Social Responsibility Policies" in order to strengthen operations of the Board of Directors as well as corporate governance.
- (2) We increase the performance appraisal for the Board of Directors and functional committees: Members of the Company's Board of Directors and functional committees shall, based on the "Regulations Governing the Performance Appraisal and Remunerations for the Board of Directors (Including Functional Committees)" that the Compensation Committee has formulated by referring to its latest version of such regulations published by the competent authority, conduct the self- and peer-assessment as per the evaluation indicators annually in Decembe, and adopt the Board of Directors' overall performance appraisal to be conducted by external experts once in three years, so as to measure the Board's operational performance in leading the Company's strategy direction and supervising the Company's operation management. By so doing, we may increase the long-term value for our shareholders.
- (3) We actively participate in the corporate governance: In addition to actively participating in the corporate governance issues and enhancing the transparency in the information disclosure, the Company has been consecutively ranked in the top 20% in corporate governance evaluations. In addition to active participation in the corporate governance evaluations, the Company also forms projects to improve the items of corporate governance in order to enhance our capability in the corporate governance.
- (4) The Company, in order to bring to play the Board of Directors' functions and decision quality, convenes strategy meetings on a quarterly basis to help the Directors and Supervisors understand better the Company's finance, sales, major management strategy adoption and the implementation of relevant plans; it also convenes operational meetings on a quarterly basis to enhance the quality and performance of the Board's decision-making through in-depth understanding of the operation contents compiled and reported by the management unit. At the same time, in the course of the meeting, the Directors and Supervisors

may also provide the management unit with very effective guidance by dint of their professionalism and experiences.

- (5) We authorize our Independent Directors to make the most of their expertise, and to often get involved in the corporate investment assessment projects and corporate governance items. Starting from May 2017, the Audit Committee shall be formally established by our Independent Directors to consider the scope of such committee's proposals provided by the Securities and Exchange Act.
- (6) We voluntarily disclose the relevant laws and regulations which we comply with, and major resolutions of the Board of Directors on our website and the Market Observation Post System (MOPS), so as to facilitate the shareholders' understanding of our recent status and enhance the transparency of our information.

(2) Operation of the Audit Committee or the status of Supervisors participating in the operation of the Board

1. Operational status of the Audit Committee: None, because our Audit Committee has not yet been set up.
2. Attendance of supervisors in the Board meetings:

The current term of Board of Directors held 7 sessions in 2016, and the status of the Supervisors' attendance in such sessions went as follows:

2016/12/31

Job title	Name	Number of meetings attended	Actual attendance rate	Remarks:
Supervisor	Wen-Yuan Chu	7	100%	
Supervisor	Walsin Technology Corporation Representative: Yeu-Yuh Chu	5	71%	
Supervisor	In-Shek Hsu	6	86%	

Other matters required to be recorded:

1. Composition and responsibility of Supervisors: Supervisors are elected by the Shareholders Meeting according to the law. They shall periodically review the Company's internal audit reports and attend the Board meetings to oversee their operation. Each year they review the relevant financial statements and submit them to the Shareholders Meeting.

(1) Status of communications between Supervisors, employees and shareholders:

When required for carrying out auditing operations, Supervisors may obtain information regarding the overall operation of the Company as well as its finances or financial risk situations through the internal auditing head, Finance Department head, or Accounting Department head via meetings or telephone communications.

(2) Status of communications between Supervisors, internal auditing head and the CPA:

- A. Supervisors are to hold periodic meetings with the CPA at least once a year. The CPA is to report to the Supervisor on the Company's financial status, the financial statuses and overall operating statuses of the Company's subsidiaries at home and abroad, as well as the status of the internal control and auditing operations. Issues including whether or not there have been major entry adjustments as well as whether or not changes to any laws have affected the Company's books are to be thoroughly communicated; Meetings can be called at any time when major issues are encountered.
- B. Supervisors shall appoint the CPA to review the Company's financial statements, with review reports given to Supervisors for perusal.
- C. Internal auditing head shall meet with Supervisors at least once a quarter to provide reports regarding the status of the Company's internal auditing operations as well as the status of the company's internal control operations; Meetings can be called at any time when major issues are encountered.



2. If Supervisors attending a Board meeting have opinions, the Company shall indicate the date and session of the meeting, the issues discussed, the resolutions passed, and the Company's reaction to such opinions: Not applicable.

(3) The differences between our corporate governance and the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies and the reasons:

Items for appraisal	Actual governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and the reasons
	Yes	No	Summary description	
1. Has the company set and disclosed the principles for practicing corporate governance according to the "Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies?"	Yes		The Company has formulated the Corporate Governance Principles and Practice according to the "Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies" and disclosed them on the Company's website. http://www.walsin.com/walsin/userfiles/file/201411-09rule.pdf	In line with the Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies
2. The Company's ownership structure and shareholders' equity				
(1) Has the company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	Yes		(1) Our Shareholders Service Office is in charge of handling various shareholder recommendations, queries, and disputes. The Company also provides related contact details on the Company's website and in the annual report and has set up a stakeholder mailbox to collect stakeholders' questions and suggestions.	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.
(2) Has the company had a list of major shareholders who actually control the company or a list of ultimate controller of such shareholders?	Yes		(2) The Company periodically discloses the list of ultimate controllers of its principal shareholders pursuant to the law.	
(3) Has the company established and implemented risk control/management and firewall mechanisms between the company and its affiliated firms?	Yes		(3) 1. The Company has drafted rules governing the supervision of its subsidiaries, which have been approved by the Board. 2. All of the Company's affiliates are subsidiaries; the Company directly or indirectly retains at least 50% of their shares. Business dealings with affiliates are treated as transactions with third parties. 3. The Company has drawn up rigorous rules governing the lending of funds and the providing of guarantees to its affiliates.	
(4) Has the company set internal regulations that prohibit the company's personnel from taking	Yes		(4) In order to establish an effective handling and disclosure mechanism for major internal information processing operations, so that unauthorized information leakage can be avoided, consistency and accuracy of	



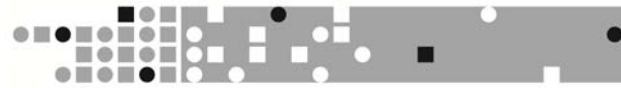
Items for appraisal	Actual governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and the reasons
	Yes	No	Summary description	
<p>advantage of information that has not been disclosed to the public to purchase or sell securities?</p>			<p>information disclosed by the Company to the public can be maintained, and insider trading can be prevented, the Company has established the "Procedures for Major Internal Information Processing Operations," for observation by all. In addition, the Company has made available copies of such procedures to the Company's Directors and Supervisors, incorporated them in the Company's internal regulations, and uploaded an electronic copy to the Company's electronic bulletin board for the perusal by all managerial officers and employees at any time. The Company's Employee Code of Ethical Conduct and Supervisor Code of Ethical Conduct were approved at the 5th and 6th session of the 17th Board of Directors on 2015/02/17 and 2015/04/01, respectively. Such codes are regulations pertaining to the prohibition of insider trading pursuant to the Company's internal regulations and the Securities and Exchange Act. These codes are incorporated in the Company's internal regulations, and uploaded as an electronic copy to the Company's electronic bulletin board for the perusal by relevant personnel.</p>	
<p>3. The composition and duties of the Board</p> <p>(1) Has the Board of Directors devised a plan for a more diverse composition of the Board? If so, has the plan been implemented?</p> <p>(2) In addition to establishing a Compensation Committee and an Audit Committee, which are required by law, is the company willing to also voluntarily establish</p>	<p>Yes</p> <p>Yes</p>		<p>(1) The Company's "Corporate Governance Guidelines and Practices" already includes clear guidelines for diversifying the Board of Directors. When the Company re-elected its board members in 2015, it followed this principle of diversity and elected not only shareholders, but also industry elites and financial/accounting experts. In order to promote and realize gender equality, increase the number of women participating in the decision-making process, as well as to enhance the composition of the Board of Directors, we also have women on our Board of Directors. Diversification of the Board of Directors' members has been implemented as shown in Note 3.</p> <p>(2) On 2011/09/27, the Company established a Compensation Committee and drew up the "Regulations Governing the Organization of the Compensation Committee". The Compensation Committee is comprised of three members, currently independent directors. The Committee is aimed at helping the Board establish and periodically review the</p>	<p>In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.</p>



Items for appraisal	Actual governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and the reasons
	Yes	No	Summary description	
<p>other types of functional committees?</p> <p>(3) Has the company established methods for appraising the performance of the Board of Directors as well as actual procedures for executing the appraisals? If so, has the company executed appraisals of the performance of the Board annually?</p>	Yes		<p>performance appraisals of Directors, Supervisors, and managers, and their remuneration policy, system, standards, and structure, as well as periodically review and determine the remunerations for Directors, Supervisors, and managers.</p> <p>The Company plans to set up an Audit Committee in 2017. To smooth the operation of the Audit Committee in 2017, the 11th session of the 17th Board of Directors approved to set up a "Quasi-Audit Committee" composed of Independent Directors and Supervisors, who would perform according to the mode of the Audit Committee during the period from 2016/04/01 to the election of the next term of Board of Directors in the 2017 Shareholders Meeting. This is to ensure the supervision of the Company's financial reports, internal control quality, and the relationship with the CPA, so that the Audit Committee, once established, will start operation smoothly.</p> <p>The "Quasi-Audit Committee", from its establishment to the end of 2016, convened four meetings (including one preparatory meeting). The "Audit Committee" is scheduled to be officially set up in the Shareholders Meeting on 2017/05/26 when the new Independent Directors will be elected. The Audit Committee will improve our corporate governance, upgrade supervision, and strengthen management. Through its sound independence and function, it will also effectively prevent the risk in conflicts of interests relevant to businesses.</p> <p>(3) To improve our corporate governance, on 2015/10/28, the 10th session of the 17th Board of Directors approved the proposal of the Compensation Committee to amend and divide the "Regulations Governing the Performance Appraisal and Remunerations for the Board of Directors (Including Functional Committees)" into the "Regulations for the Board of Directors' Performance Appraisal" and the "Regulations for the Payment of Remunerations to Directors, Supervisors and Members of Functional Committees". In accordance with the latest regulations, the Company's Board members in December of each year evaluate their own performance based on established indicators regarding the leadership in strategy direction and supervision of</p>	



Items for appraisal	Actual governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and the reasons
	Yes	No	Summary description	
(4) Has the company periodically evaluated the level of independence of the CPA?	Yes		<p>the Company's operation/management in an effort to improve shareholders' long-term value.</p> <p>On 2016/10/28, the 17th session of the 17th Board of Directors amended the "Regulations for the Board of Directors' Performance Appraisal" by adding thereto the implementation of such appraisal: an external professional institution or a group of external experts and scholars better conducting appraisal at least once in three years, and the Board having to implement the performance appraisal annually when the current year ends.</p> <p>(4) Before we appoint a new CPA annually, its independence shall be examined by the Audit Committee and Board of Directors for approval by resolution. In addition, we request the CPA to provide an "Impartiality and Independence Statement" each year. We have to confirm that except for the expenses paid to the CPA for certifying our financial statements and for handling certain financial, tax affairs, we have no other business dealings with the CPA, and that their family members have not violated the independence requirements. Only after such confirmation, will we consider the CPA's appointment and the relevant expenses.</p> <p>Items for assessment of the CPA's independence are shown as Note 4.</p>	
4. Has the TWSE- or TPEX-listed company set up the dedicated or non-dedicated unit or staff in charge of the corporate governance-related affairs (including but not limited to providing information for the Directors and Supervisors to execute their duties, handling the affairs related to the Board meetings and the Shareholders Meeting as prescribed by law, handling the company's registration or its amendments, preparing the minutes of the Board	Yes		<p>1. Our President's Office is responsible for the corporate governance-related affairs and centrally corporates with all other divisions in handling such affairs. Besides, both our Legal Office and Shareholders Service Office are jointly responsible for the affairs relevant to the Board's meetings and the Shareholders Meeting, preparation of such meetings' minutes, the Company's registration and its amendments, etc.</p>	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.



Items for appraisal	Actual governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and the reasons
	Yes	No	Summary description	
meetings and the Shareholders Meeting, etc.)?				
5. Has the company established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), set up a dedicated stakeholder area on the company's website, as well as appropriately responded to important CSR issues that stakeholders are concerned about?	Yes		<p>1. The Company has been maintaining open communication channels with interested parties that include customers, shareholders, banks it has business dealings with, employees, suppliers, communities, competent authorities, or persons so connected with the Company. Communication channels can be found on the Company's internal and external websites as well as in its annual reports, to facilitate understanding of the Company's CSR issues that stakeholders are concerned about, so that appropriate responses can be made.</p> <p>2. The Company has established the "Procedures for Stakeholder Complaints and Recommendations for the Supervising Department", through which stakeholders can communicate with the Company's supervisory units directly, propose constructive advice, and file complaints. The Company has a contact channel on its website designated to stakeholders; a mailbox also exists on the employee portal site, thus providing internal and external personnel with a means to make suggestions and file complaints to the Company. Information received shall be handled by the Auditing Office.</p>	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.
6. Has the company appointed a professional shareholders service agency to handle affairs related to the Shareholders Meeting?	Yes		The Company has handled such affairs by itself since March 1993.	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.
7. Information disclosure (1) Has the company established a corporate website to disclose information regarding the company's financial, business and corporate governance statuses? (2) Has the company adopted other ways to disclose information (e.g., maintaining an English-language website,	Yes Yes		<p>(1) Please visit Walsin Lihwa Corporation's Chinese/English website: www.walsin.com</p> <p>(2) The Company has a dedicated department for collecting its information and periodically updating its website. The Company has implemented one-spokesperson policy, with one or more deputy spokespersons. It has also established the "Procedures for Major Internal</p>	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.

Items for appraisal	Actual governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and the reasons
	Yes	No	Summary description	
appointing responsible people to handle corporate information collection and disclosure, appointing spokespersons, webcasting investor's conferences, etc.)?			Information Processing Operations" that requires management as well as employees to properly keep financial as well as business secrets. We also require that personnel follow the "Corporate Governance Principles and Practices". Any change of our spokesperson or deputy spokespersons shall immediately be made public. The Company's website regularly discloses major announcements, transactions with key stakeholders, and investors conferences at: http://www.walsin.com/walsin/page.do?menuId=65	
8. Has the company had other information that is helpful for understanding the status of corporate governance (including but not limited to employee rights and interests, investor relations, supplier relations, rights of interested parties, further education sought by Directors and Supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the taking out of liability insurance for Directors and Supervisors)?	Yes		<p>1. Please read "(5) Implementation of Corporate Social Responsibility" of this year's Annual Report for information concerning the Company's systems, measures, implementation of employee rights and interests, investor relations, supplier relations, and rights of interested parties.</p> <p>2. Please read "3. Corporate Governance Report-Status of Corporate Governance (8)," "Financial Condition and Review and Analysis of Financial Performance and Risks 6" and "3. Corporate Governance Report-(6) The status of the Company fulfilling its honest operation promise and the measures it has taken" of this year's Annual Report for Directors and Supervisors seeking further education, risk management policies, and risk evaluation standards, implementation of customer policies and liability insurance taken out for Directors and Supervisors.</p>	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.
<p>9. With respect to the results of the annual Corporate Governance Evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved.</p> <p>1. With respect to the 2015 Corporate Governance Evaluation results, our improvements in 2016 are as follows: We have paid the dividends to the shareholders as resolved by the Shareholders Meeting within 30 days from the ex-dividend date; our Directors and Supervisors have completed the further study as regulated; we have set up the dedicated stakeholders area on our website to understand and respond to the CSR-related issues concerned by the stakeholders; we have not violated any major CSR provision subject to punishment; and our CSR report has been verified by a third party.</p> <p>2. Matters to be improved by priority and the measures: We will continue to pay attention to such matters as the work safety, environmental pollution and product safety; we plan to amend the dividend policy and hold investors conferences.</p>				



Note 1: The company shall provide explanations in the summary description box, regardless of whether actual governance is ticked "Yes" or "No."

Note 2: The corporate governance self-evaluation report mentioned here refers to the corporate governance evaluation conducted and explained by the company itself, and is a report on how the company enforces corporate governance.

Note 3: Diversification of the Board of Directors' members has been implemented as follows:

Job title	Name	Sex	Diversified items							
			Administrative management	Industry knowledge	Economic and financial law	Industrial technology	Marketing	Procurement	Information technology	Green energy and environmental protection
Chairman	Yu-Lon Chiao	M	✓	✓		✓	✓			
Vice Chairman	Patricia Chiao	F	✓	✓			✓	✓		
Director	Yu-Cheng Chiao	M	✓	✓		✓			✓	
Director	Yu-Heng Chiao	M	✓	✓		✓			✓	
Director	Hui-Ming Cheng	M	✓	✓	✓					✓
Director	Jih-Chang Yang	M	✓	✓		✓				✓
Director	Hong, Wu-Shung	M	✓	✓		✓	✓			
Director	Ma, Wei-Shin	F	✓	✓			✓			
Independent Director	Ming-Ling Hsueh	M	✓	✓	✓					
Independent Director	King-Ling Du	M	✓	✓		✓	✓	✓		✓
Independent Director	Shiang-Chung Chen	M	✓	✓			✓		✓	
Supervisor	Wen-Yuan Chu	M	✓	✓				✓		
Supervisor	Yeu-Yuh Chu	M	✓	✓		✓	✓			
Supervisor	In-Shek Hsu	M	✓	✓		✓			✓	



Note 4: Items for assessment of the CPA's independence

Items for appraisal	Appraisal results	Independence compliance
1. Have the CPA and his family members had direct or significant/indirect relations with the company in financial interests?	No	Yes
2. Have the CPA and his family members had any financing or guarantee with the company or its directors?	No	Yes
3. Have the CPA and his family members had commercial relations with the company, its directors, supervisors and managers, which affects the CPA's independence.	No	Yes
4. Currently or in the most recent two years, has the CPA held the posts in the company, such as the director, supervisor, manager or any post which significantly influences the auditing work? Has the company promised its CPA any foregoing post?	No	Yes
5. During the auditing period, does the CPA have the direct blood relations, direct relations by marriage, or collateral blood relations within the second degree of kinship with the company's directors, supervisors, or managers?	No	Yes
6. During the auditing period, does any family member of the CPA hold the posts in the company, such as the director, supervisor, managers or any post which significantly influences the auditing work?	No	Yes
7. Has the CPA acted as a broker for the shares or other securities issued by the company?	No	Yes
8. Has the CPA acted as the company's defense attorney or represented the company to negotiate with any third party over any dispute?	No	Yes
9. Has the CPA received from the company or its directors, supervisors, managers, or major shareholders any offer or gift, the value of which exceeds the usual social etiquette standards?	No	Yes
10. Has the CPA's audit team implemented the necessary procedures regarding independence/conflicts of interests? Is there any violation of the independence or any unsettled conflict of interests?	No	Yes
<p>Note: Family members: They mean the CPA's spouse (or cohabitant), minors or other dependents. Close relatives: They mean the CPA's direct blood relatives, direct relatives by marriage, and siblings. Auditing period: It usually begins from the date on which the members of the audit team start auditing and ends on the date when the audit report is issued. If the audit case is cyclical, the cycle period belongs to the auditing period.</p>		



(4) Composition, duties, and operation of the Compensation Committee:

On 2011/09/27, the Company established the Compensation Committee and drew up the "Regulations Governing the Organization of the Compensation Committee". The Compensation Committee is comprised of three members, who currently all are Independent Directors. The Committee is aimed at helping the Board establish and periodically review the performance appraisal of Directors, Supervisors, and managers, and the remuneration policy, system, standards and structure, as well as periodically review and determine the remunerations for Directors, Supervisors and managers.

1. Information of the members of the Compensation Committee

Identity	Name	Whether possessing at least five-year work experience and the following specialized qualifications			Meet the independence criteria (Note)								Number of other public companies in which the member also serves as a member of their compensation committees	Remarks
		An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the company in a public or private junior college or university	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company, who has passed a national examination and received a certificate	Having work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	King-Ling Du	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Shiang-Chung Chen	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Ming-Ling Hsueh	Yes	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	4	(A)
Others	Yi-Min Chen	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	1	(B)

Note: If the member meets any of the following criteria in the two years before being elected or during the term of office, please check "✓" in the corresponding box.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. Except in the case of the company or its parent company, an independent director is set by the company in accordance with the Company Act of the R.O.C. or a local law in the foreign country.
- (3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minors, and shares held under others' names, exceeds 1% of the total number of outstanding shares of the company, or ranks in the top ten shareholders of the company.
- (4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of any of the persons in the preceding three paragraphs.
- (5) Not a director, supervisor or employee of a juristic-person shareholder that holds directly 5% or more of the total number of outstanding shares of the company or ranks in the top five shareholders.
- (6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.

(7) Not a professional or an owner, partner, director, supervisor, manager together with his/her spouse, who provides commercial, legal, financial, accounting services or consultation to the company or any of its affiliates.

(8) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

Remarks (A): On 2016/10/28, our Board of Directors made up and appointed Mr. Hsueh Ming-Ling as a member of our Compensation Committee.

Remarks (B): On 2016/10/19, Mr. Chen Yimin resigned as a member of our Compensation Committee.

2. Operation of the Compensation Committee

(1) The Company's Compensation Committee is comprised of three members.

(2) Term for the current committee members: From 2014/08/13 until the end of the 17th Board of Directors term.

(3) The Compensation Committee met four times in 2016 and the job titles and attendance records of the committee members are as follows:

Job title	Name	Number of meetings attended	By proxy	Attendance rate (%)	Remarks
Convener	King-Ling Du	4	0	100%	
Member	Shiang-Chung Chen	3	1	75%	
Member	Ming-Ling Hsueh	—	—	-	Made up and appointed on 2016/10/28
Member	Yi-Min Chen	4	0	100%	Resigned on 2016/10/19

Other matters required to be recorded:

1. Recommendations by the Compensation Committee, which the Board of Directors did not pass or chose to adjust: Yes, a adjustment was recommended. (In the second case for discussion in the 11th session of the 17th Board of Directors, the Compensation Committee proposed to amend Article 25-1 of our Articles of Incorporation about the allocation rate of compensation to employees to read "The Company shall allocate not less than 0.1% of its profit to employees annually as reward." To boost employee's morale, the Board of Directors adjusted the allocation rate up to not less than 1% of the Company's profit.)
2. Decisions made by the Compensation Committee for which certain committee members were against or had reservations that were recorded or expressed via written statements: None.

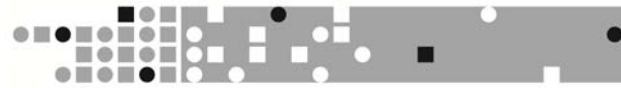


(5) Fulfillment of social responsibility

Items for appraisal	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE- and TPEX-listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
<p>1. Implementation of corporate governance</p> <p>(1) Has the company established a CSR policy or system and examination of its implementation results?</p>	Yes		<p>(1) In order to fulfill our CSR as well as promote balance and sustainable development in economy, society, and the ecological environment, we established the Walsin Lihwa CSR Policy in October 2014:</p> <p>Insisting on honesty and integrity to increase operational performance</p> <p>Enhancing corporate governance to achieve sustainable corporate development</p> <p>Creating a friendly environment and building an organization that always learns and improves</p> <p>Providing a quality environment and ensuring safety through sound management</p> <p>Implementing environmental protection and energy conservation to march towards green production</p> <p>Fulfilling our role as a corporate citizen and engaging in efforts that benefit society</p> <p>In addition, we also released our "Practical Guidelines for Corporate and Social Responsibilities," with the Board of Directors supervising the fulfillment of our social responsibilities, as well as continually reviewing our progress and results.</p>	<p>In line with the Corporate Social Responsibility Best Practice Principles for TWSE- and TPEX-listed Companies.</p>
<p>(2) Has the company provided educational training on CSR periodically?</p>	Yes		<p>(2) Since the setup of a CSR Committee, the Company has regularly held CSR-related training and education. In 2016, we invited the lecturers of Taiwan Corporate Governance Association to give two sessions of the corporate governance-related course to our Directors and Supervisors. In addition, we invited consultants of Deloitte Taiwan to give one session of the sustainable management course to our staff and suppliers.</p>	
<p>(3) Has the company established a dedicated or non-dedicated department for fulfilling CSR, with the Board of Directors authorizing high-ranking managers to handle such efforts and report the relevant progress to the Board of Directors?</p>	Yes		<p>(3) The Company's setup of a CSR promotion unit and organization was approved at the 7th session of the 17th Board of Directors on 2015/04/29. The unit regularly reports to the Board of Directors every year regarding the implementation status of the CSR promotion.</p>	
<p>(4) Has the company established reasonable salary and compensation policies, integrated employee performance appraisal system with the CSR policy, and established clear and effective reward and punishment systems?</p>	Yes		<p>(4) 1. The Company has established policies and regulations governing the remuneration to our managers and employees. We pay and compensate our employees based on market pay levels as well as individual performance.</p> <p>2. To implement CSR, our managers have annual goals that include goals for environmental protection, work safety, as well as operational management. These same goals have also been applied to sales-related departments. At the end of the year,</p>	



Items for appraisal	Actual governance (Note 1)		Deviation from Corporate Social Responsibility Best Practice Principles for TWSE- and TPEX-listed Companies and reasons for deviation
	Yes	No	
			<p>the performance shall be appraised according to the progress and results of these efforts.</p> <p>3. The company has established rewards and punishments systems for employees conduct.</p>
<p>2. Developing a sustainable environment</p> <p>(1) Has the company made efforts to improve the efficiency of resources utilization and use recycled materials which have a low impact on the environment?</p> <p>(2) Has the company established a proper environmental management system based on the characteristics of the industry?</p> <p>(3) Has the company taken note of any impacts climate change has had on its operations and engaged in measuring emissions of the greenhouse gases (GHGs), establishing a corporate energy conservation and carbon reduction strategy, as well as establishing a GHGs reduction strategy?</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>(1) All of our plant sites set their annual goals and directions in terms of energy conservation at the beginning of each year. We also increase our energy utilization rates through saving water and reducing waste. In addition, our offices also actively promote energy conservation and carbon reduction, as well as the recycling and reuse of resources. Furthermore, we also make efforts to strengthen education in these areas for the employees.</p> <p>(2) The Company has managed the environment of all our plants at home and abroad pursuant to the Government's provisions. To conform to the international environmental conventions, our plants in Taiwan (Xinzhuang Plants 1 and 2, Yangmei Copper Wire Plant, Taichung Plant, and Yenshui Plant) and in China (Shanghai Power plant, Nanjing Plant, Jiangyin Plant, Yantai Plant, and Changshu Plant) have obtained ISO 14001:2004 environmental management certifications. The Company has continued with improvements and enhanced environmental management performance in stages.</p> <p>(3) We continuously monitor any direct or indirect effects climate change may have on our operations. With regards to our products, our 600V PVC electric wire products obtained SGS carbon footprint certification, making us Taiwan's first company whose 600V PVC wire products have obtained carbon footprint standard certification. To cope with climate change and global warming, GHGs reduction is an important means, and their inventory can provide reduction basis.</p> <p>The results of the inventory can be used to set GHGs reduction goals and their priorities, so that the subsequent reduction process can be more efficient, and hence confirming the reduction results.</p> <p>The Company, since 2013, has annually confirmed the emission volume of GHGs as the first step in its own energy conservation and carbon reduction, actively conducted the carbon inventory and reduction, and constructed the "Safe Environment Information Platform--the ability to conduct GHGs inventories and to calculate carbon emission for products". Every year, all plants at home and abroad must complete the inventories of GHGs Categories 1 and 2 in the previous year and actively work hard to pass the ISO 14064-1 inspection by external</p>	<p>In line with the Corporate Social Responsibility Best Practice Principles for TWSE- and TPEX-listed Companies.</p>



Items for appraisal	Actual governance (Note 1)		Deviation from Corporate Social Responsibility Best Practice Principles for TWSE- and TPEX-listed Companies and reasons for deviation
	Yes	No	
			certification institutions. At present, Yenshui Plant has passed the ISO 14064-1 inspection, and Taichung Plant is expected to obtain the ISO 10464-1 inspection by the external certification institution. At the same time, the Company has established the internal environmental protection, safety and health information system, in which all plant sites must regularly register their inventory results. The Company will integrate these efforts to build up the abilities to conduct the overall product carbon inventory and to manage the carbon emission, with a view to increasing our product's international competitive advantage.
3. Safeguarding public welfare (1) Has the company established its management policies and procedures in accordance with relevant laws, regulations, as well as international conventions regarding human rights?	Yes		(1) The Company complies with international human rights conventions and abides by all relevant laws and regulations, including those related to gender equality, the right to work, and prohibiting discrimination, thereby protecting the rights of the employees. It has also established relevant management guidelines.
(2) Has the company established employee complaint channels as well as appropriately dealt with any such issues?	Yes		(2) The Company has established the "Procedures for Stakeholder Complaints and Recommendations for the Supervising Department", so employees may use the suggestion box or complaint hotline on the Company's website to directly communicate with, propose constructive advice to and file complaints to such department. We train new employees on the employee code of conduct and rules for executing their tasks so that they can understand our principles of integrity management. Additionally, we also introduce employees to a channel for suggestions, which is to encourage employees to report any suspicious activities or misconduct within the organization or between transacting parties; thereby damages caused by unlawful or irregular behavior will be prevented. The Company also regularly holds symposiums or labor-management meetings to ensure an unobstructed channel for communication.
(3) Has the company provided a safe and healthy work environment for employees, and provided education on safety and health for employees on a regular basis?	Yes		(3) The Company has had a safety & health management organization and management personnel, established safety work guidelines, standards for the safe operation of machinery and equipment, and periodically inspected various machines and relevant training in an effort to provide the employees with safety education and health examinations. And for the care of the employee's physical and mental health and growth, regular life lectures are held to share experience through communication with the employees.
(4) Has the company established a mechanism for regular communications with the	Yes		(4) 1. The Company has trade unions and labor-management communication meetings, through which we can regularly discuss with the



Items for appraisal	Actual governance (Note 1)		Deviation from Corporate Social Responsibility Best Practice Principles for TWSE- and TPEx-listed Companies and reasons for deviation
	Yes	No	
<p>employees and keeping them informed in a reasonable manner of its operation changes that may have significant impact on them?</p> <p>(5) Has the company established an effective career development and capability training program for its employees?</p> <p>(6) Has the company established consumer protection policies as well as complaint procedures with regards to R&D, procurement, production, operations, and service processes?</p> <p>(7) In terms of the marketing and labeling of products and services, has the company followed relevant laws, regulations, and international standards?</p> <p>(8) Before doing business with suppliers, does the company assess whether or not the suppliers have had previous records of adversely affecting the environment or society?</p> <p>(9) Have the company's contracts with major suppliers included a clause that states that if the suppliers violate their CSR policies, resulting in significant impacts to the environment and society, the company has the right to terminate the contracts at any time?</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>employees over labor-management issues.</p> <p>2. The Company has constructed a Web portal (intranet communication platform for communication), which is updated twice a month, regularly publishes "Walsin People's e-Newsletter" to share important operation and management information, and, through electronic bulletin board postings, announces or conveys the Company's important information, in order that colleagues can immediately grasp the Company's latest news or activities.</p> <p>3. The Company has set a corporate mailbox that provides a channel of communication between employees and the Company.</p> <p>(5) Each year, the Company provides appropriate training courses and budgets according to the current job requirements and career development needs of the employees.</p> <p>(6) The products that we manufacture are not end-user ones, therefore, we do not directly come into contact with the average consumers. However, if our suppliers or customers have issues regarding the protection of consumer interests, they can submit their complaints or recommendations through the stakeholder communication channel.</p> <p>(7) The marketing and labeling of our Company's products and services comply with domestic laws and regulations, the laws and regulations of the location where our products or services are sold, as well as the international standards.</p> <p>(8) The Company has established evaluation mechanisms for the selection of our suppliers. We have also established plans for implementing the CSR measures. Past records of the impact our potential suppliers have had on society and the environment are taken into consideration during these evaluations, which allows for an even more comprehensive supplier evaluation mechanism.</p> <p>(9) The Company shall immediately terminate or rescind contracts with any supplier who are involved in violation of the CSR policy. If there is any doubt of significant impact a supplier's products will have on the environment and society, the supplier shall, within the time limit required by the Company, make improvements and handle the dispute on their behalf or our behalf. If the Company sustains any damage therefrom, the supplier shall take full responsibility and a clause of full indemnification shall be added to the current standard contract and any new purchase order, and such clause shall be included in the new or renewed contract.</p> <p>In addition, we request our key suppliers and new suppliers to sign and return to us a "Supplier Management Commitment to Social</p>	



Items for appraisal	Actual governance (Note 1)		Summary description (Note 2)	Deviation from Corporate Social Responsibility Best Practice Principles for TWSE- and TPEX-listed Companies and reasons for deviation
	Yes	No		
			Responsibility" so that suppliers and we can jointly realize the commitment to CSR.	
4. Improved Information Disclosure (1) Has the company disclosed relevant and reliable CSR information on its website as well as on the MOPS?	Yes		As of June 2015, we have regularly published CSR report, which we disclose on our website as well as on the MOPS.	In line with the Corporate Social Responsibility Best Practice Principles for TWSE- and TPEX-listed Companies.
5. If your company has established CSR principles based on "Corporate Social Responsibility Best Practice Principles for TWSE- and TPEX-listed Companies", please describe differences between the principles and their implementation: No differences.				
6. Other key information useful for explaining the status of CSR practices: 1. With regard to developing a sustainable environment, please refer to "Operating Status, Environmental Protection Expenditure Status" in the annual report. 2. With regard to the Company's observing relevant labor regulations by safeguarding the lawful rights and interests of its employees, and providing a safe and healthy work environment for its employees, please refer to "Operating Status, Labor-Management Relations" in the annual report.				
7. If the CSR reports have received verification from external institutions, further explanation is required: The Company appointed Deloitte Taiwan to conduct third-party verification on its 2015 CSR Report, and obtained their verification statement. As of the publication date, the Company's 2016 CSR report was still being verified by Deloitte Taiwan, and the verification statement is expected in May 2017.				

Note 1: Always provide explanations in the summary description box, regardless of whether actual governance is ticked "Yes" or "No."

Note 2: If the company has prepared the CSR report, the summary description may just instead indicate the method to consult such report and the corresponding index page numbers.

(6) The status of the company fulfilling its integrity management and the measures it has taken:

Assessment items	Implementation status		Summary description	Deviation from "Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies" and reasons for deviation
	Yes	No		
I. Establishment of integrity policies and solutions (1) Has the company stated its ethical corporate management policies and practices, as well as the commitment of the Board of Directors and management to actively implement such policies in the company's internal rules and external documents? (2) Has the company established plans for preventing dishonest behavior? Has it clearly stated relevant operational procedures and behavioral guidelines within	Yes		(1) The Company has always insisted on honest business practices. We have abided by the laws set forth by the government, implemented our corporate governance, and made our utmost effort to fulfill our corporate responsibilities. Our Board has adopted by resolution our "Principles for Honest Business Practices" and our "Behavioral Guidelines and Operation Procedures for Honest Practices" as disclosed on our website. Our managers are also committed to implementing honest business practices as well as to ensuring that honest business principles are followed. (2) 1. In accordance with the Company's "Principles for Honest Business Practices and Behavioral Guidelines" and "Operation Procedures for Honest Practices", it has established punishment policies and a complaint filing system for employees who	In line with the "Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies".



Assessment items	Implementation status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies" and reasons for deviation
	Yes	No	Summary description	
<p>each plan? Has it implemented and executed these plans?</p> <p>(3) Has the company established measures to prevent the behavior listed in all the items under Article 7 paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies" or other business activities with higher risk of dishonest behavior?</p>	Yes		<p>violate relevant regulations, which is integrated with the employee performance appraisal.</p> <p>2. The Company has formulated the "Director and Supervisor Code of Ethical Conduct" and "Employee Code of Ethical Conduct", which mandate that stakeholders must adhere to principles of honesty and integrity in order to ensure sound corporate governance.</p> <p>3. The Company has formulated the "Regulations Governing the Handling of Business by Employees", stipulating that when performing their duties, employees shall not accept bribes or other improper benefits from companies, customers, competitors, and suppliers, or bribe others.</p> <p>4. We also communicate our collective values through the Company's intranet communication platform, thereby encouraging and strengthening the self-regulating attitudes and behavior of our employees.</p> <p>(3)The provision and scope of Article 6 of the Company's "Principles for Honest Business Practices" have already encompassed the behavior listed in all the items of Article 7 paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies" or other business activities with higher risk of dishonest behavior. The Company has reinforced relevant preventive measures by implementing internal regulations, establishing operating procedures, providing training, engaging in daily promotions, and linking contract agreements with employee performance appraisals.</p>	
<p>2. Ensuring honest business practice</p> <p>(1) Has the company evaluated the honest business practices records of the companies it does business with as well as explicitly included honest business practices clauses in contracts?</p> <p>(2) Has the company established a</p>	Yes	Yes	<p>(1) 1. The Company prevents transacting with companies with dishonest business practice records by adopting the following approaches:</p> <p>(1) When selecting a supplier partner, we will review its past trading history and credit record. When inviting bids, we will inform suppliers of the fair, open, and transparent principle in supplier selection.</p> <p>(2) Entity we are selling to: Except for procurement projects from the government, the Company will track the long-term credit information of distributors, with the reputation of new distributors obtained through credit agencies and other companies in the industry.</p> <p>2. Including honest practice provisions in contracts:</p> <p>(1) Procurement contracts: We have either had honest business practices clauses added to the contracts or have the supplier sign an honest business practices statement.</p> <p>(2) Sales contracts: Honest business practices clauses have been added to all such contracts.</p> <p>(2) Pursuant to Article 16 of our "Principles for Honest</p>	In line with the Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies.



Assessment items	Implementation status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies" and reasons for deviation
	Yes	No	Summary description	
<p>dedicated or non-dedicated department under the Board of Directors to ensure honest business practices? And does this department periodically report their status of implementations to the Board of Directors?</p> <p>(3) Has the company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?</p> <p>(4) Has the company established effective accounting systems and internal control systems in order to ensure honest business practices, and does it have its internal auditing department periodically perform audits or have its CPA conduct audits?</p> <p>(5) Has the company periodically organized internal and external education and training on honest business practices?</p>	Yes		<p>Business Practices", the Board of Directors resolved and set up an "Honest Business Practice Committee" in 2015. The Committee is responsible for establishing the integrity management policies and misconduct prevention programs, and supervising the implementation thereof. It periodically meets at least once a quarter, and regularly reports its implementation status to the Board of Directors annually.</p> <p>(3) The Company has established the "Principles for Honest Business Practices" and "Behavioral Guidelines and Operation Procedures for Honest Practices" to regulate Directors, Supervisors, managers and employees in terms of obligations to the Company, external business activities, pecuniary transactions, avoidance of conflicts of interests, and the management of classified information. The Company has a contact channel on its website that provides a means for filing complaints about violation of honest business practice, a mailbox also exists on the employee portal site, thus providing internal and external personnel with a means to make suggestions to the Company. Information so received shall be handled by the Auditing Office.</p> <p>(4) The Company actively works to ensure honest business practices. Its Auditing Office (or hired CPA, when necessary) shall regularly audit relevant compliance statuses according to accounting systems, internal control systems, as well as other relevant regulations. The Auditing Office will periodically report its auditing results during Board meetings.</p> <p>(5) During new-employee training, the Company specially states its principles towards honest business practices. It also periodically holds courses on corporate governance as well as honest business practices for employees. Our Company's Procurement Department also occasionally informs suppliers of our honest business practices principles in order to prevent dishonest business practices.</p> <p>In July 2016, for high-ranking officers and personnel related to the finance and accounting, we conducted a training and guidance course on issues relevant to the honest business practices. There were totally 34 participants.</p>	
<p>3. Status of the company's reporting mechanism</p> <p>(1) Has the company established clear reporting and rewards systems, set up convenient reporting channels, and appointed any appropriate, dedicated staffer to deal with the person who has been reported?</p>	Yes		<p>(1) The Company's website provides a "Reporting Violations of Honest Business Practices" area, which allows people to file complaints about violations of honest business practices. There is also a mailbox on the employee portal site, providing internal and external personnel with a means to file complaints. The Auditing Office is responsible for handling relative</p>	In line with the Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies.



Assessment items	Implementation status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies" and reasons for deviation
	Yes	No	Summary description	
<p>(2) Has the company established standard operating procedures as well as relative classified information policies for handling such reports?</p> <p>(3) Has the company protected the informers lest they be inappropriately treated?</p>	Yes		<p>recommendations and violations. If the violations are verified, disciplinary action shall be taken.</p> <p>(2) The Company has established the "Procedures for Stakeholder Complaints and Recommendations for the Supervising Department," thereby protecting the identity as well as data of those who provide suggestions or feedback.</p> <p>(3) All reported cases are filed under the classified category with special treatment. In addition, dedicated personnel are appointed to handle related tasks and issues in order to ensure the privacy of informers and avoid unfair revenge or treatment.</p>	
<p>4. Improved Information Disclosure</p> <p>(1) Has the company disclosed the contents or its Principles for Honest Business Practices as well as relative implementation results on its website and the MOPS?</p>	Yes		<p>The Company has established a Corporate Governance page on its website to disclose honest business practice-related information; it also discloses the implementation status of its honest business practice in the CSR report, and also the Company's "Principles for Honest Business Practices," "Behavioral Guidelines and Operation Procedures for Honest Practices," "Director and Supervisor Code of Ethical Conduct," and "Employee Code of Ethical Conduct" on the MOPS.</p>	<p>In line with the Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies.</p>
<p>5. If the company has established its ethical corporate management principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies", the differences between such principles and implementations are described as below: In line with the "Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies."</p>				
<p>6. Other key information useful for explaining the status of the implementation of honest business practices: (Such as the status of the company's efforts to review and correct its Principles for Honest Business Practices):</p> <p>In February 2015, the Company passed amendments to our Principles for Honest Business Practices in order to comply with the spirit of the newest Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies.</p> <p>Our Board of Directors resolved and set up an "Honest Business Practice Committee" in April 2015 under the Board of Directors. The Committee is responsible for establishing the integrity management policies and misconduct prevention programs, and supervising the implementation thereof. It periodically meets at least once a year, and regularly reports its implementation status to the Board of Directors annually. In 2016, the Honest Business Practice Committee met four times.</p>				

(7) If the company has established corporate governance principles as well as other relative regulations, it should disclose how they can be looked up: The Company's corporate governance principles as well as relative regulations can be looked up on its website.



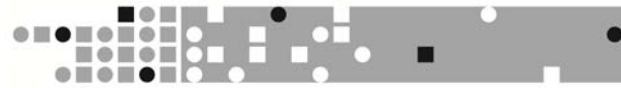
(8) Important information helpful for improving understanding of the governance of the company:

1. Further education on corporate governance the directors and supervisors have received in the most recent year:

Job title	Name	Period		Organized by	Course name	Number of hours	
		Begins on	End Date			On this date	Year Total
Chairman	Yu-Lon Chiao	2016/10/28	2016/10/28	Taiwan Corporate Governance Association	Planning and Process of Investment Decision-making	3 hr.	6 hr.
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	
Vice Chairman	Patricia Chiao	2016/12/23	2016/12/23	Taiwan Corporate Governance Association	Techniques to Investigate Financial Fraud	3 hr.	6 hr.
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	
Director	Yu-Cheng Chiao	2016/09/30	2016/09/30	Taiwan Corporate Governance Association	Economic Trends in Turkey Financial Environments and Practices in China	3 hr.	15 hr.
		2016/09/30	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Era of Innovation; On Industrial Innovation from the IoT, Cloud Services, and Big Data	3 hr.	
		2016/06/03	2016/06/03	Taiwan Corporate Governance Association	Cross-Strait Economic Trends Sharing; Block Chain Technology and Application Sharing by Cases	3 hr.	
		2016/04/12	2016/04/12	Taiwan Corporate Governance Association	Innovation vs Unique Prejudices with Willful Acts Green Industry Development Trends	3 hr.	
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	
Director	Yu-Heng Chiao	2016/10/28	2016/10/28	Taiwan Corporate Governance Association	Planning and Process of Investment Decision-making	3 hr.	6 hr.
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	
Director	Hui-Ming Cheng	2016/10/28	2016/10/28	Taiwan Corporate Governance Association	Planning and Process of Investment Decision-making	3 hr.	18 hr.
		2016/09/30	2016/09/30	Taiwan Corporate Governance Association	Economic Trends in Turkey Financial Environments and Practices in China	3 hr.	
		2016/09/30	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Era of Innovation; On Industrial Innovation from the IoT, Cloud Services, and Big Data	3 hr.	
		2016/06/03	2016/06/03	Taiwan Corporate Governance Association	Cross-Strait Economic Trends Sharing; Block Chain Technology and Application Sharing by Cases	3 hr.	
		2016/04/12	2016/04/12	Taiwan Corporate Governance Association	Innovation vs Unique Prejudices with Willful Acts Green Industry Development Trends	3 hr.	
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	
Director	Jih-Chang Yang	2016/12/16	2016/12/16	Taiwan Academy of Banking and Finance	Forum on Corporate Governance-Wealth Management and Tax Planning for High-Asset Clients (Session 4)	3 hr.	6 hr.



Job title	Name	Period		Organized by	Course name	Number of hours	
		Begins on	End Date			On this date	Year Total
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	
Director	Hong, Wu-Shung	2016/10/28	2016/10/28	Taiwan Corporate Governance Association	Planning and Process of Investment Decision-making	3 hr.	16 hr.
		2016/09/08	2016/09/09	Taipei City Government	Explanations on the Urban and Building Ordinances Issued by Taipei City Government in 2016	10 hr.	
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	
Director	Wei-Shin Ma	2016/10/28	2016/10/28	Taiwan Corporate Governance Association	Planning and Process of Investment Decision-making	3 hr.	6 hr.
		2016/09/30	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Era of Innovation; On Industrial Innovation from the IoT, Cloud Services, and Big Data	3 hr.	
Independent Director	Ming-Ling Hsueh	2016/07/27	2016/07/27	Taiwan Corporate Governance Association	Group Governance	3 hr.	10 hr.
		2016/06/17	2016/06/17	Taiwan Securities Association	Group Governance & Financial Holding Governance	3 hr.	
		2016/03/04	2016/03/04	Taiwan Corporate Governance Association	Major Cases of Controversy over Directors' and Supervisors' Liability for Financial Reports	3 hr.	
		2016/01/11	2016/01/11	Taiwan Corporate Governance Association	Understanding Institutional Investors' Role and Function in Corporate Governance through Promotion Experience in Europe and U.S.	1 hr.	
Independent Director	King-Ling Du	2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	6 hr.
		2016/03/17	2016/03/17	Taiwan Securities Association	Insider Trading's Latest Practice Development and its Countermeasures	3 hr.	
Independent Director	Shiang-Chung Chen	2016/08/12	2016/08/12	Taipei Bar Association	Exploring Directors' Responsibility in Trust Violations & Management in Legal Risks by Exemplary Cases	3 hr.	6 hr.
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	
Supervisor	Wen-Yuan Chu	2016/10/28	2016/10/28	Taiwan Corporate Governance Association	Planning and Process of Investment Decision-making	3 hr.	6 hr.
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	
Representative of Institutional Supervisors	Yeu-Yuh Chu	2016/10/28	2016/10/28	Taiwan Corporate Governance Association	Planning and Process of Investment Decision-making	3 hr.	18 hr.
		2016/10/06	2016/10/06	Taiwan Corporate Governance Association	12th International Summit Forum on Corporate Governance	3 hr.	
		2016/09/30	2016/09/30	Taiwan Corporate Governance Association	Economic Trends in Turkey Financial Environments and Practices in China	3 hr.	
		2016/09/30	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Era of Innovation; On Industrial Innovation from the IoT, Cloud Services, and Big Data	3 hr.	



Job title	Name	Period		Organized by	Course name	Number of hours	
		Begins on	End Date			On this date	Year Total
		2016/06/03	2016/06/03	Taiwan Corporate Governance Association	Cross-Strait Economic Trends Sharing; Block Chain Technology and Application Sharing by Cases	3 hr.	
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	
Supervisor	In-Shek Hsu	2016/10/28	2016/10/28	Taiwan Corporate Governance Association	Planning and Process of Investment Decision-making	3 hr.	18 hr.
		2016/09/30	2016/09/30	Taiwan Corporate Governance Association	Economic Trends in Turkey Financial Environments and Practices in China	3 hr.	
		2016/09/30	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Era of Innovation; On Industrial Innovation from the IoT, Cloud Services, and Big Data	3 hr.	
		2016/06/03	2016/06/03	Taiwan Corporate Governance Association	Cross-Strait Economic Trends Sharing; Block Chain Technology and Application Sharing by Cases	3 hr.	
		2016/04/12	2016/04/12	Taiwan Corporate Governance Association	Innovation vs Unique Prejudices with Willful Acts Green Industry Development Trends	3 hr.	
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	

2. For the attendance of Board meetings by Directors and Supervisors, please refer to "Corporate Governance Report, 4. Status of Corporate Governance (1), and (2)".

3. Further education in corporate governance participated by the Company's managers (including President, Vice President, Managers of BUs, Accounting head, Finance head, etc.) in 2016:

Job title	Name	Period		Organized by	Course name	2016/12/31	
		Begins on	Ends on			Number of hours On this date	Annual total
President	Hui-Ming Cheng	2016/10/28	2016/10/28	Taiwan Corporate Governance Association	Planning and Process of Investment Decision-making	3 hr.	18 hr.
		2016/09/30	2016/09/30	Taiwan Corporate Governance Association	Economic Trends in Turkey Financial Environments and Practices in China	3 hr.	
		2016/09/30	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Era of Innovation; On Industrial Innovation from the IoT, Cloud Services, and Big Data	3 hr.	
		2016/06/03	2016/06/03	Taiwan Corporate Governance Association	Cross-Strait Economic Trends Sharing; Block Chain Technology and Application Sharing by Cases	3 hr.	
		2016/04/12	2016/04/12	Taiwan Corporate Governance Association	Innovation vs Unique Prejudices with Willful Acts Green Industry Development Trends	3 hr.	
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	
Vice President	Ben Lin	2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	3 hr.
Vice President	Juei-Lung Chen	2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	3 hr.
Copper Wire BU Manager	Witty Liao	2016/10/28	2016/10/28	Taiwan Corporate Governance Association	Planning and Process of Investment Decision-making	3 hr.	6 hr.
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	
Insulated Wire & Cable BU	Jin-Renn Leu	2016/10/28	2016/10/28	Taiwan Corporate Governance Association	Planning and Process of Investment Decision-making	3 hr.	3 hr.
Stainless Steel BU Manager	Tain-Rong Chen	2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	3 hr.
Head of Accounting Dept.	Nora Lin	2016/10/28	2016/10/28	Taiwan Corporate Governance Association	Planning and Process of Investment Decision-making	3 hr.	6 hr.
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	
Head of Financial Dept.	Sophi Pan	2016/10/28	2016/10/28	Taiwan Corporate Governance Association	Planning and Process of Investment Decision-making	3 hr.	6 hr.
		2016/04/08	2016/04/08	Taiwan Corporate Governance Association	Authority, Responsibility, and Operation Practice for the Board of Directors with Its Functional Committees	3 hr.	



(9) Implementation Status of Internal Control System

1. Statement on Internal Control

Walsin Lihwa Corporation
Statement on Internal Control System

Date: February 17, 2017

In 2016, the Company conducted an internal audit in accordance with its Internal Control Regulations, and hereby declares as follows:

1. The Company is aware that it is the Board's and managers' responsibility to establish, implement, and maintain an internal control system, and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance and protection of assets) of the Company's operations, compliance with relevant laws and regulations and that its financial statements are reliable, up to date and easily accessible.
2. Internal control systems have their inherent limitations. No matter how well they are designed, an effective internal control system can only reasonably ensure achievement of the three above objectives. In addition, an internal control system's effectiveness may change as the environment and circumstances change. The internal control system of the Company features a self-monitoring mechanism. Once identified, the Company will take actions to rectify any deficiency.
3. The Company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter the "Regulations"). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system, as specified in the Regulations, which are broken down based on the management-control process, namely: (1) control environment, (2) risk evaluation, (3) control operation, (4) information and communication and (5) monitoring. Each of the elements in turn contains certain audit items. Refer to the Regulations for details.
4. The Company uses the above criteria to determine whether the design and implementation of its internal control system is effective.
5. After an evaluation of the Company's internal control system based on the above criteria, the Company is of the opinion that, as of December 31, 2016, its internal control system (including supervision and management of subsidiaries) is effective and therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, compliance with the law, and that its financial reporting is reliable, up to date, and easily accessible.
6. This statement shall become a principal part of the Company's annual report and prospectus and be made available to the public. Any illegal misrepresentation or omission relating to the public statement above is subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement has been approved on February 26, 2017 by the Board, with none of the 11 Directors present opposing it.

Walsin Lihwa Corporation



Chairman : Yu-Lon Chiao



Signature

President : Hui-Ming Cheng



Signature

2. If CPAs are engaged to review the internal control system, their report shall be disclosed: None.

(10) In the most recent year, as of the day the annual report was prepared, the Company and its personnel have been penalized according to the law, the Company has penalized its personnel for having violated its internal control system, major deficiencies and corrective actions: None.

(11) In the most recent year, as of the day the annual report was prepared, resolutions passed at the shareholders and board meetings

Resolutions Passed at the 2016 AGM and Implementation Status

The Company hosted its 2016 AGM on May 25, 2016 at the 1st Floor Multimedia Conference Room, No.15, Alley 168, Xingshan Road, Neihu District, Taipei City. The following decisions, with implementation details, were made during the meeting:

Matters Discussed:

Proposal No. 1

Description: Partial amendments to the Company's Articles of Incorporation.

Resolution: After a vote was held, the number of votes exceeded the legal threshold, and the motion was passed.

Implementation Status: Company registration was changed by law and was approved by the Ministry of Economic Affairs on June 16, 2016 under reference number 10501159970.

Approvals, Discussions, and Election Matters:

Proposal No. 1

Description: To accept the Company's 2015 Business Report, Balance Sheet, Consolidated Profit & Loss Statement, and Changes in Equity and Cash Flow Statement.

Resolution: After a vote was held, the number of votes exceeded the legal threshold, and the motion was passed.

Implementation Status: This was announced as an important resolution on the day of the shareholder's meeting.

Status:

Proposal No. 2

Description: To accept the Company's 2015 Profit Distribution Statement.

Resolution: After a vote was held, the number of votes exceeded the legal threshold, and the motion was passed.

Implementation Status: The reference date is October 24, 2016; the issue date is November 11, 2016. (Each share will be issued a dividend of NTD 0.2108)

Proposal No. 3

Description: To discuss and approve revision to the Company's Regulations for Acquisition or Disposal of Assets.

Resolution: After a vote was held, the number of votes exceeded the legal threshold, and the motion was passed.

Implementation Status: Relative operations were to be handles in accordance with the revised regulations, with the revised content being disclosed on the Market Observation Post System (M.O.P.S.) as well as the company website.

Proposal No. 4

Description: It is proposed to revise the regulations governing the lending of funds.

Resolution: After a vote was held, the number of votes exceeded the legal threshold, and the motion was



passed.

Implementation Relative operations were to be handles in accordance with the revised regulations, with the
Status: revised content being disclosed on the Market Observation Post System (M.O.P.S.) as well as
the company website.

Proposal No. 5

Description: To elect an additional director.
Election results: Director-Elect: Patricia Chiao
Implementation Company registration was changed by law and was approved by the Ministry of Economic
Status: Affairs on June 16, 2016 under reference number 10501159970.

Proposal No. 6

Description: Lifting the non-competition ban on directors imposed by Article 209 of the Company Act.
Resolution: After a vote was held, the number of votes exceeded the legal threshold, and the motion was
passed.
Implementation This was announced as an important resolution on the day of the shareholder's meeting.
Status:

Important Board Resolutions Passed in 2016 and Up to the Day of the Annual Report

2016.1.15 (17th Borad, 11th Meeting)

Important Partial amendments to the Company's Articles of Incorporation.
Resolution:
Result: Amendment passed: (Amendment of Item 1 of Article 25-1: If the Company turns a profit over the
year, no less than 1% of the profit should be distributed to its employees as compensation;
Addition of Item 2 of Article 25-1: Employee bonus may be distributed by way of stock/cash
dividend, and the Company may issue bonuses to employees of an affiliated company meeting the
conditions set by the Board of Directors. The Board of Directors shall be authorized to determine
the method of distribution.)

Important To propose a draft of the Company's Regulations for Acquisition or Disposal of Assets, and to
Resolution: submit it for approval.
Result: Proposal passed.

Important Proposal to lend money to subsidiaries for one year to support the aforementioned lending
Resolution: operation, while increasing and decreasing the capital for related subsidiaries.
Result: Proposal passed.

Important Proposal to dispose the land and plant of Nanjing Walsin Metal Co., Ltd.
Resolution:
Result: Amendment passed: (Revise processing deadlines; the rest passes according to proposal.)

Important Proposal to transfer 19% of the shares of Shanxi Tianhong Silicon Industrial Co., Ltd. held by Xi'an
Resolution: Lv Jing Technology Co., Ltd., a subsidiary 100% owned by the Company, to Jiangyin Walsin Specialty
Alloy Materials Co., Ltd., for a total of RMB228 million.
Result: Proposal passed.

Important Proposal to sell 9.707% of the shares of Hangzhou Walsin Power Cable & Wire Co., Ltd. through
Resolution: subsidiary Ace Result Global Limited.
Result: Proposal passed.

Important Lifting the non-competition ban on managers.
Resolution:
Result: Proposal passed.

Important Resolution:	The Company plans to set up an audit committee and proposes compensation/salary for members of the audit committee.
Result:	Amendment passed: (Adjust the establishment date of the audit committee to seamlessly accommodate the directors' re-election. The rest should be implemented according to plan.)
Important Resolution:	To revise some terms in the payment protocols of Company directors, supervisors, and administrative committee members.
Result:	Proposal passed.
Important Resolution:	Motion to review manager performance as well as bonuses and compensation for 2015.
Result:	Proposal passed.
Director recusals:	Yu-Lon Chiao, Hui-Ming Cheng, Wen-Chung Chang.
Important Resolution:	Proposal to change the total authorized expense for disposal of the land, plant, and machineries of Xi'an Walsin United Technology Co., Ltd.
Result:	Proposal passed.

2016.2.26 (17th Borad, 12th Meeting)

Important Resolution:	Proposal to revise the attached questionnaire of performance-appraisal protocols of the board of directors.
Result:	Proposal passed.
Important Resolution:	Distribution of remuneration to employees, directors, and supervisors for 2015.
Result:	Proposal passed.
Director recusals:	Yu-Lon Chiao, Hui-Ming Cheng.
Important Resolution:	Proposal to draft the disposition of net earnings for 2015.
Result:	Proposal passed.
Important Resolution:	Proposal to draft an announcement letter regarding the Company's 2015 internal control system.
Result:	Proposal passed.
Important Resolution:	The Company has delegated Deloitte Taiwan to audit yearly expenses and assess the independence of the company's accountants.
Result:	Proposal passed.
Important Resolution:	It is proposed to revise the regulations governing the lending of funds.
Result:	Proposal passed.
Important Resolution:	To remove the non-competition ban on directors imposed by Article 209 of the Company Act.
Result:	Proposal passed.
Director recusals:	Yu-Lon Chiao
Important Resolution:	Proposal to hold the 2016 AGM.
Result:	Proposal passed.
Important Resolution:	Proposal that Specialty Steel BG manager Wen-Chung Chang continues his employment.
Result:	



Result: We respect Mr. Chang's declining to stay another term. Hence, the renewal and compensation/salary will not be discussed. Mr. Chang will be freed from his duties at the end of his contract.

2016.3.8 (17th Borad, 13th Meeting)

Important Proposal to re-elect a director.

Resolution:

Result: Proposal passed.

Important To remove the non-competition limitation placed on newly elected directors.

Resolution:

Result: Proposal passed.

Important Proposal to add an agenda for the 2016 AGM.

Resolution:

Result: Proposal passed.

2016.4.8 (17th Borad, 14th Meeting)

Important Partial amendments to the Company's Articles of Incorporation.

Resolution:

Result: Proposal passed.

Important Lifting the non-competition ban on directors imposed by Article 209 of the Company Act.

Resolution:

Result: Proposal passed.

Important To approve the protocols and regulations of the coming audit committee.

Resolution:

Result: Proposal passed.

2016.4.29 (17th Borad, 15th Meeting)

Important To draft protocols for feedback/complaints from stakeholders to the company's supervising body.

Resolution:

Result: Proposal passed.

Important To increase cash-flow efficiency, Walsin (China) Investment Co., Ltd. will be the head company of the corporation in Mainland China. Walsin will establish a capital pool of foreign currencies and cross-border transaction RMB.

Resolution:

Result: Proposal passed.

Important To propose a second-term development plan for the AB plot of Walsin (Nanjing) Construction Limited, as well as a plan to acquire the usage rights of the center green space.

Resolution:

Result: Proposal passed.

Important Proposal to buy back 60 million of the Company's shares and retire them and transfer their ownership within 6 months.

Resolution:

Result: Proposal passed.

2016.7.29 (17th Borad, 16th Meeting)

Important To cancel the Company's 22nd record date of capital reduction through repurchasing 60 million shares.

Resolution:

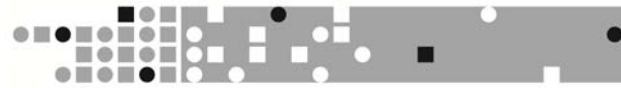
Result: Proposal passed.

Important Proposal to buy back 120 million of the Company's shares and retire them and transfer their ownership within 6 months.

Resolution:

Result: Amendment passed: (Revise the stock repurchase price range, the amount of cash needed, and its

	percentage of the current assets of the consolidated financial statements.)
Important	To determine the Company's dividends record date of 2016.
Resolution:	
Result:	Proposal passed.
Important	To continue to provide directors, supervisors, and important staff of this term with liability
Resolution:	insurance.
Result:	Proposal passed.
Important	To adjust the organization of higher management regarding the unusual changes of managers.
Resolution:	
Result:	Amendment passed (The specific changes of managers are passed, except for that of deputy CEO)
Director	Patricia Chiao
recusals:	
Important	To remove the non-competition ban on managers.
Resolution:	
Result:	Proposal passed.
2016.10.28 (17th Borad, 17th Meeting)	
Important	To draft the internal control system of the Company's Shareholders Service Office.
Resolution:	
Result:	Proposal passed.
Important	To cancel the Company's 23rd record date of capital reduction through repurchase of 120 million
Resolution:	shares.
Result:	Proposal passed.
Important	USD 225,000,000 capital reduction of Walsin Lihwa Holdings Ltd.
Resolution:	
Result:	Proposal passed.
Important	Disposition of the office building located in the AB phase-1 property of Walsin (Nanjing)
Resolution:	Construction Limited.
Result:	Proposal passed.
Important	Proposal by the chairman of the board to cancel the position of deputy CEO.
Resolution:	
Result:	Proposal passed.
Important	To appoint independent director Ming-Ling Hsueh as a member of the compensation committee.
Resolution:	
Result:	Proposal passed.
Director	Ming-Ling Hsueh
recusals:	
Important	To draft performance appraisal protocols for the board of directors.
Resolution:	
Result:	Proposal passed.
Important	To revise some terms in the payment protocols of company directors, supervisors, and
Resolution:	administrative committee members.
Result:	Proposal passed.
Important	To suggest level of compensation/salary for chairman and vice-chairman of the board.
Resolution:	
Result:	Proposal passed.



Director Yu-Lon Chiao

recusals:

Important Resolution: To draft the performance appraisal and compensation management protocols for managers.

Result: Proposal passed.

Director Hui-Ming Cheng

recusals:

2017.1.13 (17th Borad, 18th Meeting)

Important Resolution: Capital reduction of USD 11,300,000 in order to reduce the unused cash pool of the company's overseas subsidiaries.

Result: Proposal passed.

Important Resolution: To approve subsidiary's lending of USD 253,480,000 and RMB 1,900,000,000.

Resolution:

Result: Proposal passed.

Important Resolution: To donate NTD 2,000,000 to Tsai-Jing Culture and Education Foundation.

Resolution:

Result: Proposal passed.

Director Wei-Shin Ma.

recusals:

Important Resolution: Lifting the non-competition ban on managers.

Resolution:

Result: Proposal passed.

Important Resolution: To propose a performance bonus amount for chairman of the board and deputy chairman of the board.

Result: Proposal passed.

Director Yu-Lon Chiao, Patricia Chiao

recusals:

Important Resolution: Motion to review manager performance as well as bonuses and compensation for the year 2016.

Resolution:

Result: Proposal passed.

Director Hui-Ming Cheng

recusals:

2017.2.17 (17th Borad, 19th Meeting)

Important Resolution: Distribution of remuneration to employees, directors, and supervisors for 2016.

Resolution:

Result: Proposal passed.

Director Hui-Ming Cheng

recusals:

Important Resolution: Proposal to draft the disposition of net earnings for 2016.

Resolution:

Result: Proposal passed.

Important Resolution: To draft announcement letter regarding the Company's 2016 internal control system.

Result: Proposal passed.

Important Resolution: The company has delegated Deloitte Taiwan to audit yearly expenses and assess the independence

Resolution:	of the company's accountants.
Result:	Proposal passed.
Important	Partial amendments to the Company's Articles of Incorporation.
Resolution:	
Result:	Proposal passed.
Important	Lifting the non-competition ban on board members of the 18th board.
Resolution:	
Result:	Proposal passed.
Director recusals:	Yu-Lon Chiao, Patricia Chiao, Yu-Cheng Chiao, Yu-Heng Chiao, Wu-Shung Hong (on behalf of Wei-Shin Ma), Ming-Ling Hsueh, King-Ling Du, Shiang-Chung Chen.
Important	To discuss and approve revision to the Company's Regulations for Acquisition or Disposal of Assets.
Resolution:	
Result:	Proposal passed.
Important	To revise the management regulations for company lending practices, endorsement management protocols, and derivatives trading protocols.
Resolution:	
Result:	Proposal passed.
Important	Proposal to hold annual Shareholder meeting in 2017.
Resolution:	
Result:	Proposal passed.
Important	The Company plans to fund a cash capital increase of Powertek Energy Co. with a maximum of NTD 460,000,000.
Resolution:	
Result:	Proposal passed.
Director recusals:	King-Ling Du

- (12) In the most recent year, as of the day the annual report was prepared, directors or supervisors holding different opinions about important resolutions passed at board meetings that have been written down: None.
- (13) In the most recent year, as of the day the annual report was prepared, any Chairman, President, Accounting supervisor, finance head, internal audit head, and R&D head who has resigned or been discharged:

March 30, 2017

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Specialty Steel BG President	Wen-Chung Chang	2002.06.10	2016.02.28	Retired
Wire & Cable BG President	Patricia Chiao	2010.05.01	2016.07.31	Adjustment of organization
CEO	Yu-Lon Chiao	2005.05.31	2016.10.31	Removed position of deputy CEO



5. Information on CPAs' fees

(1) CPA fee schedule

Name of CPA firm	CPA		Period of the Audit	Remark
Deloitte Touche Tohmatsu Limited	Hung-Bin Yu	Kenny Hong	2016.01.01 ~ 2016.12.31	

Unit: NT\$1,000

Fee schedule		Item	Audit fees	Non-audit fees	Total
1	<NTD 2,000,000			658	658
2	NTD 2,000,000 (inclusive) ~ NTD 4,000,000				
3	NTD 4,000,000 (inclusive) ~ NTD 6,000,000				
4	NTD 6,000,000 (inclusive) ~ NTD 8,000,000				
5	NTD 8,000,000 (inclusive) ~ NTD 10,000,000		9,120		9,120
6	NTD 10,000,000 (inclusive) and above				

(2) Paying at least one-fourth of non-audit fees to the certifying CPA, the certifying CPA firm, and its affiliates:

Unit: NT\$1,000

Name of CPA firm	Accountants Name	Audit fees	Non-audit fees					CPA audit period	Remark
			System Design	Registration commerce	Industry and	Human Resources	Others		
Deloitte Touche Tohmatsu Limited	Hung-Bin Yu	9,120	-	50	-	608	658	2016.01.01 ~ 2016.12.31	Other reviews of submissions
	Kenny Hong								

(3) Change of CPA firm and the audit fees paid in the year of the change are less than those paid in the previous year: Not applicable.

(4) Audit fees paid in the current year are at least 15% less than those paid in the previous year: Not applicable.

6. Change of CPAs: None.

7. Chairman, President, or managers responsible for financial or accounting affairs who worked for the firm to which the certifying CPA belongs or its affiliate in the most recent year: None.



8. Transfer and pledge of shares of the Chairman, supervisors, managers and shareholders holding more than 10% of the Company's shares

(1) Changes to the shares of the Chairman, supervisors, managers and shareholders holding more than 10% of the Company's shares:

Title	Name	2016		Current year up to March 28, 2017	
		Increase (decrease) of shares held	Increase (decrease) in shares pledged	Increase (decrease) of shares held	Increase (decrease) in shares pledged
Chairman	Yu-Lon Chiao	0	0	0	0
Vice Chairman	Patricia Chiao	11,690,000	0	0	0
Directors	Yu-Cheng Chiao	0	0	0	0
Director	Yu-Heng Chiao	(300,000)	0	0	0
Director and President	Hui-Ming Cheng	0	0	0	0
Director	Yang, Jih-Chang	0	0	0	0
Director	Wu-Shung Hong	(59,000)	0	0	0
Director	Wei-Shin Ma	0	0	0	0
Independent Directors	Ming-Ling Hsueh	0	0	0	0
Independent Directors	King-Ling Du	0	0	0	0
Independent Directors	Shiang-Chung Chen	0	0	0	0
Supervisors	Wen-Yuan Chu	65,089	0	0	0
Supervisors	Walsin Technology Corporation	13,311,000	0	0	0
	Representative: Yeu-Yuh Chu	0	0	0	0
Supervisors	In-Shek Hsu	0	0	0	0
Vice President	Juei-Lung Chen	0	0	0	0
Vice President	Ben Lin	500,000	0	0	0
Vice President and Head of Commerce and Real Estate BG	Fred Pan	0	0	0	0
Head of Special Steel BG	C.C. Chen	0	0	0	0
Head of Stainless Steel BU	Tain-Rong Chen	0	0	0	0
Head of Wire and Cable BG	Jin-Renn Leu	0	0	0	0
Head of Copper Wire BU	Witty Liao	0	0	0	0
Head of Accounting Dept.	Nora Lin	0	0	0	0
Head of Financial Dept.	Sophi Pan	0	0	0	0
Shareholders who retain at least 10% of outstanding shares	None	-	-	-	-



(2) Information on change in the number of shares retained

March 28, 2017

Name	Transfer of Shares Reason	Transaction date	Counterparty	Relationship between counterparty and the Company, directors, supervisors, and shareholders who hold more than 10% of all shares	Number of shares	Transaction price
Yu-Heng Chiao	Disposal: Gift	2016.4.29	Zi-Rui Chiao	Son	200,000	8.45
Yu-Heng Chiao	Disposal: Gift	2016.4.29	Zi-Jun Chiao	Son	100,000	8.45
Patricia Chiao	Disposal: Gift	2016.4.29	Zi-en Chiao	Son	260,000	8.45

(3) Information on Pledge of Stock Rights: None

9. Information on relationships amongst the top ten shareholders and their relationships with spouses or others within the second degree of kinship

March 28, 2017

Name	Shares held themselves		Shares held by spouse and children		Shares held under other people's names		Name and relationships of person to top ten shareholders (spouse, first- and second-degree relatives). (Note 1)		Remarks
	Number	Percentage	Number	Percentage	Number	Percentage	Name	Relationship	
LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	265,496,000	7.82%	-	-	-	-	-	-	Note 2
Winbond Electronics Corporation	200,000,000	5.89%	-	-	-	-	Chin-Xin Investment Co., Ltd	Same person as the chairman of the said institutional shareholder	
							Patricia Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Heng Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Chi Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Pai-Yung Hong	First degree of kinship with the chairman of the said institutional shareholder	



Name	Shares held themselves		Shares held by spouse and children		Shares held under other people's names		Name and relationships of person to top ten shareholders (spouse, first- and second-degree relatives). (Note 1)		Remarks
	Number	Percentage	Number	Percentage	Number	Percentage	Name	Relationship	
Winbond Electronics Corporation Representative: Yu-Cheng Chiao	39,508,661	1.16%	19,032,428	0.56%	0	0.00%	Chin-Xin Investment Co., Ltd	Same person as the chairman of the said institutional shareholder	
							Patricia Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Heng Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Chi Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Pai-Yung Hong	First degree of kinship with the chairman of the said institutional shareholder	
Chin-Xin Investment Co., Ltd	178,002,000	5.24%	-	-	-	-	Winbond Electronics Corporation	Same person as the chairman of the said institutional shareholder	
							Patricia Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Heng Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Chi Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Pai-Yung Hong	First degree of kinship with the chairman of the said institutional shareholder	



Name	Shares held themselves		Shares held by spouse and children		Shares held under other people's names		Name and relationships of person to top ten shareholders (spouse, first- and second-degree relatives). (Note 1)		Remarks
	Number	Percentage	Number	Percentage	Number	Percentage	Name	Relationship	
Chin-Xin Investment Co., Ltd Representative: Yu-Cheng Chiao	39,508,661	1.16%	19,032,428	0.56%	0	0.00%	Winbond Electronics Corporation	Same person as the chairman of the said institutional shareholder	
							Patricia Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Heng Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Chi Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Pai-Yung Hong	First degree of kinship with the chairman of the said institutional shareholder	
Patricia Chiao	91,969,006	2.71%	0	0.00%	0	0.00%	Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Yu-Heng Chiao	Second degree of kinship	
							Yu-Chi Chiao	Second degree of kinship	
							Pai-Yung Hong	First degree of kinship	
Norges Bank Investment Fund under the custody of CitiBank (Taipei).	64,422,360	1.90%	0	0.00%	0	0.00%	-	-	Note 2



Name	Shares held themselves		Shares held by spouse and children		Shares held under other people's names		Name and relationships of person to top ten shareholders (spouse, first- and second-degree relatives). (Note 1)		Remarks
	Number	Percentage	Number	Percentage	Number	Percentage	Name	Relationship	
Yu-Heng Chiao	58,092,197	1.71%	12,815,390	0.38%	0	0.00%	Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Patricia Chiao	Second degree of kinship	
							Yu-Chi Chiao	Second degree of kinship	
							Pai-Yung Hong	First degree of kinship	
Vanguard Emerging Markets Stock Index Fund under the custodianship of Standard Chartered	55,491,443	1.63%	-	-	-	-	-	-	Note 2
Yu-Chi Chiao	51,285,470	1.51%	7,355,347	0.22%	0	0.00%	Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Patricia Chiao	Second degree of kinship	
							Yu-Heng Chiao	Second degree of kinship	
							Pai-Yung Hong	First degree of kinship	
Walsin Lihwa Employee Welfare Committee	47,981,637	1.41%	-	-	-	-	-	-	
Walsin Lihwa Employee Welfare Committee Chairman: Chin-Sheng Wu	110,400	0.00%	0	0.00%	0	0.00%	-	-	



Name	Shares held themselves		Shares held by spouse and children		Shares held under other people's names		Name and relationships of person to top ten shareholders (spouse, first- and second-degree relatives). (Note 1)		Remarks
	Number	Percentage	Number	Percentage	Number	Percentage	Name	Relationship	
Pai-Yung Hong	47,605,717	1.40%	5,372,890	0.16%	0	0.00%	Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within first degree of kinship	
							Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within first degree of kinship	
							Patricia Chiao	First degree of kinship	
							Yu-Heng Chiao	First degree of kinship	
							Yu-Chi Chiao	First degree of kinship	

Calculation of shares held includes the 70,000,000 shares repurchased and held by the Company but not yet transferred or written off, as of the book closure date set by the 2016 Annual Shareholders' Meeting.)

Note 1: Disclosure of relationship pursuant to rules indicated on the issuer's financial statement.

Note 2: The shareholder was a foreign fund account and inquiries have been made of its representative with relevant information requested: None.

10. The number of shares of the same investee held by the Company, its directors, supervisors, managers, and which the Company controls directly or indirectly, with the aggregate shareholding percentages

December 31, 2016

Unit: shares; %

Investees (Note)	Investment by the Company		Investment of directors, supervisors, managers or enterprises under their direct or indirect control.		Combined Investment	
	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage
Walsin Lihwa Holdings Limited	391,147,848	100.00	-	-	391,147,848	100.00
Walsin Specialty Steel Corp.	432,303,187	100.00	-	-	432,303,187	100.00
Touch Micro-System Technology Corp.	2,100,000	100.00			2,100,000	100.00
Ace Result Global Limited	47,639,988	100.00			47,639,988	100.00
Energy Pilot Limited	20,670,001	100.00	-	-	20,670,001	100.00
Market Pilot Limited	127,000,000	100.00	-	-	127,000,000	100.00
Min Maw Precision Industry Corp.	24,150,000	100.00	-	-	24,150,000	100.00
Chin-Cherng Construction Co.	277,257,758	99.22	211,163	0.08	277,468,921	99.30
Walsin Info-Electric Corp.	9,491,461	98.87	-	-	9,491,461	98.87
PT. Walsin Lippo Industries	10,500	70.00	-	-	10,500	70.00
PT. Walsin Lippo Kabel	1,050,000	70.00	-	-	1,050,000	70.00
Joint Success Enterprises Limited	38,020,000	49.05	39,500,000	50.95	77,520,000	100.00
Chin-Xin Investment Co., Ltd	179,468,270	37.00	58,345,373	12.02	237,813,643	49.02
HannStar Color Co. Ltd.	47,114,093	33.97	41,953,881	30.25	89,067,974	64.22
Concord Venture Capital Group	26,670,699	26.67	175,859	0.18	26,846,558	26.85
Winbond Electronics Corporation	811,327,531	22.66	123,820,125	3.46	935,147,656	26.12
Walton Advanced Engineering, Inc.	109,628,376	22.71	43,672,121	9.04	153,300,497	31.75
Walsin Technology Corporation	94,794,970	18.30	16,977,729	3.28	111,772,699	21.58

Note: Equity method used.



IV Capital Overview

1. Company Capital and Shares

(1) Sources of Capital

1. Sources of capital over the years

Year/ month	Issuance Price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Paid with property other than cash	Other
2002/ 11	10	6,500,000,000	65,000,000,000	3,512,976,276	35,129,762,760	Treasury stock capital decreased by 100,000,000 shares	No	Note 1
2003/ 06	10	6,500,000,000	65,000,000,000	3,412,976,276	34,129,762,760	Treasury stock capital decreased by 100,000,000 shares	No	Note 2
2003/ 11	10	6,500,000,000	65,000,000,000	3,366,067,276	33,660,672,760	Treasury stock capital decreased by 46,909,000 shares	No	Note 3
2004/ 01	10	6,500,000,000	65,000,000,000	3,266,067,276	32,660,672,760	Treasury stock capital decreased by 100,000,000 shares	No	Note 4
2004/ 04	10	6,500,000,000	65,000,000,000	3,174,491,276	31,744,912,760	Treasury stock capital decreased by 91,576,000 shares	No	Note 5
2004/ 07	10	6,500,000,000	65,000,000,000	3,078,236,276	30,782,362,760	Treasury stock capital decreased by 96,255,000 shares	No	Note 6
2004/ 08	10	6,500,000,000	65,000,000,000	3,079,012,601	30,790,126,010	Bond conversion entitlement certificates converted to common shares	No	None
2005/ 05	10	6,500,000,000	65,000,000,000	3,006,294,601	30,062,946,010	Treasury stock capital decreased by 72,718,000 shares	No	Note 7
2005/ 08	10	6,500,000,000	65,000,000,000	3,310,913,261	33,109,132,610	Capital increased by earnings recapitalization	No	Note 8
2006/ 04	10	6,500,000,000	65,000,000,000	3,244,314,261	32,443,142,610	Treasury stock capital decreased by 66,599,000 shares	No	Note 9
2007/ 11	10	6,500,000,000	65,000,000,000	3,194,314,261	31,943,142,610	Treasury stock capital decreased by 50,000,000 shares	No	Note 10
2009/ 02	10	6,500,000,000	65,000,000,000	3,179,200,422	31,792,004,220	Treasury stock capital decreased by 27,124,000 shares and overseas convertible bonds converted to 12,010,161 common shares	No	Note 11
2009/ 09	10	6,500,000,000	65,000,000,000	3,119,200,422	31,192,004,220	Treasury stock capital decreased by 60,000,000 shares	No	Note 12
2009/ 11	10	6,500,000,000	65,000,000,000	3,069,200,422	30,692,004,220	Treasury stock capital decreased by 50,000,000 shares	No	Note 13
2010/ 12	10	6,500,000,000	65,000,000,000	3,609,200,422	36,092,004,220	Cash capital increased by 540,000,000 shares	No	Note 14
2011/ 01	10	6,500,000,000	65,000,000,000	3,614,890,804	36,148,908,040	Overseas convertible bonds converted to 5,690,382 shares	No	None
2011/ 04	10	6,500,000,000	65,000,000,000	3,616,000,258	36,160,002,580	Overseas convertible bonds converted to 1,109,454	No	None
2003/ 06	10	6,500,000,000	65,000,000,000	3,576,000,258	35,760,002,580	Treasury stock capital decreased by 40,000,000 shares	No	Note 15
2016/ 05	10	6,500,000,000	65,000,000,000	3,516,000,258	35,160,002,580	Treasury stock capital decreased by 60,000,000 shares	No	Note 16
2016/ 10	10	6,500,000,000	65,000,000,000	3,396,000,258	33,960,002,580	Treasury stock capital decreased by 120,000,000 shares	None	Note 17

Note 1: Approval letter Tai-Cai-Zheng (3) No. 0910155823, dated 2002.10.16

Note 2: Approval letter Tai-Cai-Zheng (3) No. 0920110106, dated 2003.03.25

Note 3: Approval letter (2001) Tai-Cai-Zheng (3) No. 101196, dated 2001.02.08

Note 4: Approval letter Tai-Cai-Zheng (3) No. 0920159026, dated 2003.12.15

Note 5: Approval letter Tai-Cai-Zheng (3) No. 0930110000, dated 2004.03.24

Note 6: Approval letter Tai-Cai-Zheng (3) No. 0930125152, dated

Note 10: Letter Jin-Guan-Zheng (3) No. 09700511511, dated 2008.09.24

Note 11: Letter Jin-Guan-Zheng (3) No. 0970065169, dated 2008.11.28

Note 12: Letter Jin-Guan-Zheng (Jiao) No. 0980027679, dated 2009.06.06

Note 13: Letter Jin-Guan-Zheng (Jiao) No. 0980050862, dated 2009.09.21

Note 14: Letter Jin-Guan-Zheng (Fa) No. 0990051578, dated 2010.09.28

Note 15: Letter Jin-Guan-Zheng (Jiao) No. 0990025440, dated

2004.06.03	2010.05.12
Note 7: Approval letter Jin-Guan-Zheng (3) No. 0940110778, dated 2005.03.30	Note 16: Letter Jin-Guan-Zheng (Jiao) No. 1050021717, dated 2016.05.27
Note 8: Approval letter Jin-Guan-Zheng (1) No. 0940124111, dated 2005.06.16	Note 17: Letter Jin-Guan-Zheng (Jiao) No. 1050040371, dated 2016.10.03
Note 9: Approval letter Jin-Guan-Zheng (3) No. 0950105881, dated 2006.02.20	

2. Types of Shares

March 28, 2017

Share Type	Authorized Capital			Remarks
	Shares Issued and Outstanding (Note 1)	Unissued Shares	Total	
Ordinary shares	3,396,000,258	3,103,999,742	6,500,000,000	(Note 2)

Note 1: Public shares; Includes 70,000,000 shares repurchased and held by the Company but not yet transferred or cancelled.

Note 2: The Company's capital includes NTD 8,000,000,000 for the issuance of share warrants, corporate bonds with share warrants or preferred shares with share warrants, up to eight hundred million shares at a par value of NTD 10 per share, which may be issued in separate tranches.

3. Information on shelf registration: None.

(2) Shareholder Structure

March 28, 2017

Shareholders Numbers	Government Institutions	Financial Institutions	Other Legal Persons	Individuals	Foreign Institutions and Individuals	Total
Number	4	59	191	144,320	322	144,896
No. of Shares Held	14,601,571	75,031,518	770,247,978	1,592,058,980	944,060,211	3,396,000,258
Shareholding	0.43%	2.21%	22.68%	46.88%	27.80%	100%

Note 1: Includes 70,000,000 shares repurchased and held by the Company, as of the book closure date for the 2017 AGM, but not yet transferred or cancelled.

Note 2: Ratio of shares held by investors in China: 0%.



(3). Distribution of Shareholders

1. Distribution of Common Shares:

March 28, 2017

Shareholding	Number of shareholders	Shares held (Note)	Shareholding
1 - 999	61,476	16,182,459	0.48%
1,000 ~ 5,000	50,373	118,460,539	3.49%
5,001 ~ 10,000	15,032	114,313,007	3.37%
10,001 ~ 15,000	5,466	68,247,218	2.01%
15,001 ~ 20,000	3,502	64,263,923	1.89%
20,001 ~ 30,000	3,105	78,231,423	2.30%
30,001 ~ 50,000	2,472	98,986,343	2.92%
50,001 ~ 100,000	1,816	130,562,726	3.84%
100,001 ~ 200,000	782	110,838,373	3.26%
200,001 ~ 400,000	439	122,602,569	3.61%
400,001 ~ 600,000	101	50,543,487	1.49%
600,001 ~ 800,000	58	41,012,755	1.21%
800,001 ~ 1,000,000	49	44,957,394	1.32%
≥ 1,000,001	225	2,336,798,042	68.81%

Note: Includes 70,000,000 shares repurchased and held by the Company, as of the book closure date for the 2017 AGM, but not yet transferred or cancelled.

2. Distribution of Preferred Shares: None.

(4) List of Major Shareholders

March 28, 2017

Major shareholders	Shares	No. of shares held	Shareholding (Note)
LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch		265,496,000	7.82%
Winbond Electronics Corporation		200,000,000	5.89%
Chin-Xin Investment Co., Ltd		178,002,000	5.24%
Patricia Chiao		91,969,006	2.71%
Norges Bank Investment Fund under the custody of CitiBank (Taipei).		64,422,360	1.90%
Yu-Heng Chiao		58,092,197	1.71%
Vanguard Emerging Markets Stock Index Fund under the custodianship of Standard Chartered		55,491,443	1.63%
Yu-Chi Chiao		51,285,470	1.51%
Walsin Lihwa Employee Welfare Committee		47,981,637	1.41%
Pai-Yung Hong		47,605,717	1.40%

Note: The shareholding calculation includes the 70,000,000 shares repurchased and held by the Company, as of the book closure date for the 2017 AGM, but not yet transferred or cancelled.

(5) Stock Price, Net Value, Earnings, Dividends and Related Information for the Past Two Years

Item		Year			
		2015	2016	Current year up to March 30, 2017	
Share Price (Note 1)	High	10.20	13.65	15.15	
	Low	6.02	6.83	11.55	
	Average	8.09	10.43	13.70	
Net Value per Share (Note 2)	Basic	17.25	18.66	-	
	Diluted	17.05	17.97	-	
Earnings per Share	Weighted average shares	3,524,913,814	3,424,730,253	-	
	Earnings per share	0.45	1.33	-	
Dividend per Share	Cash dividend (Note 3)		0.20	0.70	-
	Stock dividend	-	-	-	-
		-	-	-	-
	Accumulated unpaid dividend (Note 4)		-	-	-
Return Analysis	Price-earnings ratio (Note 5)		18.09	7.27	-
	Price-dividend ratio (Note 6)		40.70	13.81	-
	Cash dividend yield (Note 7)		0.02	0.07	-

* If shares are distributed in connection with a capital increase out of earnings or capital reserves, information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: The highest and lowest share prices for each year is provided, with the average price for the year computed based on each year's transaction amount and volume.

Note 2: Use the number of the outstanding issued shares at year's end and the distribution passed at the following year's shareholders' meeting to fill in.

Note 3: If it is necessary to make adjustments retroactively due to situations such as issuance of bonus shares, the earnings per share before and after the adjustments should be listed.

Note 4: If the conditions of the equity issuance require that dividends not yet distributed for the year be accumulated and paid out in a later year with positive earnings, the dividends that have been accumulated up to the current year and not yet distributed shall be disclosed separately.

Note 5: Price-earnings ratio = Average per share closing price for the year / earnings per share.

Note 6: Price-dividend ratio = Average per share closing price for the year / cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / average per share closing price for the year.

(6) Dividend Policy and Implementation Status

1. Dividends Policy Specified in the Company's Articles of Association

The Company has a variety of products in different stages of development. In order to promote sustainable development of the Company, the Company's dividend issuance policy is based on the Company's future plans, industry environment, cash-flow requirements, financial structure and profit status. Dividends will be issued on a conservative, sustainable basis. Dividends issued to shareholders will be in the form of stocks and cash. Cash dividends will be prioritized, followed by stock dividends. Cash dividends should not be lower than 50% of the total issued amount.

The amount of profit to be retained and the conditions, timing, amount and type of share dividends to be declared shall be pursuant to changes to economic and industry outlook. Consideration should also be given to the Company's future development needs and profitability such that they may be adjusted at the appropriate time.

2. Dividends Distribution to be Proposed to the Shareholders' Meeting

According to the decision of the Company's 19th board meeting of the 17th term, cash dividends issued to shareholders in 2016 shall be NTD 2,328,200,181, averaging NTD 0.7 per share. (As of February 17, 2017, the Company had issued 3,396,000,258 shares. After subtracting 70,000,000 treasury shares, the Company had 3,326,000,258 shares in circulation.)



In the future, if the Company repurchases shares, thereby influencing the amount of shares in circulation and changing the price per share in circulation, it is proposed that the shareholders meeting authorize the chairman of the board to adjust the number of circulating stocks on the ex-dividend date.

This dividend issuance is approved by the 2017 AGM, which authorized the chairman of the board to determine the ex-dividend date and other details.

The smallest unit of the cash dividend is NTD 1. Amounts smaller than NTD 1 will not be calculated; the Company will categorize it as miscellaneous income.

3. Explanation regarding expected major changes to dividend policy: None

(7) Effect of the proposed stock dividends (to be adopted by the Shareholders' Meeting) on the operating performance and earnings per share: Not applicable.

(8) Compensation for employees, directors, and supervisors:

1. The Company's Articles of Incorporation includes the amount and coverage of compensation for employees, directors, and supervisors.

Article 25-1:

If the Company turns a profit in a year, no less than 1% of the profit should be distributed to its employees as compensation, and no more than 1% to directors and supervisors as compensation. The actual amount should be determined by a board meeting where no less than two-thirds of the directors are present and more than half of the directors present votes to approve the suggested amounts. The amounts should be reported to the shareholders meeting. However, if the Company still has accumulated deficit from previous terms, it should first reserve the amount needed to settle the outstanding balance.

Employee bonuses may be distributed by way of stock or cash dividends, and the Company may issue bonuses to employees of an affiliated company that meets the conditions set by the board of directors. The board of directors shall be authorized to determine the method of distribution.

2. Basis for estimates of compensations for employees, directors, and supervisors this term, basis for calculating employee stock compensation and accounting procedures for when there is a discrepancy between the estimated and actual amount.

(1) Basis for estimates of compensations for employees, directors, and supervisors this term: Estimated by ratio of the pre-tax income as determined by the Articles of Incorporation.

(2) Basis for calculating employee stock compensation: Not applicable.

(3) Accounting procedures for when there is a discrepancy between the estimated and actual amount: If the amount changes after the release of the yearly consolidated financial statements, accountants will include the discrepancy in the books for the next year.

3. Information regarding board of directors' approval of employee compensation

(1) Amount to be paid in the form of cash and stocks to employees, directors, and supervisors: The board has approved NTD 53,100,000 to be paid in cash to employees, and NTD 36,900,000 to directors and supervisors.

(2) Difference from estimated amount, reason and actions required: No difference.

(3) The amount of employee compensation in the form of stock and its percentage of the Company's after-tax income (as reported in the financial statement of this term) and total employee compensation: Not applicable.

4. Actual payment status (including stocks, cash, and stock price) for employee, director, and supervisor compensation from the previous year; discrepancies (if any) between the actual payment and estimated amount, as well as the reasons for and actions required by the discrepancies:

(1) Cash and stock compensation for employees; compensation amount for directors and supervisors: In 2015, the Company issued NTD 21,962,000 to employees and NTD 16,335,000 to directors and supervisors.

(2) Differences between the estimated amount of compensation for employees, directors, and supervisors, as well as the reasons for and actions required by the discrepancies: No differences.

(9) Share Repurchase

March 30, 2017

Share Repurchase Batch	22nd (batch)	23rd (batch)
Purpose of Repurchase	Raising shareholders' equity	Raising shareholders' equity
Period of Repurchase	April 30, 2016 to June 28, 2016 The actual repurchase period was May 3, 2016 to May 23, 2016	July 30, 2016 to September 28, 2016 The actual repurchase period was August 1, 2016 to September 23, 2016
Repurchase Price Range	NT\$ 8 -10 per share	NT\$ 7.4 -11 per share
Type and Quantity of Shares Repurchased	Common shares: 60,000,000 shares	Common shares: 120,000,000 shares
Amount of Shares Repurchased	NTD 560,128,143	NTD 1,236,612,725
Number of Shares Cancelled and Transferred	0 shares	0 shares
Accumulated Number of Company Shares Held	130,000,000 shares	190,000,000 shares
Proportion of Accumulated Number of Company Shares Held to Total Number of Shares Issued	3.64%	5.40%

2. Issuance of Corporate Bonds: None.

3. Issuance of Preferred Shares: None.



4. Issuance of Global Depository Receipts (GDRs)

Item	Date of issuance		
	October 3, 1995	November 9, 2010	
Place of issue and trading	Issued globally and traded on the Luxembourg Stock Exchange, Portal and London Stock Exchange		
Total amount	US\$121,800,000	US\$290,313,085	
Offer price per unit	US\$12.18	US\$5.38	
Total units issued	10,000,000 units	53,961,540 units	
Source of underlying security	Issuance of new common shares for cash capital increase	Issuance of new common shares for cash capital increase	
Underlying security	Common stocks: 100,000,000 shares	Common stocks: 539,615,400 shares	
Rights and obligations of depository receipt holder	Conducted in accordance with the laws of the Republic of China and with the provisions of the Depository Agreement. Refer to the Covenants of Depository Agreement for the key terms and conditions.		
Trustee	None	None	
Depository institution:	Deutsche Bank	Citibank	
Custodial bank	Mega International Commercial Bank	Citibank (Taiwan)	
Balance outstanding	143,761 units of global depository receipts, and 1,437,608 shares of securities represented.		
Distribution of fees incurred from issuance and the outstanding period of the GDRs	1. Issuance fees: The issuing company will be responsible for the entirety of this fee. 2. Fees during outstanding period: The issuing company will be responsible for this fee.		
Covenants of Depository Agreement and Custodial Agreement	Omitted		
Market price per unit (Unit: USD)	2016	High	4.21
		Low	2.04
		Average	2.98
	Current year up to March 30, 2017	High	4.82
		Low	3.61
		Average	4.30

5. Exercise of Employee Stock Option Plan (ESOP): None.

6. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None.

7. Implementation of capital allocation plan: None.

V. Business Overview

1. Business activities

(1) Scope of Business

1. Primary business, primary products and revenue ratio.

Business Unit	Business activities	Products	Revenue Ratio	
			The Company and its Consolidated Subsidiaries	
			Amount (NTD million)	%
Wire and cables	Manufacture and sale of copper conductors, various electrical wires, cables and related connection materials and accessories.	Bare copper strips, copper wires, copper cables, power lines, and high-voltage power line accessories.	85,826	59.9%
Stainless steel (Formerly Special Steel BU; the Company's main product has been stainless steel, hence the name change.)	Forging, processing, and selling of stainless steel, stainless steel seamless pipe and nickel pipe.	Billets, slabs, hot-rolled plates, hot-rolled steel coils, cold-rolled coils, wire rod, hot-rolled bars, cold-finish bars, pierced billet, stainless steel foil, boiler tubes, heat exchanger tubes, instrument tubes, and fluid pipes.	47,644	33.2%
Commerce/Real Estate	Real estate	Income from housing sales, office building sales and rentals, rent and operations	922	0.6%

2. New Products Planned to be Developed

Business unit	New products under development
Wire and cables	1. Composite cable for large machinery 2. Smart TV 3. Supervisory control and data acquisition (SCADA) 4. Cables for offshore wind turbines 5. Multi-head wire harness 6. Integration of copper alloy, drawing, and stranding technology
Stainless steel	1. High-strength/heat-resistant/anti-corrosion steel ingots and steel types. 2. Boiler heat-resistant alloy steel. 3. Bars and their production process 4. Hastelloy Piping 5. Nuclear-energy piping development 6. Automobile-piping development

(2) Industry overview

1. The Economy and Development Status of the Industry

(1) Wire and Cable Business

●Copper wire materials

The company's copper products mainly supply markets in Taiwan, Southeast Asia, the Pacific and Mainland China. In Taiwan, our operations are time-tested and steady. Demand and supply are at equilibrium; Southeast Asia export is stable, with some increases; Mainland China's GDP is estimated to



grow at around 6.5%, yet copper materials have seen only a slow-growing demand. We anticipate the growth rate of copper demand will be lower than that of the GDP. Electric automobiles, charging stations, and high-efficiency machinery are our main growth areas.

● Wire and cable

As the push for public infrastructure projects in power transmission has lagged due to lack of investment, demand for high-voltage cables have decreased and funds for purchasing in this area have also decreased. Additionally, in the construction industry and other areas, demand for copper cables has decreased. However, due to shortages in electricity and the carbon-reduction movement, there is an increase in demand cables for solar, wind and other green power. The focus of the Company business development will be the shift from basic infrastructure to infrastructure for smart cities in Mainland China and demand for cables from new semiconductor plants.

(2) Stainless Steel BU

Influenced by the U.S. presidential election and the Philippines' ban on mining exportation, bulk commodities have seen a slow rise in price. The price of LME nickel has increased from USD 8,300 MT at the end of June to USD 11,000 MT at the end of the year, a 30% increase. Because of the abundance of market funds and the increase in willingness by downstream businesses to increase inventory, demand is growing. Even though the global socio-economic condition is unstable and China's domestic demands have slowed, we still benefit from supply-demand equilibrium as a result of the government's new environmental policy.

Looking forward in 2017, due to uncertainty in global politics, the market is still observing how the direction of policies for the new U.S. government and Brexit will impact the economy. Currently, the copper and steel industry is still suffering from a surplus of supply and various countries have issued anti-dumping/anti-subsidy/tax-increase policies as barriers to international trade, which may create obstacles for the maintenance and expansion of markets by business. However, China's environmental protection policies will continue to reduce the surplus of supply through reducing production capacity, which we forecast will result in more steel producer mergers such as those of Bao Steel and Wuhan Iron and Steel, which may alleviate market competition. Even though China's economy is undergoing restructuring and its GDP growth has not been as robust, our Company, complying with the Steel Industry Standards and Protocol, will benefit from the government's supply/demand reform policies. Through improving quality and competitiveness in cost, our position will be consolidated in China's stainless steel market. As U.S. policy of protectionism causes reflux of manufacturing, we expect an increase in public infrastructure. Also with the E.U.'s lift of anti-dumping tax on Taiwan, the industry group (coils, fasteners, cables) will experience a growth that is also accompanied by sustainable demands from downstream clients. Walsin has initiated facility renovation in order to increase efficiency, strengthening clients' dependence on our products. At the same time, optimizing product groupings, we will strengthen our sales strategy regarding high-added-value steel types. While pursuing an equilibrium between quality and quantity, Walsin will acquire a better market position through restructuring and sales optimization.

(3) Real estate

In 2016, Nanjing's real estate market grew at a robust rate, with full volume at RMB 184.6 Billion, a 29% growth from the previous year. Total units sold amounted to 15,580,000 sq m (with 14,060,000 sq m residential), a 1.6% decrease from last year. Total revenue from units sold was RMB 276.6 billion (with RMB 251.5 billion from residential), a 56% increase from last year. Overall, Nanjing's real estate market has maintained about the same amount of units sold, but sales volume has skyrocketed.

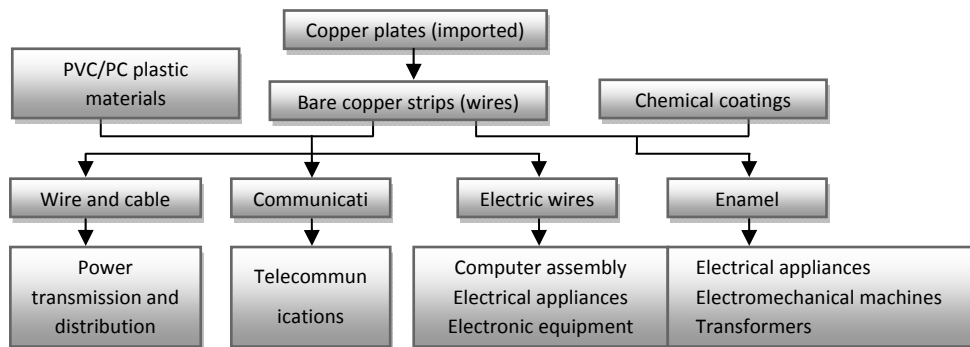
Nanjing Walsin Centro is the Company's real-estate project in Nanjing city, which includes office buildings, residential buildings, and commercial areas, with the whole project area being 100 million sq m. It is located in Hexi District, at the intersection of Subway Line 2 and Line 10, and enjoys a great neighborhood that is beaming with opportunities and potential. However, as property prices in Nanjing

have skyrocketed (from September 2016 to January 2017, it increased by 27%), Nanjing’s municipal government has placed purchase and mortgage limitations in order to control property prices. Yet, because Walsin Centro is located in an area that is almost fully developed, it is not likely there will be new housing units in the near future. With its great geographical location and high client volume, the government policy will not significantly impact the Centro's sales. In the long run, a steady and healthy market is more beneficial to the sales of Walsin's real-estate projects.

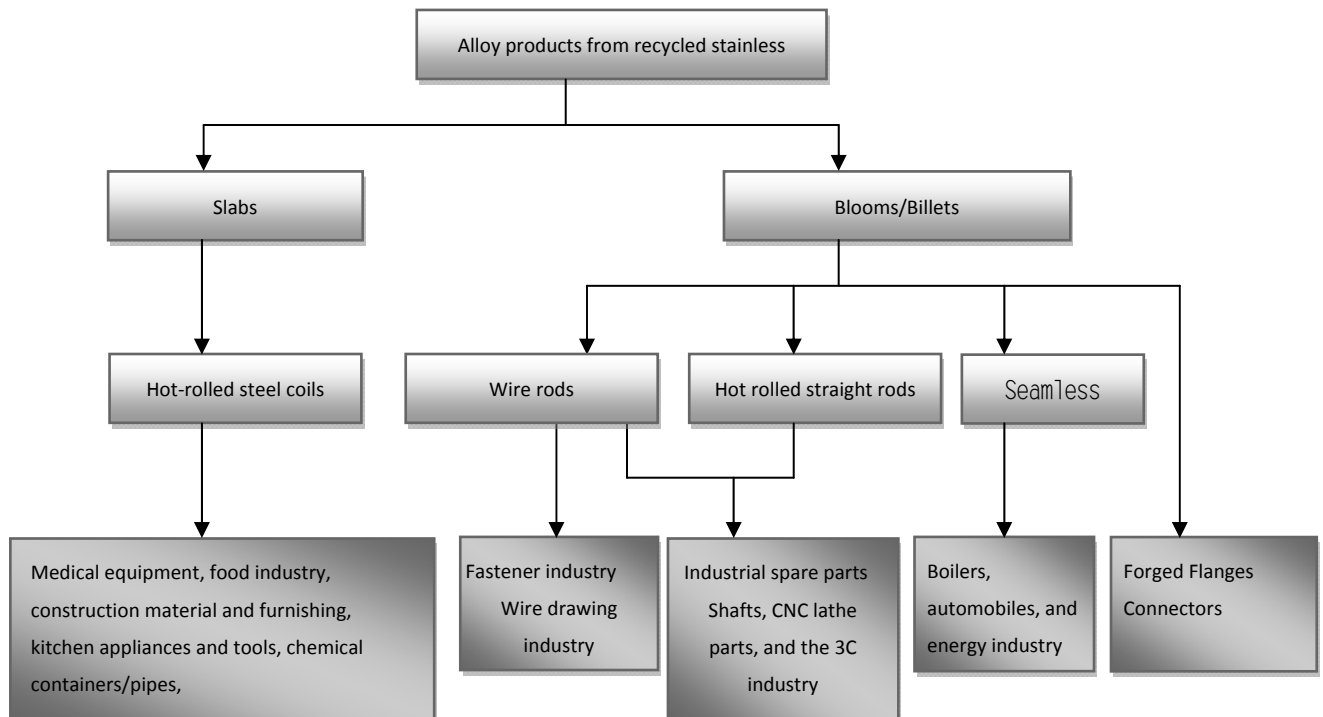
In the future, as Hexi District's new developments become more mature, the location advantage will become more important. As residential/office-combo projects are rare, we welcome a large-scale influx of clients or client groups. Walsin Centro's high quality standards and brand reputation have also left a great impression on potential clients.

2. Relationships with suppliers in the industry's supply chain:

(1) Wire and Cable Business



(2) Stainless Steel BU





3. Product development trends and competition

(1) Wire and Cable Business

●Copper Material

Development Trends: Our Company still occupies a leading position in its domestic market and southern China. Its operations in Mainland China mainly is composed of the electromagnetic wires, electronic wires and automobile wires businesses, and also occupies a leading position. The Company has maintained a competitive edge in the market and will continue to develop in the field.

Market Competition: Our competitors in the Mainland China's copper wire market have been continuously increasing their production capacity, causing a surplus of supply. We can maintain our competitive edge only through continuously optimizing our product structure and customer service and focusing on the high-end market.

●Wire and cable

Development Trends: Under the influence of global carbon-reduction and environmental-protection movement, propelled by supportive government policy, Taiwan's market has seen a rise in demand for green-energy solutions such as solar and wind power. There is also an increase in demand for fire-resistant building materials, in reaction to the Building Amendment Act.

Market Competition: Because of a sharp plummet of orders from Taiwan Power Company, stagnant public infrastructure progress, and slow growth from the private sector, there has been a surplus of supply. In order to increase utility efficiency of production facilities, many among our colleagues in the industry have ventured into the international market and developing niche products.

(2) Stainless Steel BU

●Coils/plates

Development Trends: Shifting focus on new steel-type development, with high-quality applications and products of high unit price and profit. Increasing product diversity, creating a win-win situation for both the company and our clients.

Market Competition: The global demand for stainless steel coils has been growing at a steady pace. However, as Mainland Chinese steel manufacturers continue to increase their quality, market competition has become more complex. The Company is able to maintain steady profits with the realization of its full production and sales capacity. This is thanks to our advantage in cost, as well as an advantage in steady rapport with clients who are leading competitive players in the industry.

●Rods

Development Trends: Competition in the circular rods is intense in Taiwan and the main overseas markets. In the future, we will focus on precision and specialty-steel types. In the Mainland China market, we will shift to specialty steel, hastelloy, transportation, automobile engines, energy and other highly profitable industries.

Market Competition: Overall, there is an excess capacity in the middle- and low-end markets. Price is the main competitive factor. In the high-end market, certification and specialty steel for niche industries are still lucrative compared to middle and low-end markets.

In Taiwan and the Company's main overseas markets, client demand for our products has been impacted by India Viraj's expansion to the low-end market and international headquarters. However, with the Company's delivery promptness and high quality, sales in 2016 have grown.

Propelled by the government's environmental policy, the Mainland China market has reached supply-demand equilibrium, as manufacturers failing to reach environmental standards or steel production license were shut down. In order to reverse export-dependency of high-end products, China has demanded localization of automobile-part production. Supply chains are now 70% domestic. Suppliers are now actively developing automobile stainless steel materials.

- Stainless steel seamless pipe

Development Trends: As the new environmental-protection laws placed stricter standards, and as the carbon-reduction movement grows, specialty-steel types and new products now have wider application.

Market Competition: The second half of 2016 has seen a steady rise in demand for stainless-steel seamless pipes. However, the general merchandise market is too competitive. We may maintain our competitiveness through staying in the market as well as developing new markets.

(3) Commercial Real Estate

- Walsin Real Estate Development

Development Trends: In 2016, GDP growth in Nanjing was 8.0%, higher than the national and provincial average by 1.3% and 0.2%, respectively. Nanjing's GDP has surpassed RMB 1 trillion, reaching an astounding RMB 1.5 trillion. Nanjing is henceforth the 11th city in China and the 4th city in the Yangtze delta with a GDP over RMB 1 trillion, totaling 1.4% of the national and 13.8% of the provincial GDPs. Disposable income per capita is RMB 44,009, an 8.8% growth since last year. Retail sales volume of consumer products reached RMB 508 billion, a 10.9% growth since last year and a 0.7% rise in growth speed.

In real estate, developments now tend to center around urban areas, are large scale and are no longer retail-based. Development plans and the their scale have continuously expanded in Nanjing's urban centers. Integrated real estate products are becoming more mainstream. Developers now place more value on culture, creativity, individualization, experience and interactivity. Department stores and retail play a less important role, while dining, entertainment, and relaxation occupy a higher percentage in consumer spending. In terms of residential development, the high-end market is becoming increasingly prominent.

Market Competition: The urban center is a hotspot for high-end low-density projects. Land supply is scarce, projects are few in number, and price elasticity is small. The real estate industry has also centralized toward large enterprises with financial strength and development capability. Developers in Nanjing have gradually reduced their development products or no longer independently engage in such projects. Firms of a specific size will gradually acquire better competitive environments, increasing market order. The Company's Walsin Centro is located at the heart of a new city where two metro lanes intersect, and its location and position are unique. In the future, the Company will continue to develop the surrounding areas, which would increase the demand for commercial and office buildings.



(3) Overview of Technology and R&D

1. R&D Expenses and Results

R&D Expenses		From Jan 1, 2016 to March 30, 2017, R&D expenses were NTD 40,000,000.
R&D Profile	Wire and cables	<ol style="list-style-type: none"> 1. Continue technical development and innovation in the large-machinery and renewable-energy industries. 2. Develop sustainable, environmentally friendly cable-based materials. Develop higher-quality, higher-precision products. 3. Continue to develop core technologies in flexible cable, co-develop related cable products with our international strategic partners and provide a reliability-testing facility. 4. Co-develop smart cables and surveillance systems with our partners in academia.
R&D Profile	Stainless steel	<ol style="list-style-type: none"> 1. Optimize heat resistance in steel types, increase quality and functionality for normal stainless-steel products, increase quality for hot-rolled bars. 2. Develop bars of various sizes in order to widen application in shafts and engines. 3. Optimization of new steel development process: Improvement in the rolling process. 4. Using heat-resistant and anti-corrosion hastelloy-steel types for product development and large production. 5. Develop products for the application of stainless steel in nuclear-energy electric piping, accessories, and consumables.

2. Present and future R&D projects, as well as the estimated R&D investment expenditure

Division	Plan for Most Recent Year	Current Progress	Mass Production Completion Time	Main Reasons Future R&D will Succeed
	We anticipate to invest NTD 103,000,000 for R&D, which includes:			
	Constructing quick-design, formula development capacity.	<ol style="list-style-type: none"> 1. Completed plastic spectrometer 2. Organize and plan core functions of various materials. 	2017	<ol style="list-style-type: none"> 1. Knowledge base/database 2. Application of computer-assisted mathematic-model analysis technology
Wire and cables	Testing facility for large-machinery cable lifespan	Standards already determined, ready to purchase equipment.	2018	Understand the choices on product-application parameters. Improve structural design of flexible cables through testing data; improve development and manufacture of core raw materials.
	Development of smart cable	<ol style="list-style-type: none"> 1. Applying for the Industrial Value Creation Program for Academia 2. Conduct sensor-simulation testing. 	2018	<ol style="list-style-type: none"> 1. Sensors 2. Marketing Strategies to create demand

Division	Plan for Most Recent Year	Current Progress	Mass Production Completion Time	Main Reasons Future R&D will Succeed
Stainless steel	We plan to invest NTD 40,000,000 for R&D, including:			
	High-strength stainless steel	Trial production of sample pipes	2017	Cold forming and heat treatment
	Outsource to IF furnace plants for mold production and forging	Under evaluation	2017	Outsource bottom-casting systems for forging capacities
	Continue product development of bars	Under evaluation	2017	Continuous casting parameter setting, hot-rolling process parameter setting, and heat treatment parameter settings.
	Continuous casting and hot-rolling process parameter settings	Cold work trial manufacture	2017	Hot extrusion process, cold machine technology, hot process technology
	Nuclear-gauge pipes and duplex-steel exchanger tubes	Cold work trial manufacture	2017	Hot/cold forming and heat treatment
	Reform plan for rolling production process	Under evaluation	2018	1. Coordination between rollers and roughing mills 2. Outsource bottom-casting system for forging capacities

(4) Business plan - long-term and short-term

(1) Wire and Cable Business

● Copper Material

Our short-term development goals are to understand how our clients' demands change as they grow or as their markets place different requirements and to further stabilize the quality and customer service of our copper products. We will transform into a manufacture and service-integrated provider, optimize our product structure, and steadily increase revenue. We will also adjust according to the market conditions and production capacities of our competitors in Mainland China. The long-term plan is to maintain competitiveness and the strength to face the market and conduct sales-restructure adjustments for high-value-added high-temperature wires and fine wires.

● Wire and cable

Get a clear picture of customer demand and adapt a more flexible supply approach to prepare for market competition and to provide excellent product quality, delivery schedule and services in order to enhance customer satisfaction and become a leading brand in the industry in Taiwan.

Cultivating the Japanese market, business planning in underdeveloped countries in the Association of Southeast Asian Nations, aggressive development of electrical wires for industrial applications, and seeking strategic partners. Seize the opportunity in electro-technological industries (semiconductor packaging and panels).



(2) Stainless Steel BU

● Coils/plates

Coils: adjust product combos according to market status to increase orders of steel types and to maintain full-capacity production in the plants. In the future, we will raise revenue by developing new steel types and new industrial applications, increasing funding to improve roller performance and product quality. Regarding panels, our Taichung factory's stainless steel-rolling plant has newly added cold-rolling pre-production facilities. After the new facilities go into use, we can increase the variety of our product combos, increase product quality and sales, and discover more high-volume large clients, decreasing our dependence on a single client. At the same time, we will increase the parameters of our products in order to replace exported materials currently in Taiwan. Moreover, as the global carbon-reduction protocols become more stringent, our company will start to invest in environmental-protection and green industries.

● Rods

Apart from small-sized rods, we are gradually developing large-sized products and stabilizing the quality of large-sized steel ingots. We strive to explore and increase revenue in niche markets.

● Stainless steel seamless pipe

With cost reduction, reasonable prices, and prompt delivery, we will consolidate our current market share and maintain our current clients. We will shift our focus to satisfying demands in automobile piping, hastelloy piping, gauge tubes, and nuclear-power piping.

(3) Commercial Real Estate

● Walsin Real Estate Development

The Company's real-estate sector is now constructing 11 residential buildings in plot D, 2 phase-1 office buildings, and a phase-2 mall and its attached office building in plot AB. In 2016, we have completed pre-sales of 4 phase-1 residential buildings on plot D and 1 phase-1 office building on plot AB. The construction of pre-sold buildings will be finished one by one in 2018.

Business plan - short-term:

In the short term, we will finish sales of Phase-2 residential units in plot D and of office spaces in plot AB. With quality control guaranteed, we will expedite construction and initiate pre-orders as soon as we obtain government approval. At the same time, we will continue development and construction of the phase-2 mall and office building in plot AB. Depending on market status, we will arrange for sales/leasing. The mall spaces are already open for tender. Moreover, we will accelerate the design/development of the phase-3 office building on plot AB, increase the added value of our products, and create a steady income stream. Through successful sales and efficient operations of office buildings, commercial esplanades, international apartments and other products, we will continue to expand our reputation through high-quality offerings and services.

Long term business plan:

During the marketing and promotion process, using the Nanjing Walsin Centro complex as a vehicle to integrate residential, commercial, and office products, as well as establish brand image. Meanwhile, we have maintained good relationships with suppliers and up-, middle-, and down-stream industries to establish a competitive advantage, strengthened operational and management efficiency of large urban complexes, and created a brand value based on high efficiency, high quality, and reliable management. We have also searched for low-risk, high-profit new development projects.

2. Market Analysis and Sales Overview

(1) Market Analysis

1. Sales region(s) and market share of main products

(1) Wire and Cable Business

The Company is focused the development of the wire and cable business, and offers a one-stop comprehensive production line from the upstream bare copper wire, copper rod production, to the research and production of all types of cables such as power cables, communication copper cables and fiber optic cables. The main sales regions include Taiwan and Mainland China. In 2016, the Company sold about 600,000 tons of copper rod (wire) products, including 400,000 tons in Mainland China, of which 310,000 was sold domestic, and 200,000 in Taiwan, of which 100,000 was sold domestically (including shipments to the Company's cable factories). According to the statistics of Department of Statistics, MOEA, the overall domestically sold bare copper wire in Taiwan is about 247,000 tons, of which the Company supplies about 40.1%.

In regards to wire and cable in 2016, the Company's power cable products sales value is about NTD 10.75 billion dollars, of which Taiwan occupies NTD 7.45 billion and the Taiwan domestic sales value is NTD 6.94 billion dollars. According to the statistics of the Department of Statistics, MOEA, the domestic sales value of Taiwan's power cable products is NTD 31.4 billion dollars, of which the Company occupies about 22.1%.

(2) Stainless steel business

The Company is a major global stainless steel products company, with stainless steel products such as stainless steel billet, cold- and hot-rolled steel coils, wire rods, bars, seamless steel pipe and precision roll bonding steel. The main sales regions include Taiwan, Mainland China, Korea, Southeast Asia, Australia, Europe and North America. Our stainless steel wire rod and bar products occupy a significant position on the global market and we offer customers optimal lead times and services with sales offices distributed across the Strait, a vertically integrated supply chain and a standardized production process. In 2016, the Company's stainless steel product sales was 731,000 tons, of which the sales in the Taiwan region was 584,000 tons, including 414,000 of domestic sales. According to the statistics of the Taiwan Steel & Iron Industries Association, in 2016, the consumption of stainless steel products on the Taiwanese market is: 216,000 tons of wire rods, 192,000 tons of hot-rolled steel coils, 461,000 tons of cold-rolled steel coils, and 77,000 tons of bars, of which the Company occupies 61.3%, 56%, 31.8%, and 16.9% respectively.

2. Overview of supply and demand and projected growth

(1) Wire and Cable Business

● Copper Material

Demand in the Taiwanese market continues to drop, and a push by the government for increased basic infrastructure construction is needed to increase demand. The accelerated overall demand for cable in Mainland China is gradually slowing down due to the accelerated decline of fixed asset investments and real estate regulations. However, fields such as high-end magnet wires and ultra-thin automotive wire harness in Mainland China have an estimated growth predicted to reach an annual cable copper consumption of 6.5 million tons in 2016.

● Power cables

Demand in the Taiwan construction market has slowed down, with overall market demand is on a decline. A lack of major, continuously updated concrete projects for domestic public infrastructure resulted in lowered middle and high pressure demands, and pressure from oversupply which is yet to be relieved. In



response to the demand of power shortage and carbon reduction, green energy such as solar power and wind power are the future growth areas.

(2) Stainless steel business

● Wire rod/plate material

Wire rod capacity expansion is concentrated in Asia. The growth in demand stems primarily from the Southeast Asian regions, Europe and America has a limited overall growth, while the decline in demand from China accentuates the industry oversupply issue. The Company maintains a full-scale production and sale and sales operation with stable profits as it has stable customer relationships and our main customers have an advantage in market competitiveness. We will continue to optimize quality and build on customer relationships to realize the concept of a sustainable operation.

Regarding plate materials, the Company will prepare the slabs according to market demand and develop the potentially profitable forging industry. In particular, the No. 1 domestic and anti-dumping tariff-free export zones exhibit highest development potential; therefore, steel types and specifications will be improved further to expand market width. For 2D and 2B, the domestic and foreign pipe manufacturing and cutting industry will be the main target. The Company maintains stable and longterm customer relationships with comprehensive services and a stable market share, thus is able to sustain a full-scale production and sales. We will continue to actively pursue market shares of current import quantities, and the competitiveness of overall cold-rolled products will be improved after available specifications are complete.

● Rods

The overall mid-, and low-end product market is under severe price competition. The Company will expand niche steel type sales, maintain full-scale production and sales, increase profits and maintain competitiveness with stable lead times and product quality.

● Stainless steel seamless pipe

Nuclear power pipes: In 2020, China's nuclear power generators in operation and under construction will reach 88 million kW. It is estimated that in 2025, the global nuclear power generation will exhibit multiplied growth in comparison with the current base, and will reach 17% the overall power generation in the world. China's nuclear power currently occupies a low percentage of the overall generated power, at about 3%, much lower than the global average of 11%; thus nuclear power has important potential.

Automotive pipes: The current China automotive pipe market has mainly European and American suppliers; the Company plans to enter the market with reasonable prices and lead time advantage.

Nickel-based pipes / instrument pipes: Actively expand customer base, discover strategic partners, pursue joint orders, and increase overall amount of orders.

(3) Commercial Real Estate

● Walsin Real Estate Development

In 2016, the amount of land transaction in Nanjing was 4.69 million sq m, a 29% growth from 2015, and the amount reached RMB 163 billion dollars, which demonstrates the animated land market transactions in Nanjing. In 2016, the average price of commercial residential buildings in Nanjing experienced 11 months of continuous growth, exhibiting a hot sales trend. Without government regulation to limit the price or the sales, the average price of commercial residential buildings will continue to grow at a larger scale, which may accumulate to a bubble risk. Walsin Centro is located in an optimal mid-section of the Hexi district with a sufficient source of clients, which is why the current sales-limit policy has little impact on the Walsin Centro project sales. In the longterm, a stable and healthy market is more advantageous to the sales and operations of the Walsin real estate project.

3. Competitive niche, favorable and unfavorable factors for long-term growth and response measures

(1) Wire and Cable Business

● Copper Material

➤ Competitive niche

1. The three plants across the Taiwan Strait in full-scale operation, has a scale advantage, stable product quality and offers comprehensive after-sales services.
2. Has stable raw material supply relationships and perfect hedging mechanism.
3. Has the integration and operation capacity for production, sales, purchase and financial resources.
4. Increased the production and sales of the copper line.

➤ Favorable Factors

1. Externally: China continues to move toward its urbanization, high-speed rail and power facility improvement objectives, and its demand for copper wires will continue to grow steadily.
2. Internally: We have established long-term, solid foundations with our customers and integrated the advantages of the Company's tri-factory production base to generate optimized sales portfolios.

➤ Unfavorable Factors

1. Taiwan and China's copper strip production capacity has exceeded demand, and competition is intense.
2. Mainland China competitors are continuously improving in operation scale and skills.
3. Price fluctuations of raw materials have increased operating risks.

➤ Response measures

1. Identify business opportunities in response to market variation, future demands and development of the research industry.
2. Production, sales and procurement negotiations to understand customer demands and improve product and services.
3. Develop new business customers, adjust and optimize client structure.
4. Comprehensively enhance the operational efficiency, implement cost reduction management, and continue to strengthen financial risk management.

● Power cables

➤ Competitive niche

1. The Company has the advantage of providing critical copper raw material supply internally and stably in order to fully exert the benefits of upstream and downstream integration.
2. In the long-term, provide products and services related to project engineering as well as accumulate greater knowledge and experience on the supply side of the industry and utilize brand advantages.

➤ Favorable Factors

1. Customer satisfaction in quality, service, and lead time; brand advantage within Taiwan market.
2. Government tendency to expand public construction and green energy industry.

➤ Unfavorable Factors

1. The public sector is not showing signs of recovery.
2. The private sector is in a oversupply state and price competition is intense.

➤ Response measures

1. Grasp the market demand forecast and implement price hedging for critical metal raw materials in order to reduce transaction risks.
2. Develop new products according to the international market industry trends as well as develop new markets and customers.



3. Establish long-term cooperative relationships with the main customers as well as expand the scale of products and services.
4. Build large machine cable lifetime test platform, improve high-end cable product design and development skills, modify product combination, improve profits.

(2) Stainless steel business

● Wire rod/straight bar/plate material

➤ Competitive niche

1. Mass production in Taichung plant has maximized the steel production capacity of Yenshui plant and created economies of scale.
2. Long whole bar products are produced and sold in a single plant region. In addition, with a rolling cycle that facilitates the shortest lead time and a mechanism reflecting raw material price fluctuations, up- and downstream resource integration was achieved and we are able to offer optimal services to customers.

➤ Favorable Factors

1. Long bar products have a stable economy of scale, and a rapid and stable lead time; in comparison with imported products, plate materials also have a short lead time advantage.
2. China's advantage in nickel iron is not as good as before. Low-price sales continuing across the world have increased the number of anti-dumping cases, but this poses a niche advantage for Taiwan's market.
3. Products are chiefly sold to direct users. If traders are the target, then information on final-end users can still be acquired.
4. Organizational flexibility and rapid actions in response to the market variations.
5. The new equipment on the production lines at the Taichung plant and the Yenshui plant will facilitate product combination adjustments and product quality improvement.
6. European Union canceled the anti-dumping tax rates on Taiwan fasteners, which improves the industry cluster effect (wire rods/fasteners/wire materials).

➤ Unfavorable Factors

1. Japan, South Korea and China are member states of ASEAN. If Taiwan is to enter the ASEAN, some of its steel products must be subjected to tariffs. In the long run, if Taiwan cannot sign the ASEAN FTA, this imposes limitations on developing trade relations with the members of ASEAN. Fortunately, the Company's customers are centralized in Southeast Asian regions. The effects will be limited within a short period.
2. Due to excessive capacity, China has sold its product across the world at a low price targeting mostly the Southeast Asian markets, price wars for SUS304 steel are escalating.
3. India has expanded its production capacity orienting toward exports. In particular, India has built a warehouse in its target market competing directly with the Company's downstream fastener customers. Replacement of 304 steel is increasing in prominence.
4. As awareness for environment conservation is growing, it increases operation costs, and limits the profits.

➤ Response measures

1. Roller machine improvement through capital expenditures to improve quality, quantity and profits.
2. Enhance product differentiation and diversity, increase nickel-free, and 316 steel sales, and complete the range of product sizes to increase production capacity and reduce cost.
3. Stably enhance technological capabilities, strengthen the industry supply chain and technical cooperation, and strengthen market segmentation.

4. In response to global trend of stricter requirements on energy-saving, carbon reduction, and industrial waste treatment, the Company will invest in environmental conservation.

- Stainless steel seamless pipe

- Competitive niche

1. Quality certification and complete steel types and sizes.
2. Highly renowned brand with sales and shipment performance in various industries.

- Favorable Factors

1. Automobile tubes have a high certification threshold with long cycles. The Company has entered the field earlier than others and has a promising outlook.

- Unfavorable Factors

1. Lead time is longer than domestic competitors.
2. Costs are high and price competitiveness is weak.

- Response measures

1. Safeguard existing market share and continue to develop new markets.
2. Expansion in high unit price markets and increase the market shares of niche products.
3. Suitable adjustments to the product and machine loading ratio, to reduce cost in response to the market demands.

(3) Commercial Real Estate

- Walsin Real Estate Development

- Competitive niche

1. Location advantage: Walsin Centro is located at the core area of the Nanjing Hexi Newtown central business district and at the intersection of the Numbers 2 and 10 metro lines. It is located in the center of new district. The core area no longer has new mixed-use projects, making it an advantageous location.
2. Quality advantage: To meet new trends in market demand, we have adopted new energy saving materials and technologies extensively, focused on user-friendly design as well as product durability and maintainability in every detail, enabling the product to gain a competitive advantage and allowing the Company to rapidly gain market share and establish its brand name.
3. Brand recognition advantage: C1 area is for office buildings and Huadengfan fashion food commercial street deliveries and operations, C2 area is for residential housing, D area is for arts and craft exhibition and sample housing display as well as first batch housing sales; with attention to quality of life, and the concept of a "good house", we are widely-recognized by our customers, and our "high quality" is well-known in the industry.

- Favorable Factors

1. Due to the scarcity of land and economic development, real estate has the potential to hold and increase its value. The urban complex product has the combined advantage of function and location.
2. The establishment of the Jianbei National New Development District, the only large city location in the Yangtze River Delta Economic Zone, may drive Nanjing into a new round of sustainable development and bring steady growth and prosperity to the real estate market (especially the high-end real estate market). This project is located in Hexi and can fully enjoy the growth results stimulated by the Youth Olympic Games.



➤ Unfavorable Factors

1. Land prices and construction cost continue to rise, and housing prices are rising too fast, resulting in increased real estate market risks, and it is estimated that various challenges remain for the profits from new land transactions.
2. The government's purchasing and price limit policies increase the sales uncertainty of this case.

➤ Response measures

1. Optimize design drawings and reduce building construction costs through structural optimization under the premise of maintaining product compliance with national standards.
2. Optimize the development process; enhance quality of drawings, contract work, and procurement by improving internal processes; and save on project development costs.
3. Maintain good product planning and design, and develop products that satisfy market demand by accurately understanding market needs and enhancing marketing ability.
4. Follow-up closely on policy directions of relevant government industry management departments, act ahead of time, and seize the optimal sales moment according to instant market variations.
5. Market the brand and product by continuously launching products onto the market and successfully promote Walsin Centro and Walsin Corporation's overall brand image through regional product brand promotion.

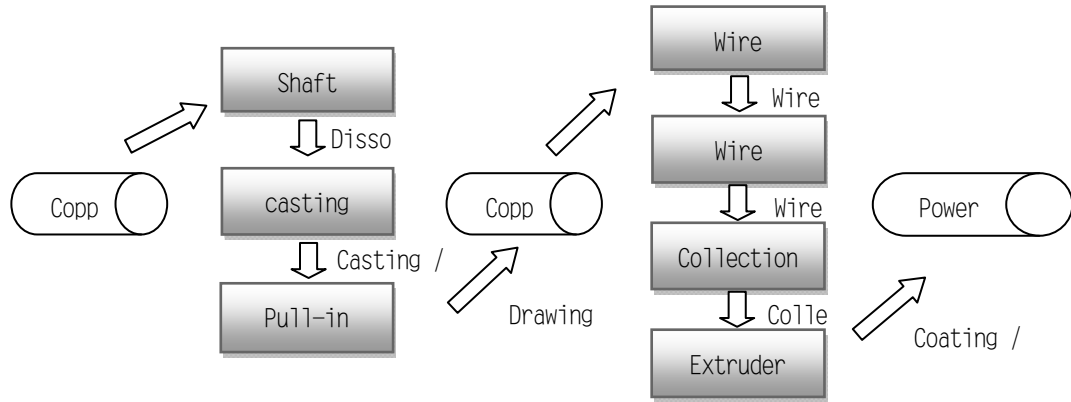
(2) Key applications and production processes of main products

1. Key applications of main products

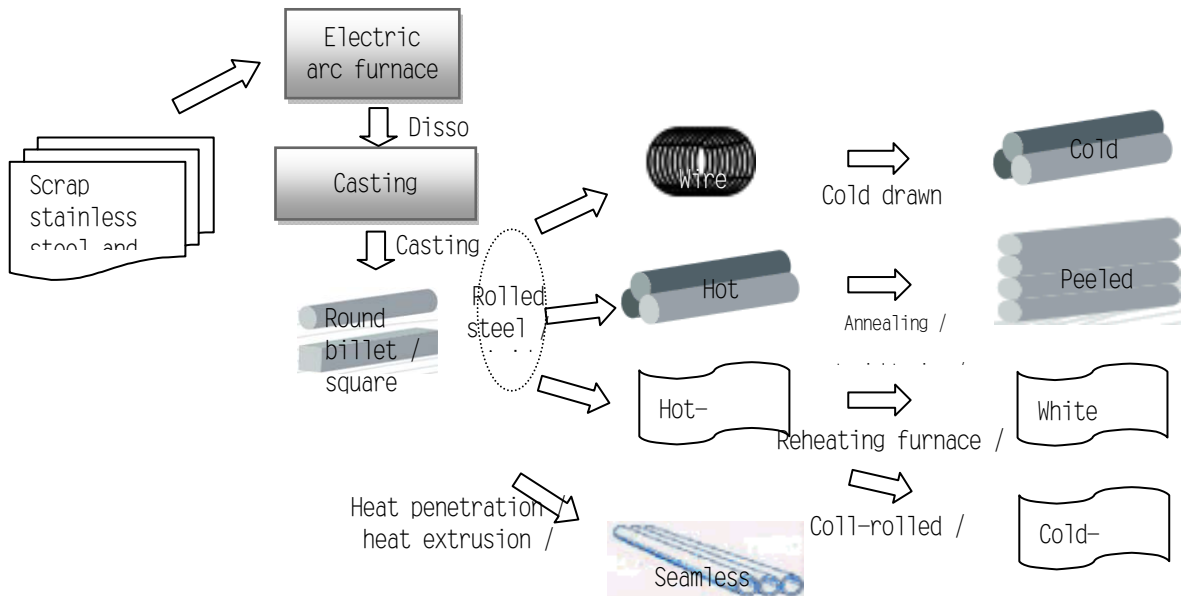
Primary products	Key applications
Copper material	Wire and cable conductor, home appliances, electrical and electronic devices, transformers, etc.
Power cables	Primarily used for power plants, power transmission and distribution, plant facilities, transportation construction, construction of power transmission lines, etc.
Steel billets	Hot-rolled wire rods, hot-rolled straight rods, flanges, seamless steel pipes, etc.
Flat billet	Hot-rolled steel coils, hot-rolled plates, heavy forgings, etc.
Wire rods	Various fasteners, shafts, stainless steel thin wires, cold-finish straight rods, etc.
Cold rolled coil (flat panel category)	Building decoration, kitchen utensils, appliances, medical equipment, electronic communications, chemical tanks, and steel pipes
Peeled straight rods	Forging materials, turning parts, electric machine accessories, etc.
Cold finish straight rods	Shafts, medical equipment, furniture decoration items, turning parts, electric machine accessories, etc.
Stainless steel seamless pipe	Petrochemical heat exchanger; fluid pipe and instrument pipe boiler station pipe; nuclear power station pipe; shipboard fluid pipe and instrument pipe; turning pipe.
Commercial real estate business	Residence/office/mall

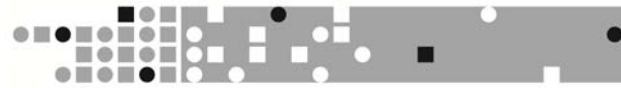
2. Production process

(1) Wire and Cable Business



(2) Stainless steel business





(3) Supply status of primary raw materials

Business unit	Primary raw material	Description of supply status
Wire and cables	Copper plates	Primarily based on long-term annual contracts signed with suppliers and supplemented by spot purchases. Procurement must be coordinated with the finished product sales volume.
	Polyethylene	Adopts monthly/quarterly quantity bargaining method, and includes imported and local supplies.
	Other chemical materials	Adopts monthly/quarterly quantity bargaining method, and raw materials should mainly be locally sourced.
Stainless Steel	Pure nickel, high carbon nickel iron, high carbon ferrochrome, stainless steel scraps, grade 1 steel scraps, and molybdenum iron.	The main raw material metals used by the Company to produce stainless steel are pure nickel, high carbon nickel iron, high carbon ferrochrome, stainless steel scraps, carbon steel scraps and molybdenum iron. In addition to being sourced from Taiwan, raw materials are also imported from South Africa, Japan, the United States, Australia, Europe and China.
Commercial Real Estate	Land	Implement land reserves pursuant to the Company's real estate development strategy and participate in government land auction tenders.
	Construction Projects and Materials	The Company has selected good quality construction companies and as well as material and equipment suppliers through tenders.
	Companies	Sign up retailers for the large international shopping center, through data analysis and advantages of the Company's network, pursuant to the Company's commercial positioning, business philosophy and development ideas for the AB plot.

(4) The names, procurement (sales) amounts, and ratio for suppliers whose total procurement (sales) for any year in the last two years has reached 10%.

1. Major supplier information for the last two years

Unit: NT\$1,000

Year	2015 (Note)				2016			
Item	Name	Amount	Percentage of total purchase %	Relationship with issuer	Name	Amount	Percentage of total purchase %	Relationship with issuer
	-	-	-	-	Supplier A	18,494,228	14.1	-
	Others	143,458,497	100.0	-	Others	112,868,097	85.9	-
	Net purchases	143,458,497	100.0	-	Net purchases	131,362,325	100.0	-

Reason for change: In 2016, in consideration of supplier advantages, procurement rate for a single supplier reached 10%. In 2015, each supplier accounted for less than 10% of the total purchase amount.

2. Major sales customer information for the last two years

Unit: NT\$1,000

Year	2015				2016			
Item	Name	Amount	Percentage of net sales %	Relationship with issuer	Name	Amount	Percentage of net sales %	Relationship with issuer
	Net sales	149,338,115	100.0	-	Net sales	143,355,241	100.0	-

Note: Customers accounting for less than 10% of the total sales amount.

(5) Output volume and value for the last two years

Currency unit: NT\$1,000

Volume unit: Tons

Year	2015			2016		
	Production capacity	Production volume	Value	Production capacity	Production volume	Value
Bare copper wire	550,000	507,314	77,490,194	552,000	514,303	68,863,030
Wire and cables	52,920	45,819	9,633,874	56,520	44,987	8,424,315
Steel strands	140,100	113,246	2,301,990	142,500	110,319	2,283,877
Stainless steel strips and bars	440,000	361,803	19,383,621	447,000	448,274	23,347,109
Stainless steel coils	258,000	229,346	12,619,489	311,000	218,057	11,657,144
Seamless steel pipes	27,600	16,828	3,720,569	24,000	18,886	2,825,077
Total			125,149,737			117,400,552

Note: Product capacity means the quantity that can be produced under normal operation with the existing production equipment while taking into account factors such as work stoppage and holidays.

(6) Sales volume and value for the last two years

Currency unit: NT\$1,000

Volume unit: Tons

Year	2015				2016			
	Domestic sales		Exports		Domestic sales		Exports	
Value of Main Products/ Sales volume and value								
Product	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value
Bare copper wire	359,543	50,519,916	157,965	29,303,038	354,016	44,620,445	161,815	26,577,810
Wire and cable	46,567	11,801,139	3,179	759,782	45,467	10,097,142	3,667	654,611
Steel strands	108,898	2,166,898	11,857	245,747	103,750	2,121,361	17,344	325,081
Stainless steel strips and bars	252,535	14,267,433	96,258	7,239,944	303,897	17,819,872	107,918	6,891,215
Stainless steel coils	242,833	15,402,669	34,426	2,106,509	260,978	14,618,612	61,644	3,311,951
Seamless steel pipes	6,430	1,297,732	9,781	2,068,251	7,946	915,464	9,794	1,690,534
Other (note)	-	11,584,472	-	574,585	-	13,091,678	-	619,465
Total		107,040,259		42,297,856		103,284,574		40,070,667

Note: "Other" shall include sales of non-core business products as well as real estate business, rental, and product income revenues.



3. Employee Data

(1) Employees of Walsin Lihwa Holdings Limited:

March 30, 2017

Year		2015	2016	Current year up to March 30, 2017
Number of employees		4,898	4,676	4,730
Average age		38.7	39.1	39.3
Average years of service		9.2	9.4	9.4
Education background (%)	Ph.D.	0.1	0.2	0.2
	Master's	5.8	6.3	6.3
	University/College	37.5	38.4	38.0
	High school	37.3	35.9	35.9
	Below high school	19.3	19.2	19.6

Note: Walsin Lihwa Holdings Limited includes its subsidiaries

(2) Employees of Walsin Lihwa Corp.:

March 30, 2017

Year		2015	2016	Current year up to March 30, 2017
Number of employees		2,217	2,307	2,364
Average age		38.8	38.6	38.8
Average years of service		10.0	9.8	9.7
Education background (%)	Ph.D.	0.2	0.3	0.3
	Master's	12.3	12.4	12.2
	University/College	44.4	43.6	43.3
	High school	29.8	30.2	30.2
	Below high school	13.3	13.5	14.0

4. Environmental Protection Expenditure Status

(1) Penalties imposed by the competent authority on the Company for environmental pollution, product safety, or other material breach of corporate social responsibility from the most recent year and up to publication date of the annual report:

1. Total penalty amount for 2016: NTD 231,200.

(1) Yenshui stainless steel plant:

- Period: December 21, 2015, inspection by Environmental Inspection Squad of the Southern Branch, Environmental Protection Administration (EPA), Executive Yuan (Fine received in 2016)
- Content of inspection: The declared waste exceeded 10% of the the approved maximum amount in the waste disposal project plan; the inspection discovered exposed storage of the ladle furnace slag during production, without equipment or measures to prevent ground water and rain water incoming or leakage.
- In violation of: Article 31 and 36 of the Waste Disposal Act.
- Penalty: Fined NTD 12,000.

(2) Yenshui stainless steel plant:

- Period: November 11, 2016, factory inspection by the Department of Environmental Protection, Tainan City Government
- Content of inspection: It began with the factory surroundings inspection; the water spraying resulted in muddy roads which polluted the ground surface and land stationary objects, which were photographed and filmed for proof.
- In violation of: Article 27, Item 2, of the Waste Disposal Act.
- Penalty: Fined NTD 1,200.

(3) Yenshui stainless steel plant:

- Period: March 25, 2016, Inspection by the Inspection Squad of the Southern Branch, EPA
- Content of inspection: 1. The inspection discovered incorrect declaration of production and storage of ladle furnace slag disposal records
2. The inspection discovered 11,091.37 tons of ladle furnace slag in February 2016, which exceeded more than ten percent of the 7,000 tons listed on the disposal report, and that the disposal report was not corrected.
- In violation of: 1. Article 31, Paragraph 1, Subparagraph 2 of the Waste Disposal Act.
2. Article 31, Paragraph 1, Subparagraph 1 of the Waste Disposal Act.
- Penalty: Fined NTD 12,000.

(4) Yenshui stainless steel plant:

- Period: May 12, 2016, factory inspection by the Tainan City Government Department of Environmental Protection
- Content of inspection: 1. 4 points deducted; the damaged portion of the X002 dust net exceeded 10% of the fenced-off stainless steel storage area in the plant.
2. 4 points deducted; 2-3 centimeters of accumulated mud on the road in front of the furnace brick crush area E118 created color difference with the concrete road.
3. 4 points deducted; the transportation vehicle insufficiently washed which drove out fugitive particle matter from the road, causing road surface color difference for 5 - 10 meters.
- In violation of: Article 32, Paragraph 2 of the Air Pollution Control Act.
- Penalty: Fined NTD 100,000.

(5) Yenshui stainless steel plant:

- Period: May 26, 2016, factory inspection by Tainan City Government Department of Environmental Protection



- Content of inspection: A portion of the electric arc furnace slag and ladle furnace slag were stored together at the Yenshui plant's electric arc furnace (EAF) slag field, and were not neatly kept, causing some airborne waste, which then polluted the ground; there were no clear labels of the name of the waste.
- In violation of: Article 36, Paragraph 1 of the Waste Disposal Act.
- Penalty: Fined NTD 6,000.

(6) Yenshui stainless steel plant:

- Period: June 5, 2016, factory inspection by the Tainan City Government Department of Environmental Protection
- Content of inspection: In the case of the illegal storage of ladle furnace slag (R-1210) at the Yenshui plant, the volume was 11,000 cubic meters, which meets the criteria for Batch 5, Category 2 permit for fixed pollution to be installed, modified and operated in public and private locations as announced by the EPA; however, the Company did not obtain the permit for its operations.
- In violation of: Article 24, Paragraph 1 of the Air Pollution Control Act.
- Penalty: Fined NTD 100,000.

Walsin Lihwa cares for the environmental policies and regulation directions across the Straits, and sends environmental specialists to participate in public hearings and seminars related to the policies and regulations of each business unit's operation. Each business unit has installed an environment management information system or relevant management measures. This year, there have been no fines imposed on any of the overseas business units. While the Yenshui plant in Taiwan was fined NTD 231,200 dollars by the authorities, including NTD 200,000 dollars in violations of the Air Pollution Control Act and NTD 31,200 dollars in violations of the Waste Disposal Act, all have been corrected in compliance with the law and approved by the authorities. Walsin will reinforce plant environmental protection management and prevent repeated legal violations through internal control and evaluation. Furthermore, there were no major leakage incidents in Walsin Lihwa's plants in 2016.

(2) Future response measures (including improvement measures) and possible expenses:

Despite the large amount of manpower, materials, and funding invested in environmental protection to comply with international benchmarks over the years, Walsin Holdings was still fined for pollution. To keep pollution under adequate control, the Company requires factories in Taiwan and overseas to step up self-regulation to avoid human errors and to implement economically feasible environmental management projects. Internal audit should be used as a means to assist in reinforcing self-regulation and horizontal development. Environmental investment plans and management measures are as follows:

1. Obtained ISO-14001 environmental management certification:

In conformance with international environmental conventions, plants in Taiwan (the Xinzhuang plants 1 and 2, Yangmei copper wire plant, Taichung plant, and Yenshui plant) and in China (Shanghai power plant, Nanjing plant, Jiangyin plant, Yantai plant and Changshu plant) have obtained ISO 14001:2004 environmental management certification. The Company have continued with improvements and enhanced environmental management performance in stages.

2. Air pollution management:

Comply with the air pollution control laws in Taiwan and in China and apply for permits for fixed (atmospheric) pollution source ranges that are successively announced. The various plants in Taiwan and in China have obtained operating permits for processes and facilities, reducing atmospheric emissions.

3. Greenhouse gas emission and campaign for reduction:

For combating climate change and global warming, greenhouse gas reduction is the main method and inventory offers the basis of reduction. Reduction goals and priorities can be established based on inventory results and the subsequent reduction process would become more efficient and the reduction results could be verified.

Beginning in 2013, Walsin Lihwa has verified greenhouse gas emissions annually as a first step towards power-saving and carbon reduction, and has conducted carbon inventory and reduction as well as built the "Environmental Safety Information Platform - Ability for greenhouse gas inventory and product carbon inventory calculation" where all the Taiwanese and overseas plants must complete range one and range two greenhouse gas inventory from the previous year, and actively promoted inspections by external certification institutions in compliance with ISO 14064-1. The Yenshui plant has passed the ISO 14064-1 standard, and plans to pass inspections by external certification institutions in compliance with ISO 14964-1 standards. Meanwhile, the Company established internal environmental protection, safety and health information system, in which the inventory results from each plants must be regularly registered. The Company combines these efforts to establish overall product carbon inventory and management skills, and increase international competitiveness of our products.

In 2013, greenhouse gas emission intensity was 0.43 and 0.29 (tons CO₂e/product quantity (tons)), respectively, for Taiwan plants and overseas plants. In 2014, each plant executed power-saving plans, and after three years of implementation, in 2016, Taiwan plants and overseas plants (real estate excluded) had total emission intensity of 0.38 and 0.35, respectively, which is 12% reduction and 13% increase (with 2014 as the baseline). The increase in the overseas plants emission intensity was due to the outsourced hot-rolling process by the Baihe plant in 2016, which reduced the product quality and increased the unit power consumption.

4. Wastewater treatment:

The Company's plants treat their wastewater through appropriate wastewater facilities until it conforms to water discharge standards before discharging it into designated rivers or transferring it to local designated wastewater treatment plants. In 2016, wastewater-producing plants (Xinzhuan plants 1 and 2, Yangmei copper wire plant, Taichung plant and Yenshui plant) discharge their wastewater independently into Dahan River, Shezi River and Jishui River (all of which are Type-C water bodies), except for the Taichung plant, which is under management (by Export Processing Zone Administration, Ministry of Economic Affairs, Chung Gang branch). Plants overseas (Shanghai power plant, Nanjing plant, Dongguan plant, Jiangyin plant, Changshu plant, Yantai plant and Walsin Precision) have their wastewater processed by local designated wastewater treatment plants.

To ensure effective utilization of limited water resource, factories modify their production processes to reduce water consumption and improve wastewater recycling systems as part of the effort to increase the production wastewater recycling rate. Average pollutant concentration in wastewater discharged by the factories in 2016 met the effluent criteria.

5. Strict control of industrial waste:

The 4Rs (reduce, reuse, recycle, and recovery) are the foundation for the Company's waste production and control. After utilization and scrapping of copper cable, steel and iron materials, they are recycled and reused, then re-manufactured into copper cable wire, steel and iron materials. Under the premise of a circular economy, in 2016, 5,609 tons of residual steel was recycled from furnace slag and 5,025 ton of alloy iron were recycled from furnace dust in the Taiwan region (Yenshui plant). We recycle and reuse waste produced by ourselves, and the rest is disposed, treated or reused by qualified companies. The commercial waste at each plant is managed in compliance with environmental regulations and ISO 14001 Environment Management System. In regards to waste management, we have a strict external company inspection and audit mechanism, and in consideration of the legitimacy of companies and the risks of secondary pollution, we select qualified companies for their treatment services. Internally, we reduce production raw material waste and start reduction at the source in the spirit of material flow cost.



6. Improve energy use efficiency:

Walsin upholds the business philosophy of "Green Manufacturing, Happy Enterprise and Sustainable Management". In addition to committing to quality management, pollution prevention, environmental protection, safety and health, the Company adopts "Enhancing energy efficiency and promoting clean energy" as its energy management goals to fulfill its social responsibility in energy conservation and carbon reduction. We aggressively incorporate energy equipment, efficient technologies, environmentally friendly facilities and environmental protection designs and green process into promoting improvement of energy efficiency at the source of emissions. We support government energy policies and measures, educate our employees about energy conservation, and inventory energy consumed by equipment and facilities to seek opportunities for improving our energy performance. Furthermore, the Company also effectively implement energy saving plans.

7. Energy conservation and carbon reduction:

The Company formulates its energy conservation goals by referring to energy conservation policies implemented in Taiwan and China. The Company has implemented plans to conserve energy, reduce carbon footprints, as well as reduce carbon dioxide emissions through two major measures: engineering control and administrative management. Our plants also increases energy usage rates via water conservation and waste reduction, and reduces greenhouse gas emissions by means of recycling and reuse of resources.

In order to effectively reduce pollution and greenhouse gas emissions, and reasonably consume energy in the most efficiently way, each plant has established a power-saving and carbon reduction management group; the relevant platforms are implemented based on the strategies, individual management targets and KPIs set forth by the environmental safety and health committee; the implement status of the targets are reported quarterly on the energy management meeting, during which the analysis and countermeasures in response to the global trend are determined.

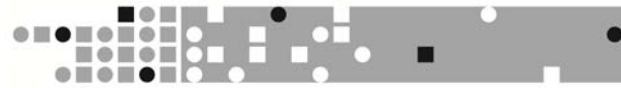
The annual carbon reduction target declared for Taiwan and overseas plants is 3,014.41 tons in 2016; the actual amount achieved was 8,779.52 tons/year, a 291.25% fulfillment rate. The largest contribution in carbon reduction fulfillment rate is from the low carbon raw material two-phase production at the Yantai plant, which resulted in an annual carbon reduction of 5,047.39 tons, 72.17% of the overall overseas carbon reduction. The plants in Taiwan and overseas have implemented 91 carbon reduction programs in 2016, and these efforts have reduced a total of 8,779.52 (tons of CO₂e/year) in carbon dioxide emissions, saving approximately NT\$9.461 million for plants in Taiwan and RMB 7.829 million for plants overseas.

(1) Plants in Taiwan

Unit: tons (T-CO₂)

Plant	Energy Saving Plans	Carbon reduction
Xinzhuang	<ol style="list-style-type: none"> 1. Plant 1 Production Engineering Department FTIR lab A/C 2. Plant 1 Production Engineering Department ICP lab A/C 3. Plant 1 Power Section II, multiple cooling equipment system integration 4. Plant 1 Power Section II, multiple cooling tower replacements (reasonable request) 5. Plant 1 Power Section II multiple cooling pump replaced with high-efficiency motors 6. Plant 2 communications planetary stranding machines are replaced by high-efficiency equipment 7. Plant 1, additional 300HP variable frequency air compressor operation adjustment 8. Plant 1 copper stranding area replacement of high-efficiency lighting 9. Plant 1 lab adjusted aging furnace air exhaust operation hours 10. Plant 1 350kV concealer room windshield installation 11. Plant 1 furnace room duty office replacement of variable frequency A/C 12. Plant 1 air compressor system integration (keep one dehumidifier off) 13. Plant 1 air compressor water cooler replaced with zero-oxygen- 	189.79

Plant	Energy Saving Plans	Carbon reduction
	consumption type 14. Plant 1 300HP-2 air compressor cooler renewed 15. Plant 1 Power Section II extrusion area replaced with high-efficiency lighting 16. Plant 1 replaced with high-efficiency lighting 17. Plant 1 Electrical Engineering Group office replaced with high-efficiency lighting 18. Plant 1, additional air compressor flow monitor (compressor operation adjustment) 19. Plant 1 Power Section I extrusion feeding machine renewed (reasonable request) 20. Replacement of M85 cooling water tower in Plant 1. 21. Precisely calculated reasonable setting of air pressure calculation for Plant 2 (125HP-1). 22. Precisely calculated reasonable setting of air pressure calculation for Plant 2 (125HP-1). 23. Precisely calculated reasonable setting of air pressure calculation for Plant 2 (150HP-2). 24. Precisely calculated reasonable setting of air pressure calculation for Plant 2 (175HP).	
Yangmei	1. 69kV high-voltage station and SCR11.4kV electrical substation replaced with LED lighting 2. Dock area and copper plate field replaced with electrodeless lamps 3. Improvement of air condition in employee canteen 4. Generator room replaced 450W projector lighting to T8 40W lighting 5. Central road replaced with electrodeless lamps 6. Continuous improvement in gas consumption of copper plate melting	146.06
Taichung	1. Taichung plant replaced mercury-vapor projector light used in APL processes with LED lights 2. Taichung plant reduce S6H#1 rolled oil system's internal cycle operation time during downtime 3. Taichung plant direct NO.1 CPL blasting shipment, eliminating APL production power consumption 4. Taichung plant ARP projector lighting replaced with LED projector lighting 5. Taichung plant ARP area A/C changed to variable frequency control 6. Taichung plant new production line ARP uses IE3 power-saving engines	569.01
Yenshui	1. Preheater combustion system replaced with oxygen enriched combustion system 2. Vacuum refine furnace cyclone dust collector added an inverter 3. Inspection station replaced with LED lighting 4. Plant rooftop added daylighting panels 5. Preheater combustion system replaced with pure oxygen combustion system 6. Improvement of main dust collector vibration motor 7. Improvement of P236 motor power-saving 8. Steel rolling plant rooftop light guide lighting system 9. Improvement of main dust collector vibration motor 10. Reduce power consumption from lighting on rolling line 11. System 2 cooler water tower is improved with heat sink blades 12. Daytime lighting improvement at steel rolling plant heat treatment area 13. Steel rolling plant transformer replacements 14. Nighttime: 20:00~0800 LHF is not in production and is automatically shutdown by PLC controls. LHF dust collector fugitive dust inverter control changed to magnetic contactor control.	880.32
Total	In Taiwan, 50 energy saving plans were implemented.	



(2) Plants overseas

Unit: tons (T-CO₂)

Plant	Energy Saving Plans	Carbon reduction
Shanghai	<ol style="list-style-type: none"> 1. Improvement of LED lighting, including voice-controlled switched 2. Improvement of air compressor system (air leakage improvement, reduction of compressor power consumption) 3. Company car gas reduction 4. Tiny core cable stranding by adopting the highly efficient twisted pair production line 5. Establish A/C operation time for reasonable usage 6. Concentrated material feeding, optimize forklift routes 7. Rebuilding of 150 extrusion machine equipment 8. Mica tape wrapping machine replaced with highly efficient horizontal mica tape wrapping machine 	130.80
Jiangyin	<ol style="list-style-type: none"> 1. Warehouse mercury and sodium lighting replaced with LED lighting (670 sets total, 30 sets per replacement) 2. Circulating pumps replaced with submersible pumps 3. Precision warehouse installed with backup power, cut off main power source 4. Steam trap replacement 	860.23
Nanjing	<ol style="list-style-type: none"> 1. Drawing Section: Wrap and tie copper wires from unfilled shelves with the warp-rebeaming machine, and reduce returns to the furnace 2. Reduce forklift diesel consumption 3. Electrically concentrated waste grease water are switched to SCR waste heat vaporization concentration 	252.32
Dongguan	<ol style="list-style-type: none"> 1. 380V harmonic wave treatment 2. 2# 75kW variable frequency air compressor replaced to traditional air compressor 3. Offices and employee buildings all switched to energy-saving lights, and reduce one third of the number of lights. 4. Improve material feeding method and disperse the feedings (80% full), real-time monitoring of material fed to melting furnace 	250.94
Changshu	<ol style="list-style-type: none"> 1. Plant regular 400W lighting switched to 120W LED 2. Holding the temperature of 6-ton furnace improves power consumption 3. Material field projector lighting control improvement in terms of numbers in operation and duration of on-time 4. Employee garage fluorescent lights replaced with LED 5. 800m³ circulating water reservoir pump automatic control improvement 6. Rain water discharge pump improvement 7. Furnace cooling water pump improvement 8. De-greasing system pump control improvement 9. Cooling tower fan timed automatic control 10. Reduce air compressor exhaust pressure 11. Heat extrusion billet cleaning process and craft improvement 12. Six-set polishing machine power improvement 13. Pickling temperature improvement 14. De-greasing sink heating method improvement 15. Hydraulic pulling machine oil pump pressure control improvement 16. Basement grease room lighting improvement 	452.67
Yantai	<ol style="list-style-type: none"> 1. Increase capacity and ladle life, and control number of steel ladles on the production line 2. For steel types with P content $\geq 0.035\%$, conduct overall evaluation according to raw material costs and variable costs 3. Reduce diesel consumption 	5,047.39

Plant	Energy Saving Plans	Carbon reduction
	4. Early termination of VOD vapor heating to reduce energy consumption 5. Increase long length production ratio 6. Plant power-saving measures	
Total	Plants overseas implemented 41 energy saving plans.	

8. Promoting green manufacturing

(1) Green manufacturing development

In 2016, the Company developed the green manufacturing processes listed below, which further reduces pollution and achieves the goal of power-saving, carbon reduction and resources-saving.

- Develop furnace slag improvement treatment and reuse technology, to reduce its environmental impact.
- Develop furnace slag reduction process, to reduce the environmental impact and save on resources.
- Adopt pure oxygen combustion technology to reduce fuel consumption and NOx emissions.
- Improve heat treatment process, reduce fuel consumption and achieve energy conservation and carbon reduction.
- Reduce pickling process. Use machine rust removal instead of pickling to reduce chemical solution consumption, reduce pollution, and save on resources.
- Further increase waste sulfuric acid recycling and reuse equipment to reduce sulfuric acid solution consumption and save on resources.
- Taichung plant pickling process added a waste mixed acid treatment and recycle equipment to further improve waste mixed acid treatment ability, increase the amount of reuse, reduce acid solution consumption and save on resources.
- Promote additional pickling equipment to reduce NOx content in gas emissions and nitrate content in discharges to mitigate environmental pollution.
- Refine straight bar manufacturing process. Adjust cooling process for straight bars, thereby lowering the frequency of cold-drawing and annealing during the process. This reduces frequency of use of dies and annealing fuels and achieves energy conservation and carbon reduction.

■ Patented slag recycling technology

Slag is a side product of billet production at the Yenshui plant in Taiwan during the stainless steel making process and classified as No. 14 electric arc furnace slag under the Regulations Governing Administration of Reuse of Enterprise Waste. The authority has announced that such material can be used as part of the raw materials for cement and cement products. To recover valuable metal in furnace slags, thereby facilitating slag reutilization, the Company investigated the process of recycling and reusing slags since 2003. We continuously repeated the processes of breaking, sieving, jaw-crushing and screening slags produced during stainless steel making; extracted valuable metals, slags and ballast soil from furnace slags; and then categorized the extractions to recycle and reuse them. In 2016, 5,609 tons of valuable metals were recycled and reused. Patent application for this classification and processing technology for electric arc furnace slag was submitted on April 22, 2004. The application was approved and the patent details are as follows.

■ Spent acid regeneration plant and wastewater recycling equipment (ARP+ZEMAP)

Walsin Lihwa has invested a huge amount of manpower, resources, and funds into environmental protection, in the hopes to achieve international standards. Walsin Lihwa Taichung plant adopted the acid regeneration process (ARP) and the zero effluent mixed acid pickling process (ZEMAP) in 2015; the two systems received the Energy Earth Award in 2015. Taichung plant test ran the ARP equipment in July 2016 and test ran the ZEMAP equipment at the end of 2016.



ARP treats the waste mixed acid produced from the stainless steel pickling process, then recycles the hydrofluoric acid and nitric acid to reduce the amount treated at waste water plant and the sludge production.

ZEMAP treats waste mixed acid water, recycles condensation water for the reuse on the pickling line; besides water-saving benefits, it achieves zero nitrite nitrogen emissions.

ARP reduced waste in 2016 is as follows:

Quantity\Item Name	Hydrofluoric acid (HF)	Nitric acid (HNO ₃)	Lime Ca(OH) ₂		Quantity\Item Name	Sludge
Reduced materials (ton)	644	228	962	→	Reduced waste (ton)	2,633

ARP recycles hydrofluoric acid and nitric acid and produces valuable by-products "oxidized metal dust", which is currently transported to the Yenshui steel plant to be reused in the furnace. About 100 tons of valuable "oxidized metal dust" were produced monthly in 2016; it lowers the pollution impact to the environment and creates a new circular economy operation mode.

■ Recycling and reuse of flue dust

In the Yenshui plant, waste iron, waste steel and alloy iron are melted in an electric arc furnace under high temperature to form steel. During the production process, suspended particles and gas are emitted and collected to form "flue dust." Flue dust contains valuable metals such as chromium, iron and nickel; if improperly processed, these metals cause environmental pollution. Adhering to the principles of sustainable management and environmental protection, the Yenshui plant inputs BOF "flue dusts" as raw materials into electric arc furnace to melt them and recover valuable metals. 5,609 tons of steel and 5,025 tons of alloy iron were recovered from furnace slag at the Yenshui plant in 2016. For flue dusts that cannot be recycled back to the electric arc furnace, as of 2014, the Company commissions legal recycling and reuse companies instead of solid waste treatment companies to process flue dusts by melting them at high temperature to recover valuable metals, which are then produced into alloy iron. Thereafter, Yenshui plant purchases these alloy irons and input them into the electric arc furnace as raw materials.

(2) Green product

■ Stainless steel

Stainless steel has outstanding anti-corrosion and heat durability, can reduce downtime due to equipment errors in harsh environments, extends lifetime and is 100% recyclable and regenerable. 50% of the raw material used in the Company's stainless steel production is from recycled scrap stainless steel to reduce the impact of waste on the Earth, which is why stainless steel can be regarded as a green environmental protective product. Furthermore, stainless steel has a lower life cycle cost, even though stainless steel contains precious metals such as chromium and nickel and is more expensive to produce compared with general steel, but in terms of life cycle cost, it is less costly than general steel as it has better anti-corrosion property and a longer lifespan.

Global warming has caused extreme climates and deteriorated earth environment, making energy conservation and carbon reduction critical. In response, governments and corporations around the world have been committed to formulating a variety of measures, such as, Reduce car and power plant emissions, improve performance of engine and power generation equipment, build lighter car, machinery, structures, etc. This trend expands the demand on stainless steel performance. Walsin Lihwa, as the main stainless steel supplier on the market, continues to develop high performance stainless steel; as listed in the table below, in 2016, in order to devote itself to sustainable life on Earth, the Company began to develop green stainless steel products with high performances such as high intensity, high heat durability, high anti-corrosiveness, highly suitable for turning processes, high compactability, etc.

■ Wire and cables

600V PVC electric wire products obtained SGS carbon footprint certification in September, 2013 and Taiwan Electrical and Electronic Manufacturers' Association's (TEEMA) carbon footprint label in December, 2013, making the Company first in Taiwan to have 600V PVC wire products which have obtained the carbon footprint certification and the carbon footprint label. Subsequently, the Company applied for eco-label certification from EPA in 2014 and obtained eco-label certification for environmentally friendly 600V PVC wire and cable products in January 104; this product is recyclable and exerts minimal environmental impact. Furthermore, the waste generated during manufacturing or the waste power cables disposed by consumers can be recycled and reused. This product provides a new green product option for power cable consumers. The Company is also the first supplier of fire and heat resistant electric wires certified by the National Fire Agency. The Company also invests in developing low smoke, toxin free, and other types of green electric wires and cables and establishes new benchmarks for green companies.



9. Primary pollution control equipment purchased in recent years as well as possible applications and benefits: (Listing only those valued at NT\$100,000/RMB20,000 or higher)

Until the end of 2016, in consideration of the relevant pollution prevention equipment according to possible types and amount of pollutions when building the plants, and to avoid pollution, Walsin Lihwa has dispensed in all kinds of environmental protection fees, such as environmental protection equipment fees (pollution prevention equipment), environmental protection management fees, and other related fees. Taiwan plants invested NTD 564,255,000 in various environmental protection; China plants invested RMB 8,179,000 in various environmental protection; others expenses are mainly from the Malaysia plant's MYR 15,000 in regular waste treatment and environmental monitoring fees; details of the fees are listed in the following table.

2016 Environmental protection accounting expenses		Taiwan plants (NT\$ 1,000)		China plants (RMB 1,000)		Malaysia plant (MYR 1,000)	
Environment protection cost category	Environment protection cost item	Expenses	Capital expenditures	Expenses	Capital expenditures	Expenses	Capital expenditures
Environment Equipment cost	E01-01 Pollution prevention expenses	601	297,906	116	69	-	-
Environment protection	E02-01 Resource circulation fee	240,434	-	7,028	-	8	-



2016 Environmental protection accounting expenses		Taiwan plants (NT\$ 1,000)		China plants (RMB 1,000)		Malaysia plant (MYR 1,000)	
Environment protection cost category	Environment protection cost item	Expenses	Capital expenditures	Expenses	Capital expenditures	Expenses	Capital expenditures
related management fee	E02-02 Natural resources fee	14	-	110	-	-	-
	E02-03 Green procurement	587	-	89	-	-	-
	E02-04 Educational training fee	44	-	20	-	-	-
	E02-05 Test induced fee	458	-	167	-	-	-
	E02-06 Monitoring fee	3,387	-	269	-	1	-
Other environment protection related fees	E02-07 R&D cost	113	-	-	-	-	-
	E02-08 Social activities cost	247	-	48	-	-	-
	E02-09 Damage compensation cost	233	-	-	-	-	-
	E02-10 Government regulation fee	20,231	-	263	-	6	-
Sum	Subtotal	266,349	297,906	8,110	69	15	-
	Total		564,255		8,179		15

In 2016, the pollution prevention capital expenditure fee of each plant reached a total of NTD 297,906,000 in Taiwan, and RMB 69,000 overseas, which include the pollution prevention equipment valued at NTD 100,000/RMB 20,000 or higher is as follows:

(1) Plants in Taiwan

Currency: NT\$1,000

Equipment name (Taiwan)	Quantity	Investment cost	Anticipated benefits
Taichung plant - ARP+ZEMAP equipment	1	292,374	The Taichung plant expansion of waste and emission reduction process (ARP+ZEMAP) commenced in May 2015 and the test run is expected to be completed in 2016. ARP treats spent acid produced from pickling processes and can achieve 98% recycling rate of hydrofluoric acid (HF) and 70% for hydrogen nitrate (HNO ₃). ARP reduces approximately 100 tons of HF per month, eliminates the need to process roughly 1,500 tons of spent acid, and lowers the production of approximately 400 tons of sludge on a monthly basis. With ZEMAP processing, 90% of process wastewater can be recycled for reuse, reducing approximately 10,800 tons of wastewater discharge every month.
Yenshui plant - steel mill B pillar roof crenelated parapet wall	1	530	Steel mill B pillar roof crenelated parapet wall replacement due to damage, prevent flue dust pollution outside the plant.
Yenshui - electric furnace main dust collector retractable connector	1	180	Replacement of the electric furnace main dust collector retractable connector, prevent flue dust pollution outside the plant.
Subtotal	3	293,084	

(2) Plants overseas

Currency: RMB1,000

Equipment name (China)	Quantity	Investment cost	Anticipated benefits
Yantai plant- VOD material warehouse	1	26	The material warehouse was installed with an automatic door, which effectively blocks the unstructured dust emissions, prevents pollution, and creates environmental protection benefits.
Subtotal	1	26	

5. Employees-employer relations

(1) Worker-Management Relations and Welfare

The pursuit of excellence, innovation and learning and a friendly environment form the basis of sustainable development at Walsin Lihwa. Its respect and attention to "people" is reflected in its human resources management systems and various worker-management relations mechanisms, which are described as follows:

1. Smooth worker-management communication channels

- In 1976 the Company established an industry union to advocate suitable policies, and the voice and proposals of workers are communicated using an employer and employee direct dual-channel communication method.
- Union representatives employer-employee negotiation meetings are held each quarter. Union representative conferences are held every year to establish a good bridge of communication between employers and employees.
- The Company publishes the "Walsin People Digital Newsletter" to share information on critical business operations and management. The company has also established an international communication platform to hold online events and opinion surveys.

2. The Company's remuneration is established on the principle of being able to attract and retain talent as follows:

- Salary: Regular participation in external salary surveys to understand salary variations on the market and serve as an important reference to the Company's salary setting as well as adjustments, and to ensure competitive salaries.
- Bonuses and remunerations: Bonuses and remunerations are issued annually as part of employee compensation based on the operating performance of each department and the performance results of individuals and groups, while taking into account the objectives of talent retention and motivation.

3. Provide a diverse welfare system that includes the following:

- Group insurance plan (including term life insurance, accident insurance, inpatient health insurance, cancer insurance, and dependent pension)
- Self-contributed insurance plan for employees and their dependents
- Regular health exams for all employees
- Cash bonuses for the three traditional festivals
- Birthday bonus
- Wedding and funeral subsidies
- Scholarships for children
- Travel subsidies



- Club activity subsidies
- Emergency interest-free loans
- Hospital condolence fund
- Employee cafeteria

4. Under the "Walsin Lihwa Employee Learning and Development System," each employee is incorporated into the company's operating strategies, policies, and target objectives based on his/her capabilities, job performance, and career development. This enables employees, job performance, and the organization to be fully integrated and to achieve synergies in employee learning and development. The content of the system includes the following:

- Professional talent training in all levels
- Management talent training
- New employee orientation
- Employee general education courses
- Self-motivation course
- Quality and safety awareness course

In 2016, the Company spent a total of NT\$17,485,000 on employee education and training. Details are as follows:

Total training participation	Total training hours	Average training hours per employee
100,433	308,274	64

- Training statistics above include data from Taiwan and the subsidiaries in China.

5. Retirement system:

To provide job security to employees, the Company has established a retirement system pursuant to regulatory requirements with specific measures as follow:

- Established a "Pension Oversight Committee" in 1986, whereby a workers' pension funds are deposited monthly into a pension account at the Bank of Taiwan.
- The Company has commissioned external consultants to prepare a pension fund actuarial report annually since 1994, and set aside a pension reserve fund each month based on the actuarial report in order to satisfy pension applications made by employees eligible for retirement.
- In line with the implementation of the new pension system in 2005, the company has continued the issuance of the pension fund to retired employees who have elected to receive the pension under the old system. As for employees adopting the new system, 6% of their salary will be monthly withdrawn as retirement pension and deposited into each employee's personal account at Labor Insurance Bureau. Employees may voluntarily contribute within the 6% to satisfy personal demand in retirement preparation based on personal needs.
- In accordance with the 2015 amendment to Article 56 of the Labor Standards Act, the Company reviews the employee retirement pension account annually to verify if the amount is sufficient to cover the retirement pension for retiring employees in the coming year; the discrepancy is compensated by March in the next year to safeguard employee retirement funds.
- In addition to compliance with the aforementioned retirement regulations and in recognition of the contributions made by retired employees, the company also issues commemorative medals and awards to retired employees. Meanwhile, the Employee Welfare Committee as well as the industry union have also issued retirement souvenirs to fully reflect the company's gratitude towards retired employees.
- For employees in China, the subsidiaries enroll their employees in pension plans as required by law, and make monthly contributions to the pension plans according to the local regulations in order to provide adequate retirement protection for the employees.

6. Employee Code of Conduct:

To ensure that employees comply with obligations to the Company, customers, competitors and suppliers during business operations, the Company has established an Employee Code of Conduct in order to regulate employee behavior. The highlights of this Code are as follows:

- **Obligation to the Company:** All Company employees must be dedicated, studious, conform with all rules of the Company and ensure confidentiality.
- **Obligation to customers:** When conducting business dealings in representation of this Company, the employee's attitude must be humble and without any arrogance or pride lest damaging the Company's image.
- **Obligation to competitors:** The Company's employees should gather competitor information to serve as a reference for Company strategy in a legal and open manner.
- **Obligation to suppliers:** Employees must uphold the principles of fairness, reason and reciprocity during negotiations and transactions with suppliers in order to achieve a win-win result.

As a guide for employees to follow ethical standards and corporate governance, the Company has established additionally an Employee Code of Ethical Conduct. The highlights of this Code are as follows:

- Prevention of conflicts of interests
- Prevention of opportunities to obtain personal gains
- Duty of confidentiality
- Fair trade
- Protection and appropriate use of Company assets
- Legal compliance
- Prohibition of gifts, bribes or any improper benefits
- Prohibition of external communication of information against the Company
- Equal employment opportunity and prohibition of discrimination
- Health and safety in workplace
- Correctly prepared documents and duty to maintain records
- Respect for intellectual property

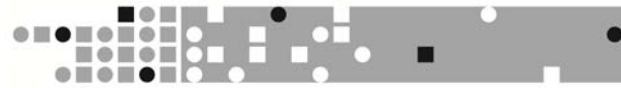
(2) Protective measures taken to ensure a safe working environment and maintain employees' personal safety

Walsin Holdings operates in one of the traditional industries. Potential risks in the workplace include noise, dust, and ionizing radiation, etc. Protection is provided in the form of engineering control and personal protective equipment. Active operators undergo (regular) physical examinations and health management. Employees involved in particularly hazardous operations (e.g. noise, dust, ionizing radiation, and organic solvents) will also undergo special physical examinations. Employees who are placed under Class 2 management due to abnormal results from their special physical examinations will undergo assessments and health education sessions.

The health and safety system and administrative measures are as follows:

1. Obtained OHSAS 18001 certification and safety management system (based on Taiwan Occupational Safety and Health Management System (TOSHMS) in Taiwan and work safety standardization in China)

Plants to have obtained TOSHMS (Xinzhuang plant 1, Xinzhuang plant 2, Taichung plant, and Yenshui plant; Xinzhuang plants 1 and 2 both obtained performance recognition from Occupational Safety and Health Administration of Ministry of Labor) and plants that have obtained work safety standardization certification in China (Yantai plant, Changshu plant, White Crane plant, Nanjing plant, Shanghai power plant, Dongguan plant, and Jiangyin plant) have also obtained OHSAS 18001 certification for occupational safety and health management system. The complete health and safety management system is based on the health and safety plan-do-check-act model, and serves to create healthy, safe work conditions.



In response to the health and safety regulations and the work safety systems in Taiwan and China, all plants in Taiwan follow the Taiwan Occupational Safety and Health Management System (TOSHMS). All plants in China implement work safety standardization to enforce work safety management. Through institutionalization, documentation, and systemization approaches, the Company actively holds training programs, conducts legal inspections, performs risk identification assessments, comprehensively amends safe job procedures (SJP), sets the top priority of safety and health improvements, and formulates goals and improvement plans. We continue to improve our safety and health performance through improvement plans, regular auditing, and evaluations by managements (Environmental safety and health management committee).

2. Designated health and safety and environmental management units or staff

Walsin headquarters and plants in Taiwan and overseas have established an Occupational Safety and Health Committee (Overseas: Safe Production Committee), which holds regular meetings to review health and safety issues according to the organizational scale; the labor representative of each plant in Taiwan (including the headquarters) is assigned by the corporate union, according to the law, to occupy over one third of the number of committee members, and provides an official channel of communication for health and safety issues between management and employees. Furthermore, in order to reinforce the company governance on environmental health and safety management, the "Environmental Health and Safety Management Committee" is established under the board to plan the Company's environmental protection, health and safety policies and projects, as well as monitor and report on the performance. The committee consists of members from various business units and relevant departments, who conduct departmental integration on relevant issues and executes the plans.

2016 Walsin Lihwa occupational safety and health committee labor representative ratio

Region	Number of committee members	Number of labor representatives	Ratio (Note)
Taiwan plants	89	34	38.20%
Taipei Headquarters	21	7	33.33%
Xinzhuang	20	9	45.00%
Yangmei	11	4	36.36%
Taichung	19	8	42.11%
Yenshui	18	6	33.33%

Note: Number of labor representatives / Number of committee members X 100%

3. Environmental safety and health duties and training:

In order to achieve zero work accidents, the Company continues to promote all-employee participation in 2016, improve hazard identification, risk evaluation and safe job procedures (SJP), allowing for the unification, suitability and effectiveness of the environment safety and health management system across all domestic and overseas plants of Walsin Lihwa. Annually scheduled audits, inspections and reviews are conducted to verify each plant's performance in its execution. Continue to hire occupational health and safety consultants to advice on special cases. 35 basic training courses, a total of 116 hours, were held this year. The courses included improvement in hazard identification, risk assessment and safe job procedures (SJP), which trained about 1,100 employees, and a preventive early stage training course for converted version of ISO45001 occupational health and safety system, which improves the quality of our management and professionals.

4. Contractor management

The Company is dedicated to corporate social responsibility and extends that devotion to our contractors. The past contractor management method of auditing from the product and contracted project point-of-view is obviously lacking. The Company takes into account a more active and comprehensive view in terms of environment, society, and economy to conduce supplier and contractor audit and selection, for an effective and suitable management, and to understand the significant and hidden risks in the supply chain.

In addition to the aforementioned areas, the Company pays special attention to risks in supplier regulation in the following areas based on the nature of the Company's business in order to ensure workplace safety for employees:

- (1) Defining high risks and implementing key point controls.
- (2) Requiring contractors to submit professional certification for specialized personnel as required by law.
- (3) Contractors must hold a pre-construction meeting and a negotiation organization meeting prior to construction.

The Company is devoted to the improvement of contractor quality, occupational safety and standards. In 2016, 634 pre-construction meetings and 28 negotiation organization meetings were held, during which the attendees were informed of important pre-construction issues, construction hazards and other relevant matters.

- (4) Regular inspection of contractor construction status.

In order to ensure construction safety, the Company sends staff to conduct unscheduled inspections. Any discovery of operation hazards will immediately result in the receipt of a penalty slip and request for immediate correction. In the case of serious offenses or repeated offenses, immediate shutdown or a notification of fines for improvement can be imposed to implement the management system and improve contractor occupational safety and construction quality. In 2016, there have been 59 penalty slips were issued regarding construction violations.

5. Key tasks in future health and safety management

- (1) Completeness of the operations of occupational safety and health (safe production) management systems
- (2) Integrate risk assessment safe standard operation procedures and implement them
- (3) Safety zone control
- (4) 2016 CSR environmental safety and health reports
- (5) Establishment and implementation of Occupational Safety and Health Act for over-exhaustion, health promotion management, workplace violence management, and maternal protection management
- (6) Establishment of a health management promotion and information management platform
- (7) Corporate governance evaluation indicators

6. Environmental safety operation management and performance assessment measures

- (1) Regular inspection of dangerous machines and workplace: All dangerous machines inside the plants must pass regular inspections as required by law. All special operators must be professionally licensed and undergo regular on-the-job training.
- (2) Health and safety audits: The Environmental Safety and Health Committee carries out special projects every year by conducting on-site plant audits for each plant's safety, health, environmental protection, and fire safety practices on a regular basis (quarterly). The objective is to ensure sound protection measures, a safe working environment, and that personnel safety protection measures for each plant are properly provided; and to provide appropriate improvement recommendations to ensure a safe working environment for everyone.
- (3) Improvements to system operations: In 2016, the Company continued to hire occupational health and safety consultants to conduct on-site advisory activities at 11 domestic and overseas plants, review and inspect last year's management system and health and safety operations for compliance, conduct on-site follow-up and review and verify relevant facilities and management status by each area. Finally, the experts present a summary report on each plant and each plant's occupational safety staff will continue to follow up on improvements. In 2017, each plant's occupational safety management system and on-site implementation are to undergo compliance review and assistance, as well as content review regarding reinforced risk analysis and safe job procedures; documentation and actual operations must be in accordance.
- (4) Integration and implementation of risk assessment safe job procedures: Risk assessments must consider the integrity of four dimensions, people, machine, materials and the environment. Combining safe job procedures (SJP) for risk assessments and standard operating procedures (SOP) are the basic tasks of occupational safety and health management system and management planning. Improper



implementation may cause total failure in management system operations. Since 2016, 12 plants have undergone overall risk re-evaluation and SJP review, establishment and revisions. The total business unit risk evaluation procedures for the whole year increased from the original 4,322 to 4,485, SJP cases increased from 2,447 to 4,110, and a total of 25,943 hazardous risk factors, which are extraordinary results. It is estimated that in 2017, the operation safety observations and SJP on-site operation comparison improved the consistency of the operation contents and effectively discovered and improved potential operation hazard factors.

- (5) Plant zone prevention activities: It is ineffective to rely on the audits conducted by a few people to conduct actual hazard identification and discover hazards in the workplace. In 2016, the Company implemented occupational safety zone prevention activities involving all employees, as well as self-inspection of disaster prevention units, and assisted inspections of assisting prevention units. The purpose is for the whole Company to discover potential hazard factors, to reinforce occupational safety responsibility which is brought back to its source, to improve potential operation hazards, reduce operational safety, and strengthen the concept of personal occupational safety. In 2014, the advisory team reviewed and advised the domestic and overseas plants, and discovered 333 items for correction. In 2015, a specially hired expert consultant joined the advisory team and discovered 1,115 items for corrections regarding on-site and management systems; however, the effects of the improvements were limited. In 2016, the plant zone prevention activities discovered 6,674 items for correction, which is an outstanding result; by the end of December, 6,648 items for correction were completed, a 99.6% completion rate; the 26 unfinished items were included into the management plan for continuous follow-up.

The annual plant zone prevention effectively discovers potential hazard factors to be included into management improvement, and reduces the occurrence rate of occupational hazards. Active safety observation items and 2016 correction items compliance rate will be added in the future. The reduction of incidence rates, and subsequently the goal towards zero occupational hazards, will be achieved through corrective assistance and performance review systems.

7. Establish friendly, safe and healthy workplace through health promotion

- (1) Occupational health and safety risk management – Strengthen labor physical and mental healthcare measures.

In compliance with the four major health risk management projects and methods established in 2015 (over-exhaustion, human factor hazard prevention, workplace violence management and maternal protection management), Taiwan plants have begun to implement the four major health risk management project in 2016, which included a total of 1,597 cases of different levels of over-exhaustion prevention management, 9 human factor prevention trainings which involved 223 participants and 9 workplace violence management trainings involving 364 participants.

Maternal health hazard protective measures targeted on female employees were implemented, including hazard evaluation and control, doctor's appointments, and risk level management; a total of 8 employees were assisted.

- (2) Employee healthcare management In 2016: A total of 2,003 employees participated in the regular health exam and 2,036 employees participated in the special health exams, with overall exam satisfaction rate at 97.1%. The results encouraged new and current employees to access healthcare management, while the occupational healthcare specialists offered healthcare instructions and information. Since 2016, the Company began to actively promote occupational healthcare management plans. The northern region (Taipei Headquarters, Xinzhuang plant, Yangmei plant) participated in the on-site service project hosted by the Occupational Safety and Health Administration northern region labor health services center. The central and southern regions (Taichung plant, Yenshui plant) and National Taiwan University Yunlin branch environmental and occupational medical department conducted various levels of health management follow-up project, and improved the benefits of healthcare management.
- (3) Health promotion and emergency care training: Based on the trend in health exam results of 2016, each plant promotes their own health activities to improve employee health through dynamic movement and

stationary activities in accordance with plant characteristics. A total of 63 sessions were held which involved 2,659 participants. In 2016, a total of 21 regular practical trainings of emergency medical staff and real scenario drills with emergency care equipment (AED and first-aid devices) were held, which trained 464 people. The Taichung plant was also qualified for "AEC safe site certification" by the Department of Health, Taichung City Government.

(4) 2016 achievements in health workplace promotion

In 2016, each plant's healthcare center actively implemented various occupational health projects, participated in healthy workplace certification health promotion competitions held by central and local authorities. Taichung plant won the workplace health promotion competition held by the Department of Health, Taichung City Government, for two consecutive years, and was selected as outstanding nursing care staff by the Taichung City Great Taichung Nurses Association due to active promotion for workplace healthcare. Yenshui plant was also awarded this year's national outstanding healthy workplace - health management award as well as the excellent healthy workplace award by the Department of Health, Tainan City Government.



(3) Labor dispute losses and countermeasures from the most recent year to the publication date of this annual report:
None.



6. Material Contracts

(1) Walsin Lihwa Corporation

Nature of Contract	Contracting parties	Term of contract Date	Content	Restrictive Clauses
Syndication Loan Contract	9 banks, including the Bank of Taiwan, the Taiwan Cooperative Bank Co., Ltd. and the First Bank	2012/08~2017/08	Syndicated loan limit of NT\$10.2 billion, five-year period, non-revolving	1. Current ratio $\geq 100\%$ 2. Debt ratio $\leq 120\%$ (net debt/tangible assets) 3. Interest protection multiples $\geq 150\%$ 4. Tangible assets \geq NT\$50 billion
Syndication Loan Contract	Sixteen banks including Taipei Fubon, Chinatrust, and E.Sun Bank.	2015/09~2020/09	Syndicated loan credit of NT\$10.2 billion, five-year period, non-revolving	1. Current ratio $\geq 100\%$ 2. Debt ratio $\leq 120\%$ (net debt/tangible assets) 3. Interest protection multiples $\geq 150\%$ 4. Net tangible assets \geq NT\$50 billion
Trade contract	ANDRITZ AG	2016/03~2018/06	Taichung plant cold-rolling front-end process equipment capital expenditure, a total of about NT \$1.436 billion. This case of machine and operation equipment procurement, is in the amount of NT\$730 million.	None

(2) Walsin (Nanjing) Construction Limited

Nature of Contract	Contracting parties	Term of contract Date	Content	Restriction clauses
Construction contract	82 companies including Shanghai Construction No. 1 Group, etc.	2010/01~	Walsin Centro AB area phase two design, consultancy, construction, power distribution, etc., accumulates to RMB 1.289 billion.	None

VI Financial Information

1. Brief Balance Sheets and Comprehensive Income Statements of Recent Five Years

(1) Condensed Balance Sheet – Consolidated (Based on IFRSs)

Unit : NT Thousands

Items		Financial Summary for the Last Five Years				
		2012	2013	2014	2015	2016
Current Assets		45,945,031	52,873,326	52,140,435	51,200,394	55,356,705
Property, Plant and Equipment		25,844,974	21,635,479	18,439,033	17,575,655	20,483,863
Intangible Assets		191,401	199,178	201,172	199,080	177,029
Other Assets		36,640,923	38,700,358	37,976,806	35,708,162	38,161,617
Total Assets		108,622,329	113,408,341	108,757,446	104,683,291	114,179,214
Current Liabilities	Before Distribution	23,931,901	35,863,269	19,971,882	17,078,873	32,360,784
	After Distribution	23,931,901	35,863,269	19,971,882	17,780,073	34,688,984
Non-current Liabilities		22,823,530	15,347,795	23,370,603	24,035,959	16,536,425
Total Liabilities	Before Distribution	46,755,431	51,211,064	43,342,485	41,114,832	48,897,209
	After Distribution	46,755,431	51,211,064	43,342,485	41,816,032	51,225,409
Equity Attributable to owners of the Company		57,648,208	59,971,272	63,499,315	61,680,070	63,365,942
Capital Stock		36,160,002	35,760,002	35,760,002	35,760,002	33,960,002
Capital Surplus		15,742,724	15,629,054	15,647,004	15,766,866	15,701,403
Retained Earnings	Before Distribution	10,417,431	7,758,681	9,932,518	11,383,125	15,211,219
	After Distribution	10,417,431	7,758,681	9,932,518	10,681,925	12,883,019
Other Equity		(3,615,988)	823,535	2,452,684	(621,113)	(897,872)
Treasury Stock		(1,055,961)	-	(292,893)	(608,810)	(608,810)
Non-controlling Interests		4,218,690	2,226,005	1,915,646	1,888,389	1,916,063
Total Equity	Before Distribution	61,866,898	62,197,277	65,414,961	63,568,459	65,282,005
	After Distribution	61,866,898	62,197,277	65,414,961	62,867,259	62,953,805



(2) Condensed Balance Sheet - Unconsolidated (Based on IFRSs)

Unit : NT Thousands

Items	Year	Financial Summary for the Last Five Years				
		2012	2013	2014	2015	2016
Current Assets		10,750,743	8,723,676	9,989,580	10,670,083	12,619,660
Property, Plant and Equipment		11,529,460	11,719,767	11,427,661	11,625,911	13,853,939
Intangible Assets		-	-	-	-	-
Other Assets		58,364,429	60,741,853	61,654,567	72,824,020	67,646,531
Total Assets		80,644,632	81,185,296	83,071,808	95,120,014	94,120,130
Current Liabilities	Before Distribution	11,190,873	9,506,730	8,342,078	9,409,878	14,688,116
	After Distribution	11,190,873	9,506,730	8,342,078	10,111,078	17,016,316
Non-current Liabilities		11,805,551	11,707,294	11,230,415	24,030,066	16,066,072
Total Liabilities	Before Distribution	22,996,424	21,214,024	19,572,493	33,439,944	30,754,188
	After Distribution	22,996,424	21,214,024	19,572,493	34,141,144	33,082,388
Capital Stock		36,160,002	35,760,002	35,760,002	35,760,002	33,960,002
Capital Surplus		15,742,724	15,629,054	15,647,004	15,766,866	15,701,403
Retained Earnings	Before Distribution	10,417,431	7,758,681	9,932,518	11,383,125	15,211,219
	After Distribution	10,417,431	7,758,681	9,932,518	10,681,925	12,883,019
Other Equity		(3,615,988)	823,535	2,452,684	(621,113)	(897,872)
Treasury Stock		(1,055,961)	-	(292,893)	(608,810)	(608,810)
Total Equity	Before Distribution	57,648,208	59,971,272	63,499,315	61,680,070	63,365,942
	After Distribution	57,648,208	59,971,272	63,499,315	60,978,870	61,037,742

(3) Condensed Income Statements - Consolidated (Based on IFRSs)

Unit : NT Thousands (Excpet EPS)

Items \ Year	Financial Summary for the Last Five Years				
	2012	2013	2014	2015	2016
Net Sales	157,463,051	148,634,957	162,987,384	149,338,115	143,355,241
Gross Profit	7,539,080	4,631,158	7,570,228	5,808,905	9,564,407
Operating Income	2,282,831	45,197	3,503,590	1,957,744	5,321,774
Non-operating Revenue and Expense	(4,046,353)	(2,361,334)	157,734	507,687	851,597
Profit (loss) before Taxes	(1,763,522)	(2,316,137)	3,661,324	2,465,431	6,173,371
Gain (loss) from Continued Operations	(3,124,839)	(2,431,422)	2,535,532	1,728,132	4,838,503
Loss from Discontinued Operations	-	-	-	-	-
Profit (loss) for the year	(3,124,839)	(2,431,422)	2,535,532	1,728,132	4,838,503
Other comprehensive income, net of income tax	(1,168,576)	4,489,965	1,502,331	(3,210,351)	(239,696)
Total comprehensive income for the year	(4,293,415)	2,058,543	4,037,863	(1,482,219)	4,598,807
Profit (loss) for the year attributable to owners of the company	(3,186,541)	(2,688,696)	2,264,691	1,601,726	4,568,125
Profit for the year attributable to non-controlling interests	61,702	257,274	270,841	126,406	270,378
Total comprehensive income for the year attributable to owners of the company	(4,302,013)	1,836,583	3,802,986	(1,604,667)	4,252,535
Total comprehensive income for the year attributable to non-controlling interests	8,598	221,960	234,877	122,448	346,272
Earnings (loss) Per Share (Note)	(0.90)	(0.77)	0.64	0.45	1.33

Note: Earnings (loss) per share are based on retroactively adjusted weighted average of outstanding shares.



(4) Condensed Income Statements - Unconsolidated (Based on IFRSs)

Unit : NT Thousands (Except EPS)

Items	Year	Financial Summary for the Last Five Years				
		2012	2013	2014	2015	2016
Net Sales		69,282,856	67,659,107	70,179,109	71,574,888	67,074,039
Gross Profit		4,072,010	2,693,683	3,093,674	4,090,649	5,982,561
Operating Income		2,443,001	1,648,545	2,058,839	2,996,429	4,785,519
Non-operating Revenue and Expense		(5,623,542)	(4,663,241)	226,852	(838,608)	390,100
Profit (loss) before Taxes		(3,180,541)	(3,014,696)	2,285,691	2,157,821	5,175,619
Gain (loss) from Continued Operations		(3,186,541)	(2,688,696)	2,264,691	1,601,726	4,568,125
Loss from Discontinued Operations		-	-	-	-	-
Profit (loss) for the year		(3,186,541)	(2,688,696)	2,264,691	1,601,726	4,568,125
Other comprehensive income, net of income tax		(1,115,472)	4,525,279	1,538,295	(3,206,393)	(315,590)
Total comprehensive income for the year		(4,302,013)	1,836,583	3,802,986	(1,604,667)	4,252,535
Earnings (loss) Per Share (Note)		(0.90)	(0.77)	0.64	0.45	1.33

Note: Earnings (loss) per share are based on retroactively adjusted weighted average of outstanding shares.

(5) Auditors' Opinion from 2012 to 2016

Year	CPA	Audit Opinion
2012	Deloitte & Touche Ming-Yu Chiu, Kenny Hong	An Unqualified Opinion with an Explanatory Paragraph
2013	Deloitte & Touche Hung-Bin Yu, Kenny Hong	An Unqualified Opinion with an Explanatory Paragraph
2014	Deloitte & Touche Hung-Bin Yu, Kenny Hong	An Unqualified Opinion with an Explanatory Paragraph
2015	Deloitte & Touche Hung-Bin Yu, Kenny Hong	An Unqualified Opinion with an Explanatory Paragraph
2016	Deloitte & Touche Hung-Bin Yu, Kenny Hong	An Unmodified Opinion with an Other Matter Paragraph

2. Financial Analysis of Recent Five Years

(1) Consolidated Financial Analysis – Based on IFRSs

Analysis Items		Year	Financial Analysis for the Last Five Years				
			2012	2013	2014	2015	2016
Financial structure (%)	Debt Ratio		43.04	45.15	39.85	39.27	42.82
	Ratio of long-term Capital to Property, Plant and Equipment		327.68	358.41	481.50	498.44	399.42
Solvency (%)	Current Ratio		191.98	147.41	261.06	299.78	171.06
	Quick Ratio		95.51	83.21	136.12	160.67	76.01
	Interest Coverage Ratio (times)		(185.51)	(276.85)	581.00	681.97	2,011.36
Operating Performance	Accounts Receivable Turnover (Times)		9.64	8.87	9.74	9.48	9.83
	Average Collection Period		37.86	41.14	37.47	38.50	37.13
	Inventory Turnover (Times)		5.98	6.88	7.06	6.30	5.38
	Accounts Payable Turnover (times)		18.27	22.57	21.64	20.21	17.98
	Average Days in Sales		61.03	53.05	51.69	57.93	67.84
	Property, plant and equipment Turnover (Times)		6.20	6.26	8.13	8.29	7.53
	Total Assets Turnover (Times)		1.34	1.33	1.46	1.39	1.31
Profit ability	Return on Total Assets (%)		(2.54)	(1.66)	2.75	1.89	4.65
	Return on Stockholders' equity (%)		(4.95)	(3.91)	3.97	2.67	7.51
	Pre-tax Income to Paid-in Capital (%)		(4.87)	(6.47)	10.23	6.89	18.17
	Profit Ratio (%)		(1.98)	(1.63)	1.55	1.15	3.37
	Earnings (loss) Per Share (NT\$) (Note 1)		(0.90)	(0.77)	0.64	0.45	1.33
Cash Flow(Note 2)	Cash Flow Ratio (%)		26.83	17.24	2.84	23.48	22.98
	Cash Flow Adequacy Ratio (%)		46.95	38.20	55.76	93.52	92.90
	Cash Reinvestment Ratio (%)		7.07	7.51	0.59	4.13	7.69
Leverage	Operating Leverage		4.59	173.93	2.98	4.54	2.28
	Financial Leverage		1.37	-	1.27	1.27	1.06

Analysis of financial ratio difference for the last two years (Not required if the difference does not exceed 20%)

- A. The increase of interest earned ratio, return on total assets, return on stockholders' equity, pre-tax income to paid-in capital, net profit ratio, earnings per share and cash reinvestment ratio, and decrease of operating leverage in 2016 compared to 2015 was that the stainless steel business benefited from the steady production increasing sales volume and gross profit. Copper material business increase its gross profit by the declining fuel cost. Borrego benefited from the growth of solar energy market in U.S., and led to the increase of the income before tax, the income after tax and operating income.
- B. The decrease of current ratio and quick ratio in 2016 compared to 2015 was due to the expiration of long-term borrowings in one year, and the advanced receipts on real estate that Walsin (Nanjing) Construction Limited entered into an agreement with third parties for selling real estate as of December 31, 2016, led to the increase of current liabilities.

Note 1: Earnings (loss) per share are based on retroactively adjusted weighted average of outstanding shares.

Note 2: If net cash provided by operating activities is negative, shall not be calculated.

Note 3: Financial analysis formulas show as the following :

1. Financial Structure :

(1) Debt Ratio = Total liabilities / Total assets

(2) Ratio of Long-term Capital to Property, plant and equipment = (Stockholders' equity + non-current liabilities) / net worth of Property, plant and equipment



2.Solvency :

(1)Current Ratio = Current assets / Current liabilities

(2)Quick Ratio = (Current assets – inventories – prepaid expenses) / Current liabilities

(3)Interest Coverage Ratio = Income before tax and interest expenses / Current Interest expenses

3.Operating Performance :

(1)Receivable (included trade receivables and operating notes receivable) Turnover = Net sales /
Average receivables for each period (included trade receivables and operating notes receivable)

(2)Average Collection Period Turnover Days = 365 / Receivable turnover

(3)Inventory Turnover = Cost of sales / Average inventories

(4) Payables (included trade payables and operating notes payable) Turnover = Cost of sales /
Average payables for each period (included trade payables and operating notes payable)

(5)Average Days in Sales = 365 / Inventory turnover

(6)Property, Plant and Equipment Turnover = Net sales / Average of property, plant and equipment,
net

(7)Total Assets Turnover = Net sales / Average of total assets

4.Profitability :

(1)Return on Total Assets = [Net income after tax + interest expense (1 – tax rate)] / Average
of total assets

(2)Return on Stockholders' equity = Net income after tax / Average of stockholders' equity

(3)Profit Ratio = Net income after tax / Net sales

(4)Earnings (loss) Per Share = Net income attributable to owners – stock dividend -preferred) /
Weighted average of outstanding shares

5.Cash Flow :

(1)Cash Flow Ratio = Net cash provided by operating activities / Current liabilities

(2)Cash Flow Adequacy Ratio = Net cash provided by operating activities in recently five years /
Recently five years of (capital expenses + increase of inventories+ cash dividend)

(3)Cash Reinvestment Ratio = (Net cash provided by operating activities- cash dividend) / (Property,
plant and equipment, gross +long-term investment + other non-current assets + working capital)

6.Leverage :

(1)Operating Leverage = (Net sales – variable operating cost and expense) / Operating income

(2)Financial Leverage = Operating income / (Operating income – interest expense)

(2) Financial Analysis – Based on IFRSs

Analysis Items		Year	Financial Analysis for the Last Five Years				
		2012	2013	2014	2015	2016	
Financial structure(%)	Debt Ratio	28.51	26.13	23.56	35.13	32.67	
	Ratio of Long-term Capital to Property, plant and equipment	602.40	611.60	653.93	737.23	573.35	
Solvency (%)	Current Ratio	96.06	91.76	119.74	113.39	85.91	
	Quick Ratio	34.23	33.42	36.63	52.70	28.86	
	Interest Coverage Ratio (times)	(940.04)	(1,021.68)	955.88	691.36	1,210.70	
Operating Performance	Accounts Receivable Turnover (Times)	24.25	24.75	30.08	32.93	36.83	
	Average Collection Period	15.05	14.74	12.13	11.08	9.91	
	Inventory Turnover (Times)	8.39	11.54	11.60	11.23	9.00	
	Accounts Payable turnover (times)	17.42	23.80	23.98	25.05	20.65	
	Average Days in Sales	43.50	31.62	31.46	32.50	40.55	
	Property, plant and equipment Turnover (Times)	6.88	5.82	6.06	6.20	5.26	
	Total Assets Turnover (Times)	0.81	0.83	0.85	0.80	0.70	
Profitability	Return on Total Assets (%)	(3.40)	(3.02)	3.07	2.10	5.26	
	Return on Stockholders' equity (%)	(5.30)	(4.57)	3.66	2.55	7.30	
	Pre-tax Income to Paid-in Capital (%)	(8.79)	(8.43)	6.39	6.03	15.24	
	Profit Ratio (%)	(4.59)	(3.97)	3.22	2.23	6.81	
	Earnings (loss) Per Share (NT\$) (Note 1)	(0.90)	(0.77)	0.64	0.45	1.33	
Cash Flow(Note 2)	Cash Flow Ratio (%)	33.87	64.12	17.52	54.45	18.53	
	Cash Flow Adequacy Ratio (%)	42.16	52.19	48.96	53.38	46.64	
	Cash Reinvestment Ratio (%)	5.20	8.43	1.92	5.76	2.46	
Leverage	Operating Leverage	2.34	2.78	2.55	2.11	1.71	
	Financial Leverage	1.14	1.19	1.14	1.13	1.10	
<p>Analysis of financial ratio difference for the last two years (Not required if the difference does not exceed 20%)</p> <p>A. The decrease of ratio of long-term capital to property, plant and equipment, current ratio and quick ratio in 2016 compared to 2015 was due to the long-term borrowings expired within one year leading to the increase of current liabilities and the decrease of non-current liabilities.</p> <p>B. The increase of interest earned ratio, return on total assets, return on stockholders' equity, pre-tax income to paid-in capital, net profit ratio, earnings per share and cash reinvestment ratio in 2016 compared to 2015 was that the stainless steel business benefited from the steady production increasing sales volume and gross profit. Copper material business increase its gross profit by the declining fuel cost. Therefore, the income before tax, the income after tax and operating income higher than 2015.</p> <p>C. The increase of average days in sales, and the decrease of cash flow ratio and cash reinvestment ratio in 2016 compared to 2015 were due to the increase of copper price and nickel price that cause the increase of the carrying amount of inventories.</p>							

Note 1: Earnings (loss) per share are based on retroactively adjusted weighted average of outstanding shares.

Note 2: If net cash provided by operating activities is negative, shall not be calculated.

Note 3: Financial analysis formulas see Table (1).



3. Supervisors' Report for the Recent Year

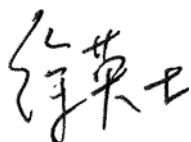
Supervisors' Report


The Board of Directors have prepared and submitted to us the Company's 2016 financial statements, and consolidated financial statements which had been audited by Deloitte & Touche Accountants, Hung-Bin, Yu and Kenny, Hong. Those financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company.

In accordance with Article 219 of the company law, the above financial statements, consolidated business reports, consolidated financial statements of affiliated enterprises and resolution for allocation of surplus profit have been further examined as being correct and accurate by the supervisors of the Company.

For
2016 Walsin Lihwa Corporation Shareholders' Meeting

Walsin Lihwa Corporation

Supervisors : YING-SHIH Hsu 

Supervisors : Yeu-Yuh Chu 

Supervisors : Walsin Technology Corp
Representative : Yeu-Yuh Chu  

February 17, 2016

4. Financial Statements of Recent Years

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Walsin Lihwa Corporation

Opinion

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

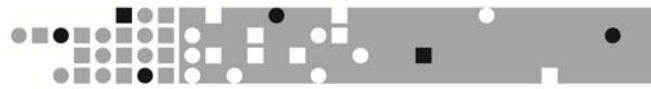
In our opinion, based on our audits and the reports of other auditors (as set out in the other matter section of our report), the accompany consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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



The following are key audit matters of the consolidated financial statements of the Group as of and for the year ended December 31, 2016:

Sales Revenue Recognition

The recognition of sales revenue depends on whether the ownership and risks of goods have been transferred to customers. The point of transferring ownership and risks of goods to customers of the Group is based on the transaction terms of diversified sales contracts (such as on dispatching day, free on board (FOB) and receiving day). As the transaction terms are determined by individual sales contracts, the recognition of sales revenue is regarded as key audit matter of the 2016 consolidated financial statements.

Our audit procedures in response to sales revenue recognition consisting of selecting samples of sales contracts from main customers and examining the transaction terms of the sales contracts selected to confirm that sales revenue had been recognized accordingly on the point of transferring ownership and risks of goods.

Inventory Valuation

As of December 31, 2016, the manufacturing and trading inventories of the Group were amounted to NT\$16,991,692 thousand (The gross cost of inventories of NT\$17,794,275 thousand deducted allowance to devaluation of inventory of NT\$802,583 thousand). Please refer to Note 12 of the consolidated financial statements.

The inventory of the Group is stated at the lower of cost or net realizable value. The valuation of net realizable value required significant judgements and estimation. In addition, the market price of copper and nickel fluctuated frequently, which will significantly affect the valuation of inventories of wires, cables and specialty steels. As a result, the inventory valuation is regarded as key audit matter of the 2016 consolidated financial statements.

Our audit procedures in response to inventory valuation consisted of the following, obtained the inventory valuation sheets prepared by the management, selected samples of estimated selling prices and traced to the recent sales records to assess the rationale of net realizable value determined by the management. Moreover, by attending year-end inventory counting, we assessed the condition of the inventories to verify the completeness of obsolete goods.

Contracts in Progress

As of December 31, 2016, the land and construction costs of contracts in progress of Walsin (Nanjing) Construction Limited, the subsidiary of the Walsin Lihwa Corporation, were amounted to NT\$10,125,474 thousand, please refer to Note 12 of the consolidated financial statements. Contracts in progress were material to the consolidated financial statements of the Group and the accounting classification as well as the cost allocation for individual construction projects were determined by the intention of the management which needed the significantly judgments and estimation. As a result, the contracts in progress is regarded as key audit matter of the 2016 consolidated financial statements.

Our audit procedures in response to contracts in progress were as follows: Reviewed the meeting minutes and interviewed the management to confirm the intention of these constructions, selected samples of actual construction cost to ensure proper accounting classification and cost allocation for individual construction project. Furthermore, by taking site visiting, we interviewed the management of construction projects to realize the construction schedules and the completion progress and verify the rationale of actual cost of construction to budget.

Other Matter

The financial statements of certain subsidiaries included in the consolidated financial statements as of December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015 were audited by another auditors. Our opinion, insofar as it relates to such subsidiaries, is based solely on the reports of another auditors. The total assets of such subsidiaries amounted to NT\$6,438,830 thousand and NT\$5,307,453 thousand which constituted 5.64% and 5.07% of the consolidated total assets as of December 31, 2016 and 2015, respectively, and the total net operating revenue amounted to NT\$11,297,034 thousand and NT\$9,309,379 thousand which constituted 7.88% and 6.23% of the consolidated total net operating revenue for the years ended December 31, 2016 and 2015, respectively.

We have also audited the parent company only financial statements of Walsin Lihwa corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including supervisors) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

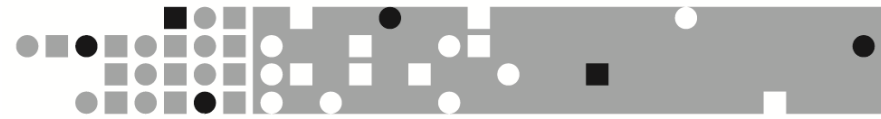


February 17, 2017

Notice to Readers

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

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



WALSIN LIHWA CORPORATION AND SUBSIDIARIES

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

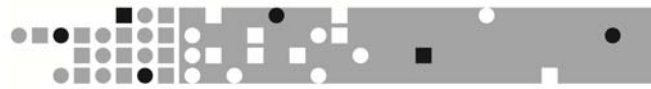
ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 7,733,584	7	\$ 8,887,554	9
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	506,651	-	627,532	1
Debt investment with no active market - current (Notes 4 and 9)	1,440,569	1	1,517,579	1
Notes receivable (Notes 4 and 10)	5,021,816	4	7,800,289	7
Trade receivables (Notes 4 and 10)	8,727,999	8	7,587,727	7
Finance lease receivables (Note 11)	49,085	-	47,467	-
Other receivables	659,673	1	941,570	1
Prepayments for lease (Note 18)	65,071	-	31,990	-
Inventories (Notes 4 and 12)	27,124,688	24	22,608,060	22
Non-current assets held for sale (Notes 16 and 18)	395,540	-	-	-
Other financial assets (Note 6)	2,265,139	2	223,569	-
Other current assets	1,366,890	1	927,057	1
Total current assets	<u>55,356,705</u>	<u>48</u>	<u>51,200,394</u>	<u>49</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 8)	2,990,945	3	1,743,806	2
Financial assets measured at cost - non-current (Notes 4 and 13)	1,847,079	2	1,881,565	2
Investment accounted for using equity method (Notes 4 and 15)	19,200,762	17	17,260,273	16
Property, plant and equipment (Notes 4 and 16)	20,483,863	18	17,575,655	17
Investments properties (Notes 4 and 17)	10,655,622	9	11,030,364	11
Other intangible assets	177,029	-	199,080	-
Deferred tax assets - non-current (Notes 4 and 25)	1,011,129	1	1,162,683	1
Refundable deposits	184,148	-	198,164	-
Long-term finance lease receivables (Note 11)	934,238	1	983,324	1
Long-term prepayments for lease (Note 18)	1,208,657	1	1,145,396	1
Other non-current assets	129,037	-	302,587	-
Total non-current assets	<u>58,822,509</u>	<u>52</u>	<u>53,482,897</u>	<u>51</u>
TOTAL	<u>\$ 114,179,214</u>	<u>100</u>	<u>\$ 104,683,291</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	\$ 4,194,335	4	\$ 2,773,612	3
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	2,162	-	2,130	-
Derivative financial liabilities for hedging - current (Notes 4 and 20)	-	-	11,628	-
Notes payable	482,306	-	483,854	-
Trade payables	7,736,777	7	6,172,665	6
Current tax liabilities (Notes 4 and 25)	1,619,577	1	1,397,496	1
Other payables	3,249,467	3	2,333,647	2
Advance receipts on real estate (Note 12)	7,067,356	6	-	-
Current portion of long-term borrowings (Note 19)	7,021,864	6	2,810,603	3
Other current liabilities	986,940	1	1,093,238	1
Total current liabilities	<u>32,360,784</u>	<u>28</u>	<u>17,078,873</u>	<u>16</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 19)	15,293,975	14	22,119,432	21
Deferred tax liabilities - non-current (Notes 4 and 25)	164,075	-	195,057	-
Net defined benefit liabilities (Notes 4 and 21)	817,218	1	1,425,506	2
Other non-current liabilities (Note 27)	261,157	-	295,964	-
Total non-current liabilities	<u>16,536,425</u>	<u>15</u>	<u>24,035,959</u>	<u>23</u>
Total liabilities	<u>48,897,209</u>	<u>43</u>	<u>41,114,832</u>	<u>39</u>
EQUITY ATTRIBUTABLE TO OWNERS OF WLC (Note 22)				
Share capital	33,960,002	30	35,760,002	34
Capital surplus	15,701,403	14	15,766,866	15
Retained earnings				
Legal reserve	2,824,743	3	2,664,570	2
Special reserve	2,712,250	2	2,712,250	3
Unappropriated earnings	9,674,226	8	6,006,305	6
Total retained earnings	<u>15,211,219</u>	<u>13</u>	<u>11,383,125</u>	<u>11</u>
Other equity				
Exchange difference on translating foreign operations	(2,110,122)	(2)	1,428,373	1
Unrealized (loss) gain on available-for-sale financial assets	1,225,921	1	(1,960,168)	(2)
Cash flow hedges	(13,671)	-	(89,318)	-
Total other equity	<u>(897,872)</u>	<u>(1)</u>	<u>(621,113)</u>	<u>(1)</u>
Treasury shares (Notes 4 and 22)	(608,810)	(1)	(608,810)	-
Total equity attributable to owners of WLC	63,365,942	55	61,680,070	59
NON-CONTROLLING INTERESTS	<u>1,916,063</u>	<u>2</u>	<u>1,888,389</u>	<u>2</u>
Total equity	<u>65,282,005</u>	<u>57</u>	<u>63,568,459</u>	<u>61</u>
TOTAL	<u>\$ 114,179,214</u>	<u>100</u>	<u>\$ 104,683,291</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated February 17, 2017)

WALSIN LIHWA CORPORATION AND SUBSIDIARIES
**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of U.S. Dollars)**

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 239,801	7	\$ 275,583	9
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	15,710	-	19,458	1
Debt investment with no active market - current (Notes 4 and 9)	44,669	1	47,057	1
Notes receivable (Notes 4 and 10)	155,715	4	241,869	7
Trade receivables (Notes 4 and 10)	270,636	8	235,278	7
Finance lease receivables (Note 11)	1,522	-	1,472	-
Other receivables	20,455	1	29,196	1
Prepayments for lease (Note 18)	2,018	-	992	-
Inventories (Notes 4 and 12)	841,076	24	701,025	22
Non-current assets held for sale (Notes 16 and 18)	12,265	-	-	-
Other financial assets (Note 6)	70,237	2	6,932	-
Other current assets	42,383	1	28,747	1
Total current assets	<u>1,716,487</u>	<u>48</u>	<u>1,587,609</u>	<u>49</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 8)	92,742	3	54,072	2
Financial assets measured at cost - non-current (Notes 4 and 13)	57,274	2	58,343	2
Investment accounted for using equity method (Notes 4 and 15)	595,372	17	535,202	16
Property, plant and equipment (Notes 4 and 16)	635,159	18	544,982	17
Investments properties (Notes 4 and 17)	330,407	9	342,027	11
Other intangible assets	5,489	-	6,173	-
Deferred tax assets - non-current (Notes 4 and 25)	31,353	1	36,052	1
Refundable deposits	5,710	-	6,145	-
Long-term finance lease receivables (Note 11)	28,969	1	30,491	1
Long-term prepayments for lease (Note 18)	37,478	1	35,516	1
Other non-current assets	4,001	-	9,382	-
Total non-current assets	<u>1,823,954</u>	<u>52</u>	<u>1,658,385</u>	<u>51</u>
TOTAL	<u>\$ 3,540,441</u>	<u>100</u>	<u>\$ 3,245,994</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	\$ 130,057	4	\$ 86,003	3
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	67	-	66	-
Derivative financial liabilities for hedging - current (Notes 4 and 20)	-	-	361	-
Notes payable	14,955	-	15,003	-
Trade payables	239,900	7	191,400	6
Current tax liabilities (Notes 4 and 25)	50,219	1	43,333	1
Other payables	100,759	3	72,361	2
Advance receipts on real estate (Note 12)	219,143	6	-	-
Current portion of long-term borrowings (Note 19)	217,732	6	87,150	3
Other current liabilities	30,603	1	33,900	1
Total current liabilities	<u>1,003,435</u>	<u>28</u>	<u>529,577</u>	<u>16</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 19)	474,232	14	685,874	21
Deferred tax liabilities - non-current (Notes 4 and 25)	5,088	-	6,048	-
Net defined benefit liabilities (Notes 4 and 21)	25,340	1	44,202	2
Other non-current liabilities (Note 27)	8,098	-	9,178	-
Total non-current liabilities	<u>512,758</u>	<u>15</u>	<u>745,302</u>	<u>23</u>
Total liabilities	<u>1,516,193</u>	<u>43</u>	<u>1,274,879</u>	<u>39</u>
EQUITY ATTRIBUTABLE TO OWNERS OF WLC (Note 22)				
Share capital	1,053,023	30	1,108,837	34
Capital surplus	486,865	14	488,895	15
Retained earnings				
Legal reserve	87,589	3	82,622	2
Special reserve	84,101	2	84,101	3
Unappropriated earnings	299,976	8	186,242	6
Total retained earnings	471,666	13	352,965	11
Other equity				
Exchange difference on translating foreign operations	(65,430)	(2)	44,291	1
Unrealized (loss) gain on available-for-sale financial assets	38,013	1	(60,780)	(2)
Cash flow hedges	(424)	-	(2,770)	-
Total other equity	(27,841)	(1)	(19,259)	(1)
Treasury shares (Notes 4 and 22)	(18,878)	(1)	(18,878)	-
Total equity attributable to owners of WLC	1,964,835	55	1,912,560	59
NON-CONTROLLING INTERESTS	59,413	2	58,555	2
Total equity	<u>2,024,248</u>	<u>57</u>	<u>1,971,115</u>	<u>61</u>
TOTAL	<u>\$ 3,540,441</u>	<u>100</u>	<u>\$ 3,245,994</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated February 17, 2017)



WALSIN LIHWA CORPORATION AND SUBSIDIARIES

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

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 23)	\$ 143,355,241	100	\$ 149,338,115	100
OPERATING COSTS (Notes 4 and 12)	<u>(133,790,834)</u>	<u>(93)</u>	<u>(143,529,210)</u>	<u>(96)</u>
GROSS PROFIT	9,564,407	7	5,808,905	4
REALIZED (UNREALIZED) GAIN ON THE TRANSACTIONS WITH ASSOCIATES	<u>(966)</u>	<u>-</u>	<u>650</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>9,563,441</u>	<u>7</u>	<u>5,809,555</u>	<u>4</u>
OPERATING EXPENSES				
Selling and marketing expenses	1,949,275	1	1,650,885	1
General and administrative expenses	2,260,111	2	2,135,327	2
Research and development expenses	<u>32,281</u>	<u>-</u>	<u>65,599</u>	<u>-</u>
Total operating expenses	<u>4,241,667</u>	<u>3</u>	<u>3,851,811</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>5,321,774</u>	<u>4</u>	<u>1,957,744</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	312,209	-	392,190	-
Dividend income	21,585	-	41,874	-
Other income	145,048	-	268,539	-
Gain on disposal of property, plant and equipment	275,150	-	86,959	-
Gain on disposal of investments (Note 24)	182,212	-	70,883	-
Foreign exchange gain (loss), net	73,517	-	160,664	-
(Loss) gain on valuation of financial assets and liabilities	(91,062)	-	45,101	-
Impairment loss (Note 24)	(454,262)	(1)	(403,267)	-
Other expense	(277,683)	-	(375,430)	-
Interest expense	(322,983)	-	(423,631)	-
Share of gain of associates under equity method	<u>987,866</u>	<u>1</u>	<u>643,805</u>	<u>1</u>
Total non-operating income and expenses	<u>851,597</u>	<u>-</u>	<u>507,687</u>	<u>1</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	6,173,371	4	2,465,431	2
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(1,334,868)</u>	<u>(1)</u>	<u>(737,299)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>4,838,503</u>	<u>3</u>	<u>1,728,132</u>	<u>1</u>

(Continued)

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

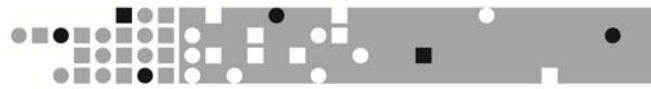
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (3,204)	-	\$ (105,215)	-
Items that will be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations	(3,167,556)	(2)	(608,777)	-
Unrealized gain (loss) on available-for-sale financial assets	1,349,020	1	(1,158,358)	(1)
Cash flow hedges gain (loss)	75,647	-	(87,453)	-
Share of other comprehensive income (loss) of associates under equity method	<u>1,506,397</u>	<u>1</u>	<u>(1,250,548)</u>	<u>(1)</u>
Other comprehensive loss for the year	<u>(239,696)</u>	<u>-</u>	<u>(3,210,351)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 4,598,807</u>	<u>3</u>	<u>\$ (1,482,219)</u>	<u>(1)</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of WLC	\$ 4,568,125	3	\$ 1,601,726	1
Non-controlling interest	<u>270,378</u>	<u>-</u>	<u>126,406</u>	<u>-</u>
	<u>\$ 4,838,503</u>	<u>3</u>	<u>\$ 1,728,132</u>	<u>1</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of WLC	\$ 4,252,535	3	\$ (1,604,667)	(1)
Non-controlling interest	<u>346,272</u>	<u>-</u>	<u>122,448</u>	<u>-</u>
	<u>\$ 4,598,807</u>	<u>3</u>	<u>\$ (1,482,219)</u>	<u>(1)</u>
EARNINGS PER SHARE (Notes 4 and 26)				
Basic	<u>\$ 1.33</u>		<u>\$ 0.45</u>	
Diluted	<u>\$ 1.33</u>		<u>\$ 0.45</u>	

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

(With Deloitte & Touche auditors' report dated February 17, 2017)

(Concluded)



WALSIN LIHWA CORPORATION AND SUBSIDIARIES

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

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 23)	\$ 4,445,124	100	\$ 4,630,639	100
OPERATING COSTS (Notes 4 and 12)	<u>(4,148,553)</u>	<u>(93)</u>	<u>(4,450,518)</u>	<u>(96)</u>
GROSS PROFIT	296,571	7	180,121	4
REALIZED (UNREALIZED) GAIN ON THE TRANSACTIONS WITH ASSOCIATES	<u>(30)</u>	<u>-</u>	<u>20</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>296,541</u>	<u>7</u>	<u>180,141</u>	<u>4</u>
OPERATING EXPENSES				
Selling and marketing expenses	60,443	1	51,190	1
General and administrative expenses	70,081	2	66,212	2
Research and development expenses	<u>1,001</u>	<u>-</u>	<u>2,034</u>	<u>-</u>
Total operating expenses	<u>131,525</u>	<u>3</u>	<u>119,436</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>165,016</u>	<u>4</u>	<u>60,705</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	9,681	-	12,161	-
Dividend income	669	-	1,298	-
Other income	4,498	-	8,327	-
Gain on disposal of property, plant and equipment	8,532	-	2,696	-
Gain on disposal of investments (Note 24)	5,650	-	2,198	-
Foreign exchange gain (loss), net	2,279	-	4,982	-
(Loss) gain on valuation of financial assets and liabilities	(2,824)	-	1,398	-
Impairment loss (Note 24)	(14,086)	(1)	(12,504)	-
Other expense	(8,610)	-	(11,641)	-
Interest expense	(10,015)	-	(13,136)	-
Share of gain of associates under equity method	<u>30,632</u>	<u>1</u>	<u>19,963</u>	<u>1</u>
Total non-operating income and expenses	<u>26,406</u>	<u>-</u>	<u>15,742</u>	<u>1</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	191,422	4	76,447	2
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(41,391)</u>	<u>(1)</u>	<u>(22,862)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>150,031</u>	<u>3</u>	<u>53,585</u>	<u>1</u>

(Continued)

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

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

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (99)	-	\$ (3,262)	-
Items that will be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations	(98,219)	(2)	(18,877)	-
Unrealized gain (loss) on available-for-sale financial assets	41,830	1	(35,918)	(1)
Cash flow hedges gain (loss)	2,346	-	(2,712)	-
Share of other comprehensive income (loss) of associates under equity method	<u>46,710</u>	<u>1</u>	<u>(38,777)</u>	<u>(1)</u>
Other comprehensive loss for the year	<u>(7,432)</u>	<u>-</u>	<u>(99,546)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 142,599</u>	<u>3</u>	<u>\$ (45,961)</u>	<u>(1)</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of WLC	\$ 141,647	3	\$ 49,666	1
Non-controlling interest	<u>8,384</u>	<u>-</u>	<u>3,919</u>	<u>-</u>
	<u>\$ 150,031</u>	<u>3</u>	<u>\$ 53,585</u>	<u>1</u>
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of WLC	\$ 131,862	3	\$ (49,758)	(1)
Non-controlling interest	<u>10,737</u>	<u>-</u>	<u>3,797</u>	<u>-</u>
	<u>\$ 142,599</u>	<u>3</u>	<u>\$ (45,961)</u>	<u>(1)</u>
EARNINGS PER SHARE (Notes 4 and 26)				
Basic	<u>\$ 0.04</u>		<u>\$ 0.01</u>	
Diluted	<u>\$ 0.04</u>		<u>\$ 0.01</u>	

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

(With Deloitte & Touche auditors' report dated February 17, 2017)

(Concluded)

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of WLC					Other Equity					Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Shares	Total		
			Legal Reserve	Special Reserve								
BALANCE AT JANUARY 1, 2015	\$ 35,760,002	\$ 15,647,004	\$ 2,438,101	\$ 2,712,250	\$ 4,782,167	\$ 2,035,498	\$ 419,051	\$ (1,865)	\$ (292,893)	\$ 63,499,315	\$ 1,915,646	\$ 65,414,961
Appropriation of 2014 earnings												
Legal reserve	-	-	226,469	-	(226,469)	-	-	-	-	-	-	-
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	(311)	-	-	(18,523)	-	-	-	-	(18,834)	-	(18,834)
Change in capital surplus and retained earnings from investments in associates under equity method	-	120,174	-	-	-	-	-	-	-	120,174	-	120,174
Net profit for the year ended December 31, 2015	-	-	-	-	1,601,726	-	-	-	-	1,601,726	126,406	1,728,132
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	(132,596)	(607,125)	(2,379,219)	(87,453)	-	(3,206,393)	(3,958)	(3,210,351)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	1,469,130	(607,125)	(2,379,219)	(87,453)	-	(1,604,667)	122,448	(1,482,219)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(315,917)	(315,917)	-	(315,917)
Others	-	(1)	-	-	-	-	-	-	-	(1)	-	(1)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(149,705)	(149,705)
BALANCE, DECEMBER 31, 2015	35,760,002	15,766,866	2,664,570	2,712,250	6,006,305	1,428,373	(1,960,168)	(89,318)	(608,810)	61,680,070	1,888,389	63,568,459
Appropriation of 2015 earnings												
Legal reserve	-	-	160,173	-	(160,173)	-	-	-	-	-	-	-
Cash dividends distributed by WLC	-	-	-	-	(701,200)	-	-	-	-	(701,200)	-	(701,200)
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	495	-	-	-	-	-	-	-	495	-	495
Change in capital surplus from investments in associates under equity method	-	(69,209)	-	-	-	-	-	-	-	(69,209)	-	(69,209)
Net profit for the year ended December 31, 2016	-	-	-	-	4,568,125	-	-	-	-	4,568,125	270,378	4,838,503
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(38,831)	(3,538,495)	3,186,089	75,647	-	(315,590)	75,894	(239,696)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	4,529,294	(3,538,495)	3,186,089	75,647	-	4,252,535	346,272	4,598,807
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(1,796,741)	(1,796,741)	-	(1,796,741)
Cancelation of treasury shares	(1,800,000)	3,259	-	-	-	-	-	-	1,796,741	-	-	-
Others	-	(8)	-	-	-	-	-	-	-	(8)	-	(8)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(318,598)	(318,598)
BALANCE, DECEMBER 31, 2016	\$ 33,960,002	\$ 15,701,403	\$ 2,824,743	\$ 2,712,250	\$ 9,674,226	\$ (2,110,122)	\$ 1,225,921	\$ (13,671)	\$ (608,810)	\$ 63,365,942	\$ 1,916,063	\$ 65,282,005

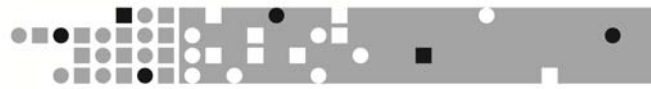
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WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of U.S. Dollars)

	Equity Attributable to Owners of WLC												
	Retained Earnings					Exchange Differences on Translating Foreign Operations	Other Equity		Cash Flow Hedges	Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets						
BALANCE AT JANUARY 1, 2015	\$ 1,108,837	\$ 485,179	\$ 75,600	\$ 84,101	\$ 148,284	\$ 63,117	\$ 12,994	\$ (58)	\$ (9,082)	\$ 1,968,972	\$ 59,400	\$ 2,028,372	
Appropriation of 2014 earnings													
Legal reserve	-	-	7,022	-	(7,022)	-	-	-	-	-	-	-	
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	(10)	-	-	(574)	-	-	-	-	(584)	-	(584)	
Change in capital surplus and retained earnings from investments in associates under equity method	-	3,726	-	-	-	-	-	-	-	3,726	-	3,726	
Net profit for the year ended December 31, 2015	-	-	-	-	49,666	-	-	-	-	49,666	3,919	53,585	
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	(4,112)	(18,826)	(73,774)	(2,712)	-	(99,424)	(122)	(99,546)	
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	45,554	(18,826)	(73,774)	(2,712)	-	(49,758)	3,797	(45,961)	
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(9,796)	(9,796)	-	(9,796)	
Others	-	-	-	-	-	-	-	-	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,642)	(4,642)	
BALANCE, DECEMBER 31, 2015	1,108,837	488,895	82,622	84,101	186,242	44,291	(60,780)	(2,770)	(18,878)	1,912,560	58,555	1,971,115	
Appropriation of 2015 earnings													
Legal reserve	-	-	4,967	-	(4,967)	-	-	-	-	-	-	-	
Cash dividends distributed by WLC	-	-	-	-	(21,743)	-	-	-	-	(21,743)	-	(21,743)	
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	15	-	-	-	-	-	-	-	15	-	15	
Change in capital surplus from investments in associates under equity method	-	(2,146)	-	-	-	-	-	-	-	(2,146)	-	(2,146)	
Net profit for the year ended December 31, 2016	-	-	-	-	141,647	-	-	-	-	141,647	8,384	150,031	
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(1,203)	(109,721)	98,793	2,346	-	(9,785)	2,353	(7,432)	
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	140,444	(109,721)	98,793	2,346	-	131,862	10,737	142,599	
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(55,713)	(55,713)	-	(55,713)	
Cancelation of treasury shares	(55,814)	101	-	-	-	-	-	-	55,713	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(9,879)	(9,879)	
BALANCE, DECEMBER 31, 2016	\$ 1,053,023	\$ 486,865	\$ 87,589	\$ 84,101	\$ 299,976	\$ (65,430)	\$ 38,013	\$ (424)	\$ (18,878)	\$ 1,964,835	\$ 59,413	\$ 2,024,248	

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated February 17, 2017)



WALSIN LIHWA CORPORATION AND SUBSIDIARIES

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 6,173,371	\$ 2,465,431
Adjustments for:		
Depreciation expenses	1,792,356	2,188,242
Amortization expenses	42,874	43,112
Impairment loss recognized on trade receivables	40,594	22,261
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	91,062	(45,101)
Interest expense	322,983	423,631
Interest income	(312,209)	(392,190)
Dividend income	(21,585)	(41,874)
Compensation cost of employees share options	1,192	2,695
Share of gain of associates under equity method	(987,866)	(643,805)
Gain on disposal of property, plant and equipment	(275,150)	(86,959)
Loss on disposal of intangible assets	-	120
Gain on disposal of investments	(122,257)	(47,501)
Gain on disposal of associates under equity method	(59,955)	(23,382)
Impairment loss recognized on financial assets	200,000	7,040
Impairment loss recognized on property, plant and equipment	254,262	396,227
Unrealized (realized) gain on the transaction with associates	966	(650)
Net loss (gain) on foreign currency exchange	1,600	(82,835)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets held for trading	51,032	(238,167)
Decrease (increase) in notes receivable	2,778,473	(1,780,279)
(Increase) decrease in trade receivables	(1,182,484)	2,454,222
Decrease in other receivables	148,061	112,607
Increase in inventories	(7,249,331)	(9,804)
(Increase) decrease in other current assets	(364,261)	89,510
(Increase) decrease in other financial assets	(2,041,570)	759,844
Decrease in other operating assets	63,688	16,402
Decrease in notes payable	(1,548)	(133,548)
(Increase) decrease in trade payables	1,554,625	(756,115)
Increase in other payable	955,959	12,070
Increase in advance real estate receipts	7,067,356	-
(Decrease) increase in net defined benefit liabilities	(608,288)	16,438
Decrease in other current liabilities	(106,298)	(209,251)
(Decrease) increase in other operating liabilities	(18,373)	27,655
Cash generated from operations	8,189,279	4,546,046
Interest paid	(323,461)	(430,716)
Interest received	259,443	359,284
Dividend received from associates	205,433	118,459
Income tax paid	(891,309)	(581,367)
Net cash generated from operating activities	<u>7,439,385</u>	<u>4,011,706</u>

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WALSIN LIHWA CORPORATION AND SUBSIDIARIES

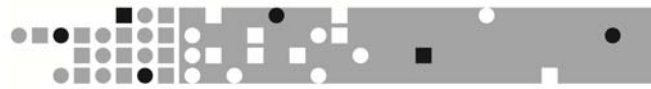
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets held for trading	\$ 16,690	\$ 1,641,109
Proceeds from disposal of available-for-sale financial assets	273,916	180,158
Debt investment with no active market	13,115	(627,639)
Purchase of financial assets measured at cost	(233,052)	-
Proceeds from disposal of financial assets measured at cost	5,327	69,059
Proceeds from capital return of investees in financial assets measured at cost	-	6,579
Derivative instruments not held for trading	64,018	(77,250)
Purchase of associates under equity method	(197,145)	(1,678,304)
Proceeds from disposal of associates under equity method	305,501	1,235,308
Net cash generated from disposal of subsidiaries	-	591,939
Proceeds from capital return of investees in associates under equity method	141,754	225,206
Purchase of property, plant and equipment	(3,248,042)	(1,653,409)
Proceeds from disposal of property, plant and equipment	613,543	157,189
Decrease in refundable deposits	8,455	10,633
Decrease in prepayments for lease	96,975	-
Purchase of intangible assets	(593)	(1,682)
Net cash (used in) generated from investing activities	<u>(2,139,538)</u>	<u>78,896</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	1,477,726	(3,433,406)
Increase in long-term borrowings	-	18,336,240
Decrease in long-term borrowings	(2,614,196)	(15,756,183)
Dividends paid to owners of the Company	(701,200)	-
Cash paid for acquisition of treasury shares	(1,796,741)	(315,917)
Changes in non-controlling interests	(134,159)	(148,432)
Other financing activities	(8)	(1)
Net cash used in financing activities	<u>(3,768,578)</u>	<u>(1,317,699)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(2,685,239)</u>	<u>(302,435)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,153,970)	2,470,468
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>8,887,554</u>	<u>6,417,086</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,733,584</u>	<u>\$ 8,887,554</u>

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

(With Deloitte & Touche auditors' report dated February 17, 2017)

(Concluded)



WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of U.S. Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 191,422	\$ 76,447
Adjustments for:		
Depreciation expenses	55,577	67,852
Amortization expenses	1,329	1,337
Impairment loss recognized on trade receivables	1,259	690
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	2,824	(1,398)
Interest expense	10,015	13,136
Interest income	(9,681)	(12,161)
Dividend income	(669)	(1,298)
Compensation cost of employees share options	37	84
Share of gain of associates under equity method	(30,632)	(19,963)
Gain on disposal of property, plant and equipment	(8,532)	(2,696)
Loss on disposal of intangible assets	-	4
Gain on disposal of investments	(3,791)	(1,473)
Gain on disposal of associates under equity method	(1,859)	(725)
Impairment loss recognized on financial assets	6,202	218
Impairment loss recognized on property, plant and equipment	7,884	12,286
Unrealized (realized) gain on the transaction with associates	30	(20)
Net loss (gain) on foreign currency exchange	50	(2,569)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets held for trading	1,582	(7,385)
Decrease (increase) in notes receivable	86,154	(55,202)
(Increase) decrease in trade receivables	(36,666)	76,100
Decrease in other receivables	4,591	3,492
Increase in inventories	(224,785)	(304)
(Increase) decrease in other current assets	(11,295)	2,776
(Increase) decrease in other financial assets	(63,304)	23,561
Decrease in other operating assets	1,975	509
Decrease in notes payable	(48)	(4,141)
(Increase) decrease in trade payables	48,205	(23,445)
Increase in other payable	29,642	374
Increase in advance real estate receipts	219,143	-
(Decrease) increase in net defined benefit liabilities	(18,862)	510
Decrease in other current liabilities	(3,296)	(6,491)
(Decrease) increase in other operating liabilities	(570)	858
Cash generated from operations	253,931	140,963
Interest paid	(10,030)	(13,356)
Interest received	8,045	11,141
Dividend received from associates	6,370	3,673
Income tax paid	(27,637)	(18,027)
Net cash generated from operating activities	<u>230,679</u>	<u>124,394</u>

(Continued)

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

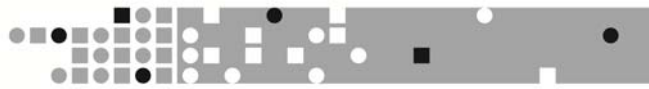
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of U.S. Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets held for trading	\$ 518	\$ 50,887
Proceeds from disposal of available-for-sale financial assets	8,494	5,586
Debt investment with no active market	407	(19,462)
Purchase of financial assets measured at cost	(7,226)	-
Proceeds from disposal of financial assets measured at cost	-	2,141
Proceeds from capital return of investees in financial assets measured at cost	165	204
Derivative instruments not held for trading	1,985	(2,395)
Purchase of associates under equity method	(6,113)	(52,040)
Proceeds from disposal of associates under equity method	9,473	38,304
Net cash generated from disposal of subsidiaries	-	18,355
Proceeds from capital return of investees in associates under equity method	4,395	6,983
Purchase of property, plant and equipment	(100,714)	(51,268)
Proceeds from disposal of property, plant and equipment	19,025	4,874
Decrease in refundable deposits	262	330
Decrease in prepayments for lease	3,007	-
Purchase of intangible assets	(18)	(52)
Net cash (used in) generated from investing activities	<u>(66,340)</u>	<u>2,447</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	45,821	(106,462)
Increase in long-term borrowings	-	568,566
Decrease in long-term borrowings	(81,060)	(488,564)
Dividends paid to owners of the Company	(21,743)	-
Cash paid for acquisition of treasury shares	(55,713)	(9,796)
Changes in non-controlling interests	(4,160)	(4,603)
Other financing activities	-	-
Net cash used in financing activities	<u>(116,855)</u>	<u>(40,859)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(83,266)</u>	<u>(9,378)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(35,782)	76,604
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>275,583</u>	<u>198,979</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 239,801</u>	<u>\$ 275,583</u>

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

(With Deloitte & Touche auditors' report dated February 17, 2017)

(Concluded)



WALSIN LIHWA CORPORATION AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Walsin Lihwa Corporation (WLC) was incorporated in December 1966 and commenced business in December 1966. WLC made various investments in construction, electronics, material science, real estate, etc., to diversify its operations. WLC's main products are wires, cables and specialty steel.

WLC's shares have been listed on the Taiwan Stock Exchange (TSE) since November 1972. In October 1995 and November 2010, WLC increased its share capital and issued Global Depositary Shares (GDR), which are listed on the Luxembourg Stock Exchange under stock number 168527.

The consolidated financial statements are presented in the WLC's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on February 17, 2017.

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

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

Per Order No. Financial-Supervisory-Securities-Auditing- 1050050021 and 1050026834 issued by the FSC stipulated that starting January 1, 2017, Walsin Lihwa Corporation and its subsidiaries should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

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

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

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

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



2) IFRIC 21 “Levies”

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

There is no anticipated material impact of retrospective application of the above amendments to the consolidated financial statements starting from 2017.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a company's financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. When the Group applies the amended IFRS 13 in 2017, the amendment would not have material impact to the consolidated financial statements.

5) Annual Improvements to IFRSs: 2012-2014 Cycle

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

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

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

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

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

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

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



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

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

As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs except IFRS 9 and IFRS 15 starting from January 1, 2018.

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

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

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

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

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

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

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

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of



non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

Transition

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

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

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

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

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

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

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

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

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

4) IFRS 16 “Leases”

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

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

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

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

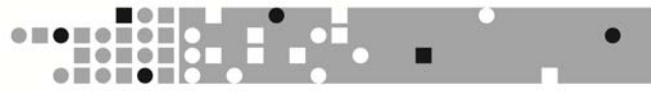
5) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

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

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

6) Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”

The amendment requires that market condition and non-vesting condition should be taken into account and vesting conditions, other than market conditions, should not be taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, they should be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction. This



amendment applies to share-based payment transactions that are unvested at the date the Group first applies the amendment and to share-based payment transactions with a grant date on or after the date the Group first applies the amendment.

7) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures,” were amended in this annual improvement.

The amendment to IFRS 12 clarified that when an entity’s interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12. However, all other requirements in IFRS 12 apply to interests in entities classified as held for sale in accordance with IFRS 5.

The Group shall apply the aforementioned amendments retrospectively.

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

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

The Group may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. The Group is also required to disclose the reclassified amounts and such amounts should be included in the reconciliation of the carrying amount of investment property. Alternatively, the Group may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, other regulations and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized within twelve months after the reporting period, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than twelve months after the reporting period. Property, plant and equipment, intangible assets, other than assets classified as current are classified as non-current. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that do not have an unconditional right to defer settlement for at least twelve months after the reporting period. Liabilities that are not classified as current are classified as non-current. 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.



d. Basis of consolidation

Principle of preparation consolidated financial statement

The consolidated financial statements incorporate the financial statements of WLC and the entities controlled by WLC (the Group). Control is achieved when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Refer to Note 14 and Table 7 for the percent of ownership, main businesses and details of the subsidiaries.

e. Business combinations

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date (i.e., the day when the Group obtains control) fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date. Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of

the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

f. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for:

- 1) Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- 2) Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- 3) Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries and associates in other countries with currencies used different from the Group) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Group and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.



In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests of the subsidiary and are not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

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

Inventories include real estate and constructions-in-progress, which are stated at acquisition costs plus construction costs incurred. Interest expenses on constructions-in-progress are capitalized.

h. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

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

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

When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence over the associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

j. Investment properties

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

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



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

k. Intangible assets

Intangible assets are measured initially at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

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

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

m. Financial instruments

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

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

Financial assets

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

1) Measurement category

The categories of financial assets held by the Group are financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

a) Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line item.

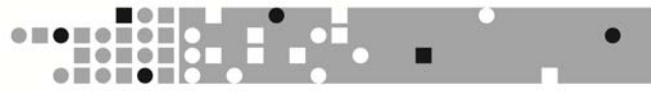
b) Available-for-sale financial assets

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

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

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

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



c) Loans and receivables

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

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

2) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

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

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

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

For all other financial assets, objective evidence of impairment could include:

- a) Significant financial difficulty of the issuer or counterparty; or
- b) Breach of contract, such as a default or delinquency in interest or principal payments; or
- c) It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

3) Derecognition of financial assets

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

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

Financial liabilities

1) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

- Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.



2) Derecognition of financial liabilities

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

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

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

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

n. Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the other gains and losses line item.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or

exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When the forecast transaction is ultimately recognized in profit or loss, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss or are included in the initial cost of the non-financial asset or non-financial liability. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

o. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

p. Revenue recognition

Revenue from sales of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

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

1) Rendering of services

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

2) Dividend and interest income

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

q. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.



r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), are recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

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

s. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all (deductible temporary differences and unused loss carry forward) to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.



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

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

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

t. Translation into U.S. dollar

The financial statements are stated in New Taiwan dollars. The translation of the 2016 and 2015 New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of readers, using the average exchange rate of NT\$32.25 to US\$1.00 quoted by the Bank of Taiwan on December 31, 2016. The convenience translation should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The accounts include allowance for doubtful trade receivable accounts, inventory valuation losses, depreciation, impairment, pension, deferred tax assets, etc. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The followings are the main assumptions and sources of estimation uncertainty at the end of financial reporting period:



Valuation of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	\$ 3,656	\$ 5,598
Checking accounts and cash in bank	5,641,939	4,515,129
Cash equivalent		
Time deposits	1,864,486	4,143,960
Short-term bills	<u>223,503</u>	<u>222,867</u>
	<u>\$ 7,733,584</u>	<u>\$ 8,887,554</u>

The ranges of market rates of cash in bank and short-term bills at the end of the reporting period were as follows (except the market rate of checking account was zero):

	December 31	
	2016	2015
Bank balance	0%-8.9%	0.01%-3.40%
Short-term bills	0.28%-0.30%	0.40%

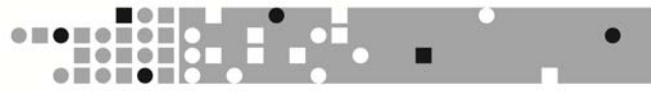
Cash in bank in the total of EUR2,841 thousand and EUR29,097 thousand at December 31, 2016 and 2015, respectively, were intended for payment of equipment for use in the Taichung Port. The deposits are designated as cash flow hedge to manage exposures to exchange rate fluctuations.

Certain time deposits as of December 31, 2016 and 2015 were classified and pledged as follows:

	Purpose	December 31	
		2016	2015
Other financial assets - current			
Pledged time deposits	To secure short-term bank borrowings and letter of credit	\$ 311,878	\$ 222,044
	To secure letter of credit for equipment import	-	1,525
Restricted deposits	To meet down payment of advance receipts on real estate	<u>1,953,261</u>	<u>-</u>
		<u>2,265,139</u>	<u>223,569</u>
Non-current assets			
Refundable deposits	To meet contract requirements for completing constructions	83,455	82,800
	To meet required security deposit	4,300	4,300
Other non-current assets - pledged time deposits	To meet purchase contract	-	37,568
		<u>87,755</u>	<u>124,668</u>
		<u>\$ 2,352,894</u>	<u>\$ 348,237</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
<u>Financial assets held for trading</u>		
Derivative financial assets (not under hedge accounting)		
Exchange rate swap contracts	\$ -	\$ 9,930
Commodity futures contracts	33,323	114,530
Non-derivative financial assets		
Beneficiary certificate	372,784	400,277
Government bonds	<u>100,544</u>	<u>102,795</u>
Financial assets at FVTPL	<u>\$ 506,651</u>	<u>\$ 627,532</u>
Current	\$ 506,651	\$ 627,532
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 506,651</u>	<u>\$ 627,532</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	\$ 1,007	\$ 2,130
Exchange rate swap contracts	<u>1,155</u>	<u>-</u>
Financial liabilities at FVTPL	<u>\$ 2,162</u>	<u>\$ 2,130</u>
Current	\$ 2,162	\$ 2,130
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 2,162</u>	<u>\$ 2,130</u>



As of December 31, 2016 and 2015, outstanding commodity futures not under hedge accounting were as follows:

	Type of Transaction	Quantity (Tons)	Trade Date	Expiration Date	Exercise Price (In Thousands)	Market Price (In Thousands)	Valuation (Loss) Gain (In Thousands)
<u>December 31, 2016</u>							
Commodity futures							
Copper	Buy	600	2016.05.10-2016.12.29	2017.02.15-2017.04.19	US\$ 3,203	US\$ 3,299	US\$ 96
Copper	Sell	10,025	2016.12.09-2016.12.30	2017.01.18-2017.03.29	US\$ 55,779	US\$ 55,289	US\$ 490
Copper	Buy	1,730	2016.07.08-2016.12.30	2017.01.01-2017.08.01	RMB 75,953	RMB 78,551	RMB 2,598
Copper	Sell	575	2016.12.14-2016.12.21	2017.01.01-2017.02.01	RMB 26,516	RMB 26,007	RMB 509
<u>December 31, 2015</u>							
Commodity futures							
Copper	Buy	9,825	2015.09.23-2015.12.23	2016.01.22-2016.10.19	US\$ 46,791	US\$ 45,945	US\$ (846)
Copper	Sell	3,375	2015.12.21-2015.12.31	2016.01.20	US\$ 15,863	US\$ 15,868	US\$ (5)
Nickel	Sell	2,952	2015.10.12-2015.10.30	2016.01.08-2016.01.29	US\$ 30,879	US\$ 26,001	US\$ 4,878
Copper	Buy	11,080	2015.07.09-2015.12.31	2016.01.01-2016.09.30	RMB 407,584	RMB 404,094	RMB (3,490)

As of December 31, 2016 and 2015, outstanding exchange rate swap contracts not under hedge accounting were as follows:

	Currencies	Contract Expiration Date	Contract Amount (In Thousands)
December 31, 2016	USD to NTD	2017.01.19	USD150,000/NTD4,833,100
December 31, 2015	USD to NTD	2016.01.29-2016.12.22	USD100,000/NTD3,275,280

As of December 31, 2016 and 2015, outstanding forward exchange contracts not under hedge accounting were as follows:

	Currencies	Contract Expiration Date	Contract Amount (In Thousands)
<u>December 31, 2016</u>			
Sell forward exchange contracts	EUR to MYR	2017.01.03-2017.11.30	EUR2,106/MYR9,929
<u>December 31, 2015</u>			
Sell forward exchange contracts	EUR to MYR	2016.01.05-2016.03.30	EUR1,076/MYR4,738

For the years ended December 31, 2016 and 2015, the Group's strategy for commodity futures contracts, forward exchange contracts and exchange rate swap contracts was to hedge exposures to fluctuations of essential materials' prices and foreign exchange rates. However, those

derivative financial instruments did not meet the criteria of hedge effectiveness; and therefore, they were not accounted for by hedge accounting.

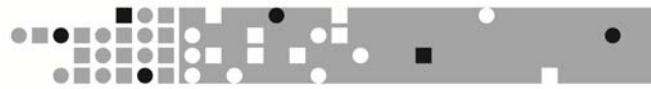
8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
<u>Domestic investments</u>		
Listed shares and emerging market stocks		
HannStar Display Corp.	\$ 1,865,116	\$ 923,067
Hannstar Board Corp.	1,037,619	613,139
Taiwan High Speed Rail Corp.	<u>88,210</u>	<u>207,600</u>
	<u>\$ 2,990,945</u>	<u>\$ 1,743,806</u>
Current	\$ -	\$ -
Non-current	<u>2,990,945</u>	<u>1,743,806</u>
	<u>\$ 2,990,945</u>	<u>\$ 1,743,806</u>

For the years ended December 31, 2016 and 2015, the Group sold 15,206 thousand shares of Taiwan High Speed Rail Corp. and 12,559 thousand shares of Hannstar Board Corp. at market value on the Taiwan Stock Exchange, resulting in gains on disposal of investments amounting NT\$172,036 thousand and NT\$43,893 thousand, respectively.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2016	2015
Interest rate linked structured investment deposit	<u>\$ 1,440,569</u>	<u>\$ 1,517,579</u>
Current	\$ 1,440,569	\$ 1,517,579
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 1,440,569</u>	<u>\$ 1,517,579</u>



10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2016	2015
<u>Notes receivable</u>		
Notes receivable	<u>\$ 5,021,816</u>	<u>\$ 7,800,289</u>
<u>Trade receivables</u>		
Trade receivables	\$ 8,873,465	\$ 7,724,385
Less: Allowance for impairment loss	<u>(145,466)</u>	<u>(136,658)</u>
	<u>\$ 8,727,999</u>	<u>\$ 7,587,727</u>

The average credit period on sales of goods was 60 days. In determining the collectability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss based on estimated uncollectible amounts determined by reference to age of receivables, past default experience of the counterparties and an analysis of their current financial position.

The concentration of credit risk was limited due to the fact that the customer base was large and unrelated.

The Group did not recognize impairment loss on trade receivables balances that were past due at the end of the reporting period because there was no significant change in credit quality and the amounts were still considered collectible.

The aging of receivables was as follows:

	December 31	
	2016	2015
Not overdue	\$ 6,691,356	\$ 6,473,021
Less than 90 days	1,485,425	597,078
91-180 days	340,157	266,943
181-365 days	121,789	150,714
Overdue more than one year	<u>234,738</u>	<u>236,629</u>
	<u>\$ 8,873,465</u>	<u>\$ 7,724,385</u>

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

The aging of receivables that were past due but no impaired was as follows:

	December 31	
	2016	2015
Less than 90 days	\$ 435,970	\$ 59,196
91-180 days	7,462	23,434
181-365 days	2,313	14,397
Overdue more than one year	<u>-</u>	<u>23,400</u>
	<u>\$ 445,745</u>	<u>\$ 120,427</u>

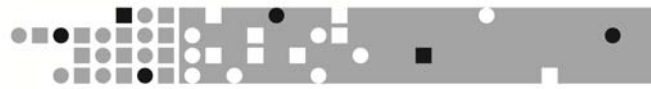
The above aging schedule was based on the past due date.

Movements in the allowance for impairment loss recognized on trade receivables were as follows:

	Individually Assessed Impairment Loss	Group Assessed Impairment Loss	Total
Balance at January 1, 2015	\$ 9,087	\$ 107,917	\$ 117,004
Add: Impairment losses recognized on receivables	18,302	3,959	22,261
Reclassified	14,564	(14,564)	-
Foreign exchange translation gains and losses	<u>(203)</u>	<u>(2,404)</u>	<u>(2,607)</u>
Balance at December 31, 2015	<u>\$ 41,750</u>	<u>\$ 94,908</u>	<u>\$ 136,658</u>
Balance at January 1, 2016	\$ 41,750	\$ 94,908	\$ 136,658
Add: Impairment losses recognized on receivables	4,054	36,540	40,594
Less: Amounts written off during the period as uncollectible	-	(22,910)	(22,910)
Foreign exchange translation gains and losses	<u>(24)</u>	<u>(8,852)</u>	<u>(8,876)</u>
Balance at December 31, 2016	<u>\$ 45,780</u>	<u>\$ 99,686</u>	<u>\$ 145,466</u>

11. FINANCE LEASE RECEIVABLES

	December 31	
	2016	2015
<u>Finance lease receivables</u>		
Current portion	\$ 49,085	\$ 47,467
Long-term	<u>934,238</u>	<u>983,324</u>
	983,323	1,030,791
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 983,323</u>	<u>\$ 1,030,791</u>



The power supply contracts of solar power equipment are processed by financial lease accounting policy. The average term of finance leases entered into was 20 years.

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The average effective interest rate contracted was approximately 3.30% as of December 31, 2016 and 2015.

The finance lease receivables as of December 31, 2016 and 2015 were neither past due nor impaired.

Refer to Note 31 for the carrying amount of finance lease receivables pledged as security for bank borrowings of the Group.

12. INVENTORIES

	December 31	
	2016	2015
Manufacturing and trading industries		
Raw materials	\$ 4,438,175	\$ 4,320,729
Raw materials in transit	2,067,269	612,881
Supplies	1,074,756	1,031,744
Work-in-process	1,457,303	1,573,062
Finished goods and merchandise	\$ 5,963,326	\$ 4,087,873
Contracts in progress	<u>1,990,863</u>	<u>1,675,781</u>
	<u>16,991,692</u>	<u>13,302,070</u>
Real estate development industry		
Undeveloped land	3,434	3,434
Buildings and land held for sale	4,088	33,003
Contracts in progress	<u>10,125,474</u>	<u>9,269,553</u>
	<u>10,132,996</u>	<u>9,305,990</u>
	<u>\$ 27,124,688</u>	<u>\$ 22,608,060</u>

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2016 and 2015 was NT\$133,341,990 thousand and NT\$142,969,443 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 included reversal of write-downs of NT\$74,386 thousand and NT\$68,115 thousand. Previous write-downs had been reversed according to the result of inventory close-out.

Contracts in progress of the manufacturing industry included construction costs of cable and wire installation projects not completed as of the balance sheet dates.

The inventory of real estate development industry is primarily the land for future construction and contracts in progress of Walsin (Nanjing) Construction Limited.

Walsin (Nanjing) Construction Limited entered into an agreement with third parties for selling real estate as of December 31, 2016; the selling price was RMB2,198,812, thousand (equivalent to

NT\$10,221,047 thousand). As of December 31, 2016, Walsin (Nanjing) Construction Limited has received RMB1,520,372 thousand (equivalent to NT\$7,067,356 thousand) and recorded as “advance receipts on real estate”.

13. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2016	2015
Domestic unlisted common shares	\$ 1,135,867	\$ 1,108,141
Overseas unlisted common shares	<u>711,212</u>	<u>773,424</u>
	<u>\$ 1,847,079</u>	<u>\$ 1,881,565</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 1,847,079</u>	<u>\$ 1,881,565</u>

Management believed that fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the very wide range of reasonable fair value estimates; therefore, the investments were measured at cost less impairment at the end of reporting period.

The Group recognized impairment loss on financial assets measured at cost of NT\$200,000 thousand for the year ended December 31, 2016, after appropriate evaluation.

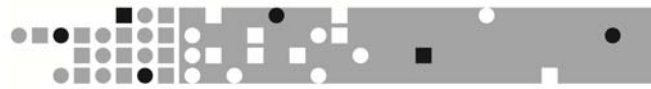
14. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Main Business	% of Ownership	
			2016	2015
Walsin Lihwa Corporation	Walsin Lihwa Holdings Limited (WLHL)	Investment holding	100.00	100.00
	Concord Industries Limited (CIL)	Investment holding	100.00	100.00
	Touch Micro-System Technology Corp. (TMTC)	OEM on MEMS foundry service	100.00	100.00
	Ace Result Global Limited	Investment holding	(Liquidating) 100.00	(Liquidating) 100.00
	Energy Pilot Limited (Energy Pilot)	Investment holding	100.00	100.00
	Market Pilot Limited (Market Pilot)	Investment holding	100.00	100.00
	Min Maw Precision Industry Corp. (Min Maw)	Solar power systems management, design, and installation	100.00	100.00
	Walsin Info-Electric Corp. (Walsin Info-Electric)	Mechanical and electrical, communications, and power systems	98.87	98.87
	Chin-Cherng Construction Co. (Chin-Cherng)	Construction business	99.22	99.22
	Joint Success Enterprises Limited	Investments	49.05	49.05
	P.T. Walsin Lippo Industries (P.T. Walsin)	Manufacture and sale of cables and wires	70.00	70.00
	PT. Walsin Lippo Kabel	Cables and wires	70.00	70.00

(Continued)



Investor	Investee	Main Business	% of Ownership		
			December 31		
			2016	2015	
WLHL	Walsin (China) Investment Co., Ltd.	Investment holding	100.00	100.00	
	Jiangyin Walsin Steel Cable Co., Limited (JHS)	Manufacture and sale of steel cables and wires	75.00	75.00	
	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Manufacture and sale of cables and wires	95.71	95.71	
	Dongguan Walsin Wire & Cable Co., Ltd.	Manufacture and sale of bare copper cables and wires	100.00	100.00	
	Nanjing Walsin Metal Co., Ltd.	Manufacture and sale of copper alloy	78.26	78.26	
	Renowned International Limited	Investments	83.97	83.97	
	Walsin International Investments Limited	Investments	100.00	100.00	
	Borrego Solar System, Inc.	Solar power system	77.87	78.36	
	Nanjing Walsin Expo Exhibition Co., Ltd.	Exhibition service	60.00	60.00	
	Nanjing Taiwan Trade Mart Management Co., Ltd.	Business and assets management, consulting and advertising services	100.00	100.00	
	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Manufacture and sale of cold-rolled stainless steel and flat-rolled products	18.37	18.37	
	CIL	Walsin Specialty Steel Corp.	Sale of specialty steel products and investment	100.00	100.00
		Changshu Walsin Specialty Steel Co., Ltd.	Manufacture and sale of specialized steel tubes, rods and wires	100.00	100.00
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.		Manufacture and sale of stainless steel	100.00	100.00	
Yantai Walsin Stainless Steel Co., Ltd.		Production and sale of new-type alloy materials	100.00	100.00	
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.		Manufacture and sale of cold-rolled stainless steel and flat-rolled products	81.63	81.63	
Walsin Precision Technology Sdn. Bhd.		Manufacture and sale of stainless steel	100.00	100.00	
XiAn Walsin Metal Product Co., Ltd.		Production and sale of medium and heavy specialty steel plates	100.00	100.00	
XiAn Walsin Opto-electronic Limited		Light emitter diode and solar power assembly	100.00	100.00	
XiAn Lv Jing Technology Co., Ltd.		Solar module assembly	100.00	100.00	
Walsin Lihwa (Changzhou) Investment Co., Ltd.		Commerce and investments	100.00	100.00	
Chin-Cherng	Joint Success Enterprises Limited	Investments	50.95	50.95	
	Walsin (Nanjing) Construction Limited	Construction, rental and sale of buildings and industrial factories	100.00	100.00	
	Nanjing Walsin Property Management Co., Ltd.	Property management, business management and housing leasing.	100.00	100.00	
Energy Pilot Limited	Green Lake Capital, LLC.	Solar power business	100.00	100.00	
	Green Lake Exchange, LLC.	Solar power business	100.00	100.00	
Market Pilot Limited	XiAn Walsin United Technology Co., Ltd.	Electronic devices and module	100.00	100.00	

(Concluded)

b. The following entities were excluded from consolidation

Investor	Investee	Main Business	% of Ownership		Note
			December 31		
			2016	2015	
WLHL	Walcom Chemical Industrial Limited	Commerce	65.00	65.00	Note

Note: The investee has a capital of HK\$500 thousand and total assets of HK\$1 thousand. The investee had no sales and its total assets were less than 1% of consolidated assets.

The financial statements of certain subsidiaries included in the consolidated financial statements as of December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015 were audited by other independent auditors. The total assets amounted to NT\$6,438,830 thousand and NT\$5,307,453 thousand as of December 31, 2016 and 2015, respectively; total net operating revenues amounted to NT\$11,297,034 thousand and NT\$9,309,379 thousand for the years ended December 31, 2016 and 2015, respectively.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

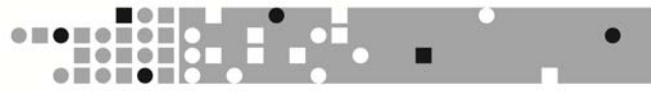
Investments in Associates

Name of Associate	December 31			
	2016		2015	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<u>Material associates</u>				
Winbond Electronics Corp.	\$ 10,023,613	22.66	\$ 8,886,320	22.66
Walton Advanced Engineering, Inc.	1,855,648	22.71	1,753,480	22.70
Walsin Technology Corp.	2,651,897	18.30	2,532,931	18.30
Hangzhou Walsin Power Cable & Wire Co., Ltd.	1,120,241	38.93	1,385,939	48.53
<u>Associates that are not individually materials</u>				
Others	<u>3,549,363</u>		<u>2,701,603</u>	
	<u>\$ 19,200,762</u>		<u>\$ 17,260,273</u>	

Refer to Table 7 “Information on Investees” and Table 8 “Information on Investments in Mainland China” for the nature of activities, principal place of business and country of incorporation of the associates.

In June 2015, the Group sold its 50% interest in Wuxi Xingcheng Walsin Steel Products Co., Ltd. for RMB165,061 thousand (equivalent to NT\$835,916 thousand). The gain on disposal of equity investment presented in profit or loss was calculated as follows:

Proceeds of disposal	\$ 835,916
Less: Carrying amount of investment on the date of loss of significant influence	(799,372)
Less: Related cost of disposal	(25,475)
Plus: Effect of foreign currency exchange differences	<u>285</u>
Gain recognized	<u>\$ 11,354</u>



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

	December 31	
	2016	2015
Winbond Electronics Corp.	<u>\$ 8,088,935</u>	<u>\$ 6,401,374</u>
Walton Advanced Engineering, Inc.	<u>\$ 1,282,652</u>	<u>\$ 994,329</u>
Walsin Technology Corp.	<u>\$ 3,351,002</u>	<u>\$ 2,039,373</u>

All the associates are accounted for using the equity method.

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

a. Material associates

December 31, 2016

	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.	Hangzhou Walsin Power Cable & Wire Co., Ltd.
Current assets	\$ 27,259,743	\$ 4,970,546	\$16,385,319	\$ 2,746,998
Non-current assets	40,730,266	10,742,285	12,414,084	2,133,003
Current liabilities	(14,605,735)	(4,340,026)	(8,866,424)	(2,283,518)
Non-current liabilities	<u>(8,163,475)</u>	<u>(3,294,871)</u>	<u>(3,706,811)</u>	<u>(3,231)</u>
Equity	45,220,799	8,077,934	16,226,168	2,593,252
Non-controlling interests	<u>(1,299,838)</u>	<u>-</u>	<u>(1,820,394)</u>	<u>-</u>
	<u>\$ 43,920,961</u>	<u>\$ 8,077,934</u>	<u>\$14,405,774</u>	<u>\$ 2,593,252</u>
Proportion of the Group's ownership	22.66%	22.71%	18.30%	38.93%
Equity attributable to the Group	\$ 9,952,490	\$ 1,834,499	\$ 2,636,257	\$ 1,009,553
Other adjustments	<u>71,123</u>	<u>21,149</u>	<u>15,640</u>	<u>110,688</u>
Carrying amount	<u>\$ 10,023,613</u>	<u>\$ 1,855,648</u>	<u>\$ 2,651,897</u>	<u>\$ 1,120,241</u>
Operating revenue	<u>\$ 42,091,709</u>	<u>\$ 8,748,398</u>	<u>\$18,490,529</u>	<u>\$ 3,203,890</u>
Net profit for the year	\$ 3,140,074	\$ 440,354	\$ 2,296,495	\$ (312,251)
Other comprehensive income	<u>2,485,116</u>	<u>117,721</u>	<u>(707,418)</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 5,625,190</u>	<u>\$ 558,075</u>	<u>\$ 1,589,077</u>	<u>\$ (312,251)</u>

December 31, 2015

	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.	Hangzhou Walsin Power Cable & Wire Co., Ltd.
Current assets	\$ 24,712,757	\$ 4,392,683	\$ 14,915,873	\$ 3,449,510
Non-current assets	37,885,010	11,117,354	11,308,434	1,651,537
Current liabilities	(12,333,195)	(2,882,787)	(7,131,589)	(2,493,360)
Non-current liabilities	<u>(10,166,033)</u>	<u>(4,960,419)</u>	<u>(3,628,431)</u>	<u>(1,987)</u>
Equity	40,098,539	7,666,831	15,464,287	2,605,700
Non-controlling interests	<u>(1,196,568)</u>	<u>-</u>	<u>(1,706,332)</u>	<u>-</u>
	<u>\$ 38,901,971</u>	<u>\$ 7,666,831</u>	<u>\$ 13,757,955</u>	<u>\$ 2,605,700</u>
Proportion of the Group's ownership	22.66%	22.70%	18.30%	48.53%
Equity attributable to the Group	\$ 8,815,186	\$ 1,740,371	\$ 2,517,706	\$ 1,264,546
Other adjustments	<u>71,134</u>	<u>13,109</u>	<u>15,225</u>	<u>121,393</u>
Carrying amount	<u>\$ 8,886,320</u>	<u>\$ 1,753,480</u>	<u>\$ 2,532,931</u>	<u>\$ 1,385,939</u>
Operating revenue	<u>\$ 38,350,315</u>	<u>\$ 7,913,595</u>	<u>\$ 16,029,408</u>	<u>\$ 3,669,108</u>
Net profit for the year	\$ 3,472,873	\$ 143,530	\$ 1,262,987	\$ (428,187)
Other comprehensive income	<u>(1,754,383)</u>	<u>70,609</u>	<u>(473,290)</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 1,718,490</u>	<u>\$ 214,139</u>	<u>\$ 789,697</u>	<u>\$ (428,187)</u>

b. Associates that are not individually material

	For the Year Ended December 31	
	2016	2015
The Group's share of:		
(Loss) gain from continuing operations	\$ (28,968)	\$ 43,353
Other comprehensive income (loss)	<u>980,947</u>	<u>(706,318)</u>
Total comprehensive income (loss) for the year	<u>\$ 951,979</u>	<u>\$ (662,965)</u>

The Group's share of profit and other comprehensive income of associates for the years ended December 31, 2016 and 2015 was based on the associates' financial statements audited by independent auditors for the same period.

Winbond Electronics Corp. (WEC) designs, develops, manufactures and sells very large scale integration (VLSI) integrated circuits (ICs) used in a variety of microelectronic applications. The Group sold its 36,764 thousand shares of WEC to third parties at market value on the Taiwan Stock Exchange in 2015 that resulted in disposal gain of NT\$12,027 thousand recorded as gain on disposal of investments.



16. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance at January 1, 2015	\$ 2,124,485	\$ 9,941,123	\$ 25,317,936	\$ 7,346,472	\$ 691,904	\$ 45,421,920
Additions	7,617	26,822	273,622	160,667	1,227,087	1,695,815
Disposals	(860)	(58,524)	(968,902)	(319,826)	-	(1,348,112)
Reclassified	-	30,948	408,695	114,702	(554,345)	-
Transfer from inventories	-	16,183	-	-	-	16,183
Transfer to other intangible assets	-	-	-	(509)	(8,049)	(8,558)
Transfer from non-current assets	-	-	-	4,051	-	4,051
Effect of foreign currency exchange differences	-	(94,858)	(298,303)	(84,464)	(4,686)	(482,311)
Balance at December 31, 2015	<u>\$ 2,131,242</u>	<u>\$ 9,861,694</u>	<u>\$ 24,733,048</u>	<u>\$ 7,221,093</u>	<u>\$ 1,351,911</u>	<u>\$ 45,298,988</u>
Accumulated depreciation and impairment						
Balance at January 1, 2015	\$ 8,067	\$ 5,178,325	\$ 16,342,581	\$ 5,453,914	\$ -	\$ 26,982,887
Disposals	-	(37,246)	(948,237)	(283,368)	-	(1,268,851)
Impairment losses recognized in profit or loss	-	7,610	164,861	227,986	-	400,457
Depreciation expense	-	380,826	1,186,035	359,433	-	1,926,294
Reclassified	-	(677)	46,893	(46,216)	-	-
Transfer to other intangible assets	-	-	-	(89)	-	(89)
Effect of foreign currency exchange differences	-	(36,448)	(217,430)	(63,487)	-	(317,365)
Balance at December 31, 2015	<u>\$ 8,067</u>	<u>\$ 5,492,390</u>	<u>\$ 16,574,703</u>	<u>\$ 5,648,173</u>	<u>\$ -</u>	<u>\$ 27,723,333</u>
Carrying amounts at December 31, 2015	<u>\$ 2,123,175</u>	<u>\$ 4,369,304</u>	<u>\$ 8,158,345</u>	<u>\$ 1,572,920</u>	<u>\$ 1,351,911</u>	<u>\$ 17,575,655</u>
Cost						
Balance at January 1, 2016	\$ 2,131,242	\$ 9,861,694	\$ 24,733,048	\$ 7,221,093	\$ 1,351,911	\$ 45,298,988
Additions	23,848	363,647	2,016,140	201,991	838,432	3,444,058
Disposals	(1,801)	(288,087)	(2,742,476)	(966,132)	(14,734)	(4,013,230)
Reclassified	-	151,819	830,823	297,773	(1,280,415)	-
Transferred from inventories	-	-	-	-	2,382,931	2,382,931
Transferred to non-current assets held for sale	-	(616,092)	-	-	-	(616,092)
Effect of foreign currency exchange differences	-	(306,835)	(694,486)	(264,421)	(10,988)	(1,276,730)
Balance at December 31, 2016	<u>\$ 2,153,289</u>	<u>\$ 9,166,146</u>	<u>\$ 24,143,049</u>	<u>\$ 6,490,304</u>	<u>\$ 3,267,137</u>	<u>\$ 45,219,925</u>
Accumulated depreciation and impairment						
Balance at January 1, 2016	\$ 8,067	\$ 5,492,390	\$ 16,574,703	\$ 5,648,173	\$ -	\$ 27,723,333
Disposals	-	(231,974)	(2,569,875)	(858,906)	-	(3,660,755)
Impairment losses recognized in profit or loss	-	72,776	144,826	33,512	-	251,114
Depreciation expense	-	258,815	978,069	328,542	-	1,565,426
Reclassified	-	-	(112,774)	112,774	-	-
Transferred to non-current assets held for sale	-	(273,535)	-	-	-	(273,535)
Effect of foreign currency exchange differences	-	(135,460)	(523,502)	(210,559)	-	(869,521)
Balance at December 31, 2016	<u>\$ 8,067</u>	<u>\$ 5,183,012</u>	<u>\$ 14,491,447</u>	<u>\$ 5,053,536</u>	<u>\$ -</u>	<u>\$ 24,736,062</u>
Carrying amounts at December 31, 2016	<u>\$ 2,145,222</u>	<u>\$ 3,983,134</u>	<u>\$ 9,651,602</u>	<u>\$ 1,436,768</u>	<u>\$ 3,267,137</u>	<u>\$ 20,483,863</u>

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

Buildings and improvements	3-50 years
Machinery and equipment	3-20 years
Other equipment	3-15 years

The Group's main building and electrical and mechanical power equipment are depreciated over their estimated useful lives of 50 years and 20 years, respectively.

WLC owns parcels of land which were registered in the name of certain individuals because of certain regulatory restrictions. To secure its ownership of such parcels of land, WLC keeps in its possession the land titles with the annotation of being pledged to WLC. As of December 31, 2016 and 2015, the recorded total carrying value of such parcels of land amounted to NT\$418,362 thousand and NT\$397,704 thousand, respectively.

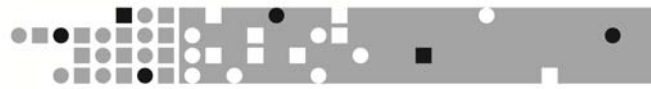
The Group recognized impairment loss on property, plant and equipment of NT\$251,114 thousand and NT\$400,457 thousand, respectively, which was recorded as impairment loss for the years ended December 31, 2016 and 2015, after appropriate evaluation.

On January 29, 2016, the Group signed a contract to sell the buildings and improvements located in Xian hi-tech industrial development zone and related machinery and equipment to third-party. The transaction of selling machinery and equipment had been completed in March 2016. The transaction of selling buildings and improvements was not completed as of December 31, 2016, and the selling price of the related assets exceeded the carrying amount; these buildings and improvements were reclassified as non-current assets held for sale.

17. INVESTMENT PROPERTIES

	December 31	
	2016	2015
Completed investment property	<u>\$ 10,655,622</u>	<u>\$ 11,030,364</u>
		Completed Investment Property
<u>Cost</u>		
Balance at January 1, 2015		\$ 12,000,753
Transferred from inventories		294,082
Effect of foreign currency exchange differences		<u>(34,213)</u>
Balance at December 31, 2015		<u>\$ 12,260,622</u>
Balance at January 1, 2016		\$ 12,260,622
Reclassified		(35,191)
Effect of foreign currency exchange differences		<u>(139,688)</u>
Balance at December 31, 2016		<u>\$ 12,085,743</u>

(Continued)



	Completed Investment Property
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2015	\$ 973,108
Depreciation expense	261,948
Effect of foreign currency exchange differences	<u>(4,798)</u>
Balance at December 31, 2015	<u>\$ 1,230,258</u>
Balance at January 1, 2016	\$ 1,230,258
Depreciation expense	226,930
Effect of foreign currency exchange differences	<u>(27,067)</u>
Balance at December 31, 2016	<u>\$ 1,430,121</u> (Concluded)

The completed investment properties are depreciated under straight-line method over 20 to 50 years.

The main investment properties of the Group are the Walsin Xin Yi Building and completed investment properties of Walsin (Nanjing) Construction Limited. The building valuation was commissioned by independent rating agencies (a third party). As of December 31, 2016 and 2015, the completed investment properties' real estate value was NT\$32,796,965 thousand and NT\$32,142,314 thousand, respectively.

18. PREPAYMENTS FOR LEASE

	<u>December 31</u>	
	2016	2015
Current asset	\$ 65,071	\$ 31,990
Non-current asset	<u>1,208,657</u>	<u>1,145,396</u>
	<u>\$ 1,273,728</u>	<u>\$ 1,177,386</u>

Prepaid lease payments include land use right which are located in Mainland China.

The Group signed a contract to sell the land located in Xian hi-tech industrial development zone to third-party. As of December 31, 2016, the transaction was not completed and the selling price of the related assets exceeded the carrying amount; prepayments for lease of NT\$52,983 thousand were reclassified as non-current assets held for sale.

19. BORROWINGS

	December 31	
	2016	2015
Short-term borrowings	<u>\$ 4,194,335</u>	<u>\$ 2,773,612</u>
Current portion of long-term borrowings	<u>\$ 7,021,864</u>	<u>\$ 2,810,603</u>
Long-term borrowings	<u>\$ 15,293,975</u>	<u>\$ 22,119,432</u>

a. Short-term borrowings as of December 31, 2016 and 2015 were as follows:

	December 31			
	2016		2015	
	Interest Rate %	Amount	Interest Rate %	Amount
Materials procurement loans	0.90-2.114	\$ 745,701	0.81-1.38	\$ 419,990
Bank lines of credit	0.79-3.10	<u>3,448,634</u>	1.13-3.10	<u>2,353,622</u>
		<u>\$ 4,194,335</u>		<u>\$ 2,773,612</u>

Refer to Notes 6 and 31 for collaterals pledged for short-term borrowings as of December 31, 2016 and 2015.

b. Long-term borrowings as of December 31, 2016 and 2015 were as follows:

		December 31		
		2016	2015	
	Significant Covenant	Rate	Amount	Amount
Taipei Fubon Bank and others	Credit loan; every six months to repay the principal at 30%, 35%, 35% from the end of the fourth year from drawing date (September 2015)	1.80%	\$ 15,000,000	\$ 15,000,000
Bank of Taiwan and others	Credit loan; every six months to repay the principal at 10%, 10%, 15%, 15%, 50% from the end of the third year from drawing date (August 2012)	1.59%	6,630,000	9,180,000
Cathay United Bank	Secured loan; monthly interest and principal repayments until maturity from June 15, 2012	1.96%	196,407	216,048
	Secured loan; monthly interest and principal repayments until maturity from March 27, 2013	2.70%	195,383	213,558
	Secured loan; monthly interest and principal repayments until maturity from August 21, 2012	2.50%	166,874	183,287
Taipei Fubon Bank	Secured loan; monthly interest and principal repayments until maturity from June 25, 2014	2.81%	45,833	49,500
	Secured loan; monthly interest and principal repayments until maturity from August 14, 2014	2.77%	40,267	43,467
	Secured loan; monthly interest and principal repayments until maturity from April 15, 2015	2.89%	41,075	44,175
			<u>22,315,839</u>	<u>24,930,035</u>
Less current portion of long-term debts			<u>(7,021,864)</u>	<u>(2,810,603)</u>
			<u>\$ 15,293,975</u>	<u>\$ 22,119,432</u>

Under the loan agreements with Bank of Taiwan, Taipei Fubon Bank and Mega International Commercial Bank, WLC should maintain certain financial ratios calculated on annual and semi-annual consolidated financial statements audited by independent auditors, during the



loan term. The financial ratios are as follows:

- 1) Ratio of current assets to current liabilities not less than 100%;
- 2) Ratio of total liabilities less cash and cash equivalents to tangible net worth not more than 120%;
- 3) Ratio of net income before interest expenses, taxation, depreciation and amortization to interest expenses not less than 150%;
- 4) Tangible net worth (net worth less intangible assets) not less than NT\$50,000,000 thousand.

As of December 31, 2016 and 2015, the Group's current portion of long-term borrowings was NT\$7,021,864 thousand and NT\$2,810,603 thousand under the loan agreement, respectively. The Group's consolidated financial reports for the years ended December 31, 2016 and 2015 showed that the Group was in compliance with these ratio requirements.

Refer to Note 31 for collaterals pledged on bank borrowings as of December 31, 2016 and 2015.

20. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2016	2015
<u>Derivative financial liabilities under hedge accounting</u>		
Cash flow hedges - foreign exchange forward contracts	\$ <u> -</u>	\$ <u>11,628</u>
Current	\$ -	\$ 11,628
Non-current	<u> -</u>	<u> -</u>
	\$ <u> -</u>	\$ <u>11,628</u>

The Group's hedge strategy is to enter foreign exchange forward contracts to avoid firm commitment of its exchange rate exposure. When forecast sales and purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

The Group signed foreign exchange forward contracts to avoid its exchange rate exposure due to the equipment purchase contracts signed with foreign suppliers. Those foreign exchange forward contracts were designated as cash flow hedges.

The terms of the foreign exchange forward contracts had been negotiated to match the terms of the respective designated hedged items. As of December 31, 2015, the outstanding foreign exchange forward contracts of the Group were as follows:

	Currencies	Contract Expiration Date	Contract Amount (In Thousands)
<u>December 31, 2015</u>			
Buy forward exchange contracts	EUR to NTD	2016.05.02-2016.06.01	EUR4,204/NTD162,805

During the years ended December 31, 2016 and 2015, gain of NT\$3,683 thousand and loss of NT\$173,729 thousand, respectively, on fair value had been recognized in other comprehensive income (loss) due to the valuation adjustments of the foreign exchange forward contracts for the exchange rate exposure of expected future equipment purchase.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

WLC and its subsidiaries in ROC adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, WLC and its subsidiaries in ROC make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

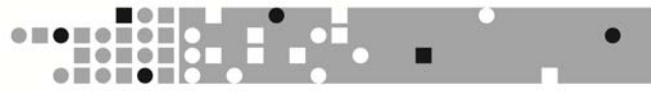
The total expense recognized in profit or loss for the years ended December 31, 2016 and 2015 was NT\$67,991 thousand and NT\$63,142 thousand, respectively, which represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

b. Defined benefit plans

The defined benefit plans adopted by WLC and Walsin Info-Electric in accordance with the Labor Standards Law are operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. WLC and Walsin Info-Electric contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2016	2015
Present value of defined benefit obligation	\$ 1,385,363	\$ 1,401,501
Fair value of plan assets	<u>(622,340)</u>	<u>(17,682)</u>
Net defined benefit liabilities	<u>\$ 763,023</u>	<u>\$ 1,383,819</u>



	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	<u>\$ 1,284,711</u>	<u>\$ (13,120)</u>	<u>\$ 1,271,591</u>
Service cost			
Current service cost	16,110	-	16,110
Net interest expense (income)	<u>25,134</u>	<u>(213)</u>	<u>24,921</u>
Recognized in profit or loss	<u>41,244</u>	<u>(213)</u>	<u>41,031</u>
Remeasurement			
Actuarial loss - changes in financial assumptions	49,831	-	49,831
Actuarial (gain) loss - experience adjustments	<u>55,791</u>	<u>(169)</u>	<u>55,622</u>
Recognized in other comprehensive income (loss)	<u>105,622</u>	<u>(169)</u>	<u>105,453</u>
Contributions from the employer	-	(32,808)	(32,808)
Benefits paid	(28,628)	28,628	-
Account paid	<u>(1,448)</u>	<u>-</u>	<u>(1,448)</u>
Balance at December 31, 2015	<u>1,401,501</u>	<u>(17,682)</u>	<u>1,383,819</u>
Service cost			
Current service cost	16,956	-	16,956
Net interest expense (income)	<u>21,960</u>	<u>(284)</u>	<u>21,676</u>
Recognized in profit or loss	<u>38,916</u>	<u>(284)</u>	<u>38,632</u>
Remeasurement			
Actuarial (gain) loss - experience adjustments	<u>6,248</u>	<u>(3,191)</u>	<u>3,057</u>
Recognized in other comprehensive income (loss)	<u>6,248</u>	<u>(3,191)</u>	<u>3,057</u>
Contributions from the employer	-	(656,214)	(656,214)
Benefits paid	(55,031)	55,031	-
Account paid	<u>(6,271)</u>	<u>-</u>	<u>(6,271)</u>
Balance at December 31, 2016	<u>\$ 1,385,363</u>	<u>\$ (622,340)</u>	<u>\$ 763,023</u>

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

	For the Year Ended December 31	
	2016	2015
Operating costs	\$ 23,754	\$ 25,149
Selling and marketing expenses	3,189	3,070
General and administrative expenses	11,430	12,721
Research and development expenses	<u>259</u>	<u>91</u>
	<u>\$ 38,632</u>	<u>\$ 41,031</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

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

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

	December 31	
	2016	2015
Discount rates	1.6%	1.6%
Expected rates of salary increase	2.0%	2.0%



If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would decrease/increase as follows:

	December 31	
	2016	2015
Discount rates		
0.5% increase	<u>\$ (67,979)</u>	<u>\$ (68,010)</u>
0.5% decrease	<u>\$ 73,238</u>	<u>\$ 73,272</u>
Expected rates of salary increase		
0.5% increase	<u>\$ 72,587</u>	<u>\$ 72,621</u>
0.5% decrease	<u>\$ (68,055)</u>	<u>\$ (68,086)</u>

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

22. EQUITY

	December 31	
	2016	2015
Share capital		
Common shares	\$ 33,960,002	\$ 35,760,002
Capital surplus	15,701,403	15,766,866
Retained earnings	15,211,219	11,383,125
Others	(897,872)	(621,113)
Treasury shares	(608,810)	(608,810)
Non-controlling interests	<u>1,916,063</u>	<u>1,888,389</u>
	<u>\$ 65,282,005</u>	<u>\$ 63,568,459</u>

a. Share capital

Common shares

	December 31	
	2016	2015
Number of shares authorized (in thousands)	<u>6,500,000</u>	<u>6,500,000</u>
Amount of authorized shares	<u>\$ 65,000,000</u>	<u>\$ 65,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>3,396,001</u>	<u>3,576,001</u>
Amount of issued shares	<u>\$ 33,960,002</u>	<u>\$ 35,760,002</u>

As of December 31, 2015, the balance of WLC's capital account was NT\$35,760,002 thousand, divided into 3,576,001 thousand shares at NT\$10.00 par value.

WLC cancelled 60,000 thousand and 120,000 thousand shares of treasury shares in August and November 2016. As of December 31, 2016, the balance of WLC's capital account was NT\$33,960,002 thousand, divided into 3,396,001 thousand shares at NT\$10.00 par value.

b. Capital surplus

	December 31	
	2016	2015
Premium from issuance of common shares	\$ 10,387,648	\$ 10,938,230
Arising from the excess of the consideration receivable over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	495	-
Arising from share of changes in capital surplus from investments in associates under equity method	68,609	137,818
Arising from treasury share transactions	2,142,998	1,589,157
Arising from gain on disposal of property plant and equipment	2,074,231	2,074,231
Others	<u>1,027,422</u>	<u>1,027,430</u>
	<u>\$ 15,701,403</u>	<u>\$ 15,766,866</u>

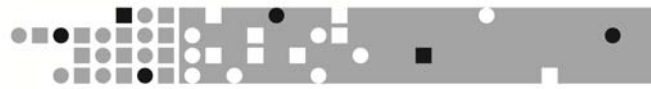
The premium from shares issued in excess of par (share premium from issuance of common shares, conversion of bonds and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Group's capital surplus and once a year).

The capital surplus from long-term investments, employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividend policy

In accordance with the amendments to the Group Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on May 25, 2016 and in that meeting, had resolved amendments to the Group's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy of employees' compensation.

Based on WLC's amended Articles of Incorporation, 10% of WLC's annual earnings, net of tax and any deficit, should be appropriated as legal reserve until this reserve equals WLC's paid-in capital. Also, WLC appropriated earnings to special reserve based on the applicable laws and regulations. Any remaining balance of distributable earnings resolved by the shareholders will be retained partially by WLC and will be distributed to shareholders. Refer to Note 24 for WLC's pre-amendment and amended Articles of Incorporation that stipulated distribution of employees' compensation and remuneration to directors and supervisors.



The Group appropriates or reverses special reserve in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, 1010047490 and 1030006415 issued by FSC and the directive entitled “Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs”.

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

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

The appropriations of earnings for 2015 have been approved in the shareholders’ meetings on May 25, 2016.

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 160,173	\$ -
Cash dividends	<u>701,200</u>	0.2
	<u>\$ 861,373</u>	

The appropriations of earnings for 2016 had been proposed by WLC’s board of directors on February 24, 2017. The appropriations and dividends per share were as follows:

The appropriations of earnings for 2016 are subject to the resolution of the shareholders’ meeting to be held on May 26, 2017.

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 456,812	\$ -
Cash dividends	<u>2,328,200</u>	0.7
	<u>\$ 2,785,012</u>	

d. Special reserves

Special reserve remained unchanged for the years ended December 31, 2016 and 2015.

e. Other equity items

1) Foreign currency translation reserve

	2016	2015
Balance at January 1	\$ 1,428,373	\$ 2,035,498
Share of exchange difference of associates for using the equity method	(3,538,495)	(606,216)
Disposal of associates under equity method	<u>-</u>	<u>(909)</u>
Balance at December 31	<u>\$ (2,110,122)</u>	<u>\$ 1,428,373</u>

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

2) Investments revaluation reserve

	2016	2015
Balance at January 1	\$ (1,960,168)	\$ 419,051
Unrealized loss arising on revaluation of available-for-sale financial assets	1,526,373	(1,158,358)
Share of unrealized (loss) gain on revaluation of available-for-sale financial assets of associates under equity method	1,837,070	(1,217,706)
Disposal of available-for-sale financial assets	(177,354)	
Disposal of associates under equity method	<u>-</u>	<u>(3,155)</u>
Balance at December 31	<u>\$ 1,225,921</u>	<u>\$ (1,960,168)</u>

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.



3) Cash flow hedging reserve

	2016	2015
Balance at January 1	\$ (89,318)	\$ (1,865)
Gain (loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward foreign exchange contracts	3,683	(173,729)
Transferred to carrying amount of hedged items	79,268	-
Others	<u>(7,304)</u>	<u>86,276</u>
Balance at December 31	<u>\$ (13,671)</u>	<u>\$ (89,318)</u>

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that was recognized and accumulated under the heading cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item.

f. Treasury shares

Treasury shares transactions for the year ended December 31, 2016 were summarized as follows:

Purpose of Reacquisition of Common Shares	Number of Treasury Shares as of January 1, 2016	Treasury Share Increase During the Year	Treasury Share Decrease During the Year	Number of Treasury Shares as of December 31, 2016
Common shares held by WLC as reserve for employees' incentives	70,000,000	-	-	70,000,000
To maintain WLC's creditability and shareholders' interest	<u>-</u>	<u>180,000,000</u>	<u>180,000,000</u>	<u>-</u>
	<u>70,000,000</u>	<u>180,000,000</u>	<u>180,000,000</u>	<u>70,000,000</u>

Treasury shares transactions for the year ended December 31, 2015 were summarized as follows:

Purpose for Reacquisition of Common Shares	Number of Treasury Shares as of January 1, 2015	Treasury Share Increase During the Year	Treasury Share Decrease During the Year	Number of Treasury Shares as of December 31, 2015
Common shares held by WLC as reserve for employee incentives	<u>30,000,000</u>	<u>40,000,000</u>	-	<u>70,000,000</u>

Article 28.2 of the Securities and Exchange Law stipulates that the number of treasury shares held by WLC should not exceed 10% of the number of shares issued and that the cost of acquisition of treasury shares should not exceed the total of retained earnings, additional-paid-in capital and other realized capital surplus. In addition, WLC shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote, or exercise other shareholder's rights on the treasury shares.

23. REVENUE

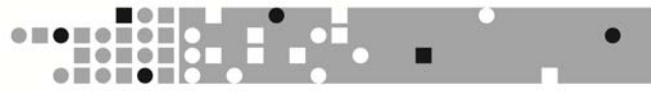
	For the Year Ended December 31	
	2016	2015
Sales revenue	\$ 142,105,245	\$ 147,867,933
Revenue from the rendering of services	244,351	392,043
Construction contract revenue	40,607	143,313
Rental income	858,318	826,175
Other revenue	<u>106,720</u>	<u>108,651</u>
	<u>\$ 143,355,241</u>	<u>\$ 149,338,115</u>

24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

Non-operating Income and Expense - Gain (Loss) on Disposal of Investment

	For the Year Ended December 31	
	2016	2015
Loss on disposal of investment - commodity futures settled	\$ (99,560)	\$ (213,169)
Loss on disposal of investments - forward exchange contracts settled	(1,605)	(26,597)
Gain on disposal of investment - exchange rate swap contracts settled	30,037	154,106

(Continued)



	For the Year Ended December 31	
	2016	2015
Gain on disposal of investments - associates under equity method	59,955	23,382
Gain on disposal of investments - fund	21,349	89,268
Gain on disposal of investments - available-for-sale financial assets - non-current	<u>172,036</u>	<u>43,893</u>
	<u>\$ 182,212</u>	<u>\$ 70,883</u> (Concluded)

Non-operating Income and Expense - Impairment Loss

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	\$ 251,114	\$ 400,457
Financial assets measured at cost - non-current	200,000	7,040
Others	<u>3,148</u>	<u>(4,230)</u>
	<u>\$ 454,262</u>	<u>\$ 403,267</u>

Employee Benefits Expense, Depreciation and Amortization

	For the Year Ended December 31, 2016			
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term employment benefits	<u>\$ 2,818,099</u>	<u>\$ 1,411,636</u>	<u>\$ -</u>	<u>\$ 4,229,735</u>
Post-employment benefits	<u>\$ 193,650</u>	<u>\$ 98,118</u>	<u>\$ -</u>	<u>\$ 291,768</u>
Other employee benefits	<u>\$ 344,330</u>	<u>\$ 171,055</u>	<u>\$ -</u>	<u>\$ 515,385</u>
Depreciation				
Property, plant and equipment	\$ 1,394,193	\$ 162,266	\$ 8,967	\$ 1,565,426
Investment property	<u>220,776</u>	<u>6,154</u>	<u>-</u>	<u>226,930</u>
	<u>\$ 1,614,969</u>	<u>\$ 168,420</u>	<u>\$ 8,967</u>	<u>\$ 1,792,356</u>
Amortization	<u>\$ 18,258</u>	<u>\$ 16,538</u>	<u>\$ 8,078</u>	<u>\$ 42,874</u>

For the Year Ended December 31, 2015

	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term employment benefits	<u>\$ 2,452,753</u>	<u>\$ 1,253,760</u>	<u>\$ -</u>	<u>\$ 3,706,513</u>
Post-employment benefits	<u>\$ 204,403</u>	<u>\$ 89,979</u>	<u>\$ -</u>	<u>\$ 294,382</u>
Other employee benefits	<u>\$ 413,358</u>	<u>\$ 126,615</u>	<u>\$ -</u>	<u>\$ 539,973</u>
Depreciation				
Property, plant and equipment	\$ 1,742,509	\$ 172,665	\$ 11,120	\$ 1,926,294
Investment property	<u>246,892</u>	<u>15,056</u>	<u>-</u>	<u>261,948</u>
	<u>\$ 1,989,401</u>	<u>\$ 187,721</u>	<u>\$ 11,120</u>	<u>\$ 2,188,242</u>
Amortization	<u>\$ 15,775</u>	<u>\$ 23,257</u>	<u>\$ 4,080</u>	<u>\$ 43,112</u>

In compliance with the Group Act as amended in May 2015, WLC's shareholders held their meeting on May 2016 and resolved amendments to WLC's Articles, the amendments stipulate distribution of employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the years ended December 31, 2016 and 2015, the employees' compensation amounted to NT\$53,100 thousand and NT\$21,962 thousand, and the remuneration to directors and supervisors amounted to NT\$36,900 thousand and NT\$16,335 thousand, representing 1% and 0.7%, respectively, of the base net profit before income tax. The employees' compensation and remuneration to directors and supervisors in cash for the years ended December 31, 2016 and 2015 have been approved by the Group's board of directors on February 17, 2017, and February 26, 2016.

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

The employees' compensation and the remuneration to directors and supervisors for 2015 resolved by the WLC's board of directors on February 26, 2016, and the respective amounts recognized in the consolidated financial statements, were as follows:

	For the Year Ended December 31, 2015	
	Employees' Compensation	Remuneration of Directors and Supervisors
Amounts approved in shareholders' meetings	\$ 21,962	\$ 16,335
Amounts recognized in respective financial statements	<u>21,962</u>	<u>16,335</u>
	<u>\$ -</u>	<u>\$ -</u>



Information on the employees' compensation and remuneration to directors and supervisors for 2016 resolved by WLC's board of directors in 2017 and bonus to employees, directors and supervisors for 2015 resolved by the shareholders' meeting in 2016 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

WLC did not recognize employees' compensation and remuneration to directors and supervisors because WLC's earning in 2014 were all retained instead of being distributed.

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. The major components of tax expense were as follows:

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	\$ 1,126,488	\$ 430,806
Reserve for land value increment tax	26,877	1,023
Income tax expense of unappropriated earnings	59,210	195,000
In respect of prior periods	1,721	(71,970)
Others	<u>-</u>	<u>732</u>
	1,214,296	555,591
Deferred tax		
In respect of the current year	120,543	181,708
	<u>29</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 1,334,868</u>	<u>\$ 737,299</u>

A reconciliation of accounting profit and income tax expenses, average effective tax rate and the applicable tax rate is as follows:

	For the Year Ended December 31	
	2016	2015
Income before tax from continuing operations	<u>\$ 6,173,371</u>	<u>\$ 2,465,431</u>
Income tax expense calculated at the statutory rate	\$ 1,436,478	\$ 805,312
Equity in investees' net (gain) loss	(296,455)	22,045
Dividend income	(3,662)	(7,671)
Net gain on disposal of investments	(29,246)	\$ (6,713)
Realized loss on liquidation of investment	(25,091)	(74,035)
Loss on investees' capital reduction for cover accumulated deficits	(28,598)	-

(Continued)

	For the Year Ended December 31	
	2016	2015
Others	\$ (462)	\$ 24,333
Unrecognized loss carryforwards/deductible temporary differences	194,099	(150,757)
Adjustments for prior years' tax	1,718	(71,970)
Income tax of unappropriated earnings	59,210	195,000
Reserve for land revaluation increment tax	26,877	1,023
Others	<u>-</u>	<u>732</u>
Income tax expense recognized in profit or loss	<u>\$ 1,334,868</u>	<u>\$ 737,299</u> (Concluded)

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Current tax assets and liabilities

	December 31	
	2016	2015
Current tax assets		
Tax refund receivable (recorded under other non-current assets)	<u>\$ 26,777</u>	<u>\$ 193,556</u>
Current tax liabilities		
Income tax payable	<u>\$ 1,619,577</u>	<u>\$ 1,397,496</u>

c. Deferred tax assets and liabilities

	December 31	
	2016	2015
Deferred tax assets		
Net operating loss carryforwards	\$ 83,889	\$ 327,084
Pension expense not currently deductible	130,000	231,000
Provision for devaluation loss on obsolete and slow-moving inventories	58,540	75,047
Provision for impairment loss on idle assets	18,061	18,000
Deemed sales	186,932	-
Unrealized gross profit from intercompany transactions	21,656	15,591
Provision for permanent devaluation loss on long-term investments	56,460	22,460
		(Continued)



	December 31	
	2016	2015
Difference between financial and tax accounting of the depreciation of property, plant and equipment	\$ 943	\$ (3,875)
Prepaid expense	230,677	267,229
Others	223,971	210,147
Deferred income tax liabilities		
Difference between financial and tax accounting of the depreciation of property, plant and equipment	(43,494)	(16,004)
Reserve for land revaluation increment tax	(131,132)	(131,132)
Others	<u>10,551</u>	<u>(47,921)</u>
	<u>\$ 847,054</u>	<u>\$ 967,626</u>
Deferred income tax assets - non-current	\$ 1,011,129	\$ 1,162,683
Deferred income tax liabilities - non-current	<u>(164,075)</u>	<u>(195,057)</u>
	<u>\$ 847,054</u>	<u>\$ 967,626</u>

(Concluded)

- d. The Group's loss carryforwards as of December 31, 2015 for income tax purposes were as follows:

Expiry Year	Net Operating Loss Tax Credit
2017	\$ 3,109
2018	70,178
2019	7,196
2021	2,132
2025	<u>1,274</u>
	<u>\$ 83,889</u>

- e. The information on imputation credit accounts was as follows:

	December 31	
	2016	2015
Unappropriated earnings		
Generated on and after January 1, 1998	<u>\$ 9,674,226</u>	<u>\$ 6,006,305</u>
Balance of Imputation Credit Account (included current tax liabilities)	<u>\$ 1,418,554</u>	<u>\$ 1,326,426</u>

	For the Year Ended December 31	
	2016 (Expected)	2015 (Actual)
Creditable ratio for distribution of earnings	14.66%	20.75%

Effective from January 1, 2015, according to the revised Article 66 - 6-1 of the Income Tax Law, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio.

- f. WLC's income tax returns through 2014 had been examined and cleared by the tax authorities.

26. EARNINGS PER SHARE

	For the Year Ended December 31					
	2016			2015		
	Amounts (Numerator)	Shares (Denominator)	Earnings Per Share (In Dollars)	Amounts (Numerator)	Shares (Denominator)	Earnings Per Share (In Dollars)
	After Income Tax (Attributable to Parent's Shareholders)	(In Thousands)	After Income Tax (Attributable to Parent's Shareholders)	After Income Tax (Attributable to Parent's Shareholders)	(In Thousands)	After Income Tax (Attributable to Parent's Shareholders)
Basic earnings per share						
Net income	\$ 4,568,125	3,424,730	<u>\$ 1.33</u>	\$ 1,601,726	3,527,914	<u>\$ 0.45</u>
Effect of dilutive potential common shares	-	4,817		-	19,029	
Diluted earnings per share						
Net income plus dilutive effect	<u>\$ 4,568,125</u>	<u>3,429,547</u>	<u>\$ 1.33</u>	<u>\$ 1,601,726</u>	<u>3,543,943</u>	<u>\$ 0.45</u>

27. OPERATING LEASE ARRANGEMENTS

- a. The Group as lessee

As of December 31, 2016, the Group's future minimum lease payments on non-cancellable operating lease commitments were as follows:

Years of 2017	\$ 52,300
2018-2022	112,481
After 2023	<u>216,957</u>
	<u>\$ 381,738</u>



b. The Group as lessor

Lease arrangements

Operating leases relate to the investment property owned by the Group with lease terms between 5 and 10 years, with an option to extend for additional 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2016 and 2015, deposits received under operating leases amounted to NT\$191,389 thousand and NT\$207,267 thousand, respectively (recorded under other non-current liabilities).

As of December 31, 2016, the Group's future minimum lease receivables on non-cancellable operating lease commitments were as follows:

Years of 2017	\$ 765,558
2018-2022	1,704,778
After 2023	<u>-</u>
	<u>\$ 2,470,336</u>

28. CAPITAL MANAGEMENT

The Group's capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, debt repayments and dividends spending.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Group (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group review the capital structure on a quarterly basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Except for financial assets measured at cost, the management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximate of fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	\$ 506,651	\$ -	\$ -	\$ 506,651
Available-for-sale financial assets	<u>2,990,945</u>	<u>-</u>	<u>-</u>	<u>2,990,945</u>
	<u>\$ 3,497,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,497,596</u>
Financial liabilities at FVTPL	<u>\$ -</u>	<u>\$ 2,162</u>	<u>\$ -</u>	<u>\$ 2,162</u>

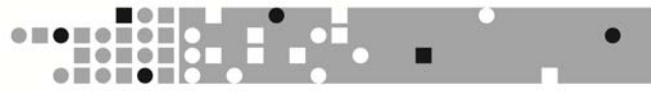
December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	\$ 617,602	\$ 9,930	\$ -	\$ 627,532
Available-for-sale financial assets	<u>1,743,806</u>	<u>-</u>	<u>-</u>	<u>1,743,806</u>
	<u>\$ 2,361,408</u>	<u>\$ 9,930</u>	<u>\$ -</u>	<u>\$ 2,371,338</u>
Financial liabilities at FVTPL	\$ -	\$ 2,130	\$ -	\$ 2,130
Derivative financial liabilities for hedging	<u>-</u>	<u>11,628</u>	<u>-</u>	<u>11,628</u>
	<u>\$ -</u>	<u>\$ 13,758</u>	<u>\$ -</u>	<u>\$ 13,758</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2016 and 2015.

- 2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - forward exchange contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivatives - exchange rate swaps contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.



c. Categories of financial instruments

	December 31	
	2016	2015
<u>Financial assets</u>		
Loans and receivables		
Cash and cash equivalents	\$ 7,733,584	\$ 8,887,554
Notes receivable and trade receivables (included related parties)	13,749,815	15,388,016
Finance lease receivables (current and non-current)	983,323	1,030,791
Other receivables	659,673	941,570
Other financial assets	2,265,139	223,569
Refundable deposits	184,148	198,164
Restricted assets - non-current (recorded under other non-current assets - other)	-	37,568
Debt investment with no active market - current	1,440,569	1,517,579
Financial assets at FVTPL (current and non-current)	506,651	627,532
Available-for-sale financial assets (current and non-current)	2,990,945	1,743,806
Financial assets measured at cost - non-current	1,847,079	1,881,565
<u>Financial liabilities</u>		
Financial liabilities at FVTPL (current and non-current)		
	2,162	2,130
Derivative financial liabilities for hedging (current and non-current)		
	-	11,628
Amortized cost		
Short-term borrowings	4,194,335	2,773,612
Notes payable and trade payables	8,219,083	6,656,519
Other payables	3,249,467	2,333,647
Long-term borrowings (included current portion)	22,315,839	24,930,035
Deposits received (recorded as other non-current liabilities - other)	247,623	281,385

d. Financial risk management objectives and policies

The Group's major financial instruments included equity and investments, trade receivable, trade payables. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provides written principles on foreign exchange risk, interest rate risk and credit risk, use of financial derivatives and non-derivative financial instruments, and investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments for speculative purposes.

1) Market risk

The Group is exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts and interest rate swaps contracts to hedge foreign currency risk and interest rate risk.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

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

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were as follows.

	December 31	
	2016	2015
<u>Assets</u>		
U.S. dollars	\$ 4,943,269	\$ 4,808,097
Japanese yen	111,161	18,008
Euro	396,277	1,301,927
Singapore dollars	10,002	-
Hong Kong dollars	16,325	9,513
Malaysia ringgit	178,146	77,189
Indonesian rupiah	200,059	-
<u>Liabilities</u>		
U.S. dollars	6,150,434	3,732,969
Japanese yen	1,821	330
Euro	790	6,304
Malaysia ringgit	33,556	58,360



The carrying amounts of the Group's derivatives exposed to foreign currency risk at the end of the reporting period were as follows.

	December 31	
	2016	2015
<u>Assets</u>		
U.S. dollars	\$ 4,837,500	\$ 3,282,500
Euro	-	150,825
<u>Liabilities</u>		
Euro	71,396	38,607

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period.

	U.S. Dollar Impact	
	For the Year Ended December 31	
	2016	2015
Profit or loss	\$ 36,303	\$ 43,576

b) Interest rate risk

The Group's interest rate risk arises primarily from fixed and floating rate deposits and borrowings.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2016	2015
Cash flow interest rate risk		
Financial assets	\$ 1,440,569	\$ 1,517,579
Financial liabilities	26,510,174	27,703,647

Sensitivity analysis

The sensitivity analyses below shows the possible effect on profit and loss assuming a change in the interest rates at the end of the reporting period.

If interest rates at the end of the reporting period increased by 1% and all other variables were held constant, the Group's pre-tax income for the years ended December 31, 2016 and 2015 would have been decreased by NT\$250,696 thousand and NT\$261,861 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge their obligation and financial guarantees would equal to the following:

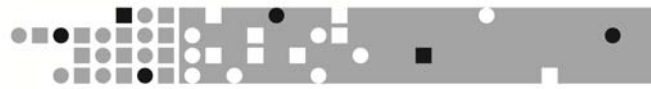
- a) The carrying amount of the respective recognized financial assets as stated in the condensed balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst the approved counterparties. Credit exposure is controlled by setting credit limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.



a) The Group's non-derivative financial liabilities with their agreed repayment period were as follows:

December 31, 2016

	1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 11,216,199	\$ 15,009,967	\$ 284,008	\$ -	\$ 26,510,174
Non-interest bearing	<u>11,468,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,468,550</u>
	<u>\$ 22,684,749</u>	<u>\$ 15,009,967</u>	<u>\$ 284,008</u>	<u>\$ -</u>	<u>\$ 37,978,724</u>

December 31, 2015

	1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 5,584,215	\$ 21,890,603	\$ 228,829	\$ -	\$ 27,703,647
Non-interest bearing	<u>8,990,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,990,166</u>
	<u>\$ 14,574,381</u>	<u>\$ 21,890,603</u>	<u>\$ 228,829</u>	<u>\$ -</u>	<u>\$ 36,693,813</u>

b) The Group's derivative financial instruments with agreed settlement date were as follows:

December 31, 2016

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Net settled</u>					
Commodity futures contracts	\$ 5,009	\$ 20,126	\$ 8,188	\$ -	\$ 33,323
Forward exchange contracts	(172)	(282)	(553)	-	(1,007)
Exchange rate swaps contracts	<u>(1,155)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,155)</u>
	<u>\$ 3,682</u>	<u>\$ 19,844</u>	<u>\$ 7,635</u>	<u>\$ -</u>	<u>\$ 31,161</u>

December 31, 2015

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Net settled</u>					
Commodity futures contracts	\$ 154,440	\$ (3,938)	\$ (35,972)	\$ -	\$ 114,530
Forward exchange contracts	(1,056)	(1,074)	(11,628)	-	(13,758)
Exchange rate swaps contracts	<u>3,050</u>	<u>1,894</u>	<u>4,986</u>	<u>-</u>	<u>9,930</u>
	<u>\$ 156,434</u>	<u>\$ (3,118)</u>	<u>\$ (42,614)</u>	<u>\$ -</u>	<u>\$ 110,702</u>

e. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2016 and 2015 were as follows:

Counterparties	Receivables Sold	Amounts Collected	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line (In Thousands)
<u>2016</u>					
CTBC bank	<u>\$ 91,202</u>	<u>\$ 89,902</u>	<u>\$ -</u>	-	US\$ 3,000
<u>2015</u>					
CTBC bank	<u>\$ 44,505</u>	<u>\$ 31,961</u>	<u>\$ -</u>	-	US\$ 3,000

The above credit lines may be used on a revolving basis.

30. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the parent company and its subsidiaries had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

a. Sales

	<u>For the Year Ended December 31</u>	
	2016	2015
Associates	<u>\$ 813,194</u>	<u>\$ 2,806,403</u>



b. Rental income

	For the Year Ended December 31	
	2016	2015
Associates	\$ 22,212	\$ 24,694
Other related parties	<u>20,319</u>	<u>12,948</u>
	<u>\$ 42,531</u>	<u>\$ 37,642</u>

c. Purchases

	For the Year Ended December 31	
	2016	2015
Associates	<u>\$ 22,178</u>	<u>\$ 184,834</u>

d. Administrative expenses

	For the Year Ended December 31	
	2016	2015
Associates	\$ 9,762	\$ 9,811
Other related parties	<u>14,763</u>	<u>7,568</u>
	<u>\$ 24,525</u>	<u>\$ 17,379</u>

The stock registration matters of WLC and related parties were handled together. The related fees allocated to the related parties were charged against general and administrative expenses.

e. Notes receivable

	December 31	
	2016	2015
Associates	\$ 656	\$ 490
Other related parties	<u>99</u>	<u>-</u>
	<u>\$ 755</u>	<u>\$ 490</u>

f. Trade receivable

	December 31	
	2016	2015
Associates	<u>\$ 284</u>	<u>\$ 221,055</u>

g. Notes payable

	December 31	
	2016	2015
Associates	<u>\$ 2,272</u>	<u>\$ 1,100</u>

h. Trade payables

	December 31	
	2016	2015
Associates	<u>\$ 12,631</u>	<u>\$ 172</u>

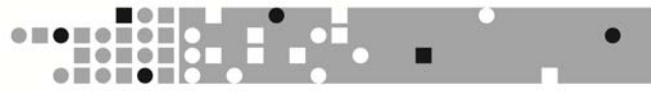
i. Other receivables

	December 31	
	2016	2015
Associates	\$ 1,798	\$ 2,328
Other related parties	<u>2,556</u>	<u>1,969</u>
	<u>\$ 4,354</u>	<u>\$ 4,297</u>

j. Other payables

	December 31	
	2016	2015
Associates	\$ -	\$ 30,793
Other related parties	<u>1,788</u>	<u>-</u>
	<u>\$ 1,788</u>	<u>\$ 30,793</u>

Trading transactions with related parties do not have significant difference with the general customers.



k. Guarantee deposits

	December 31	
	2016	2015
Other related parties	<u>\$ 1,722</u>	<u>\$ 1,722</u>

l. Property, plant and equipment disposed

Related Parties Types	For the Year Ended December 31			
	2016		2015	
	Price	Gain on Disposal	Price	Gain (Loss) on Disposal
Associates	\$ 295	\$ 277	\$ 649	\$ 624
Other related parties	<u>-</u>	<u>-</u>	<u>57</u>	<u>57</u>
	<u>\$ 295</u>	<u>\$ 277</u>	<u>\$ 706</u>	<u>\$ 681</u>

m. Compensation of key management personnel

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

	For the Year Ended December 31	
	2016	2015
Short-term benefits	\$ 144,102	\$ 110,619
Post-employment benefits	<u>2,782</u>	<u>3,458</u>
	<u>\$ 146,884</u>	<u>\$ 114,077</u>

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collaterals for bank borrowings and guarantees for tariff of imported raw materials:

	December 31	
	2016	2015
Time deposits (recorded under other financial assets - current)	\$ 311,878	\$ 223,569
Finance lease receivables - current	49,085	47,467
Finance lease receivables - non-current	934,238	983,324
Other non-current assets	<u>87,755</u>	<u>124,668</u>
	<u>\$ 1,382,956</u>	<u>\$ 1,379,028</u>

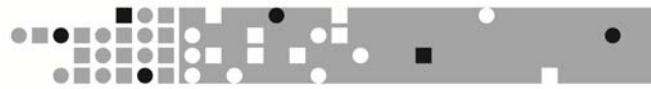
32. SIGNIFICANT CONTINGENCIES LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2016 and 2015 were as follows:

- a. Outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2016 and 2015 were as follows (in thousands):

	December 31	
	2016	2015
U.S. dollars	US\$ 32,427	US\$ 28,296
Japanese yen	JPY 48,421	JPY 60,064
Euro	EUR 25,484	EUR 37,008
New Taiwan dollars	NT\$ 83,663	NT\$ 54,424

- b. As of December 31, 2016 and 2015, outstanding standby letters of credit not reflected in the accompanying financial statements amounted to approximately NT\$421,321 thousand, US\$66 thousand and RMB113,881 thousand and NT\$412,262 thousand and RMB83,666 thousand; tariff letters of credit amounted to approximately NT\$706,500 thousand and NT\$695,000 thousand.
- c. Noncancelable copper and nickel procurement contracts with total contract value of US\$34,210 thousand, RMB29,456 thousand and US\$24,745 thousand were in effect as of December 31, 2016 and 2015.
- d. As of December 31, 2015, the banks provided guarantees for NT\$1,649 thousand for Walsin Info-Electric's construction contracts.



33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2016

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
U.S. dollars	\$ 153,280	32.250	\$ 4,943,269
Japanese Yen	403,343	0.2756	111,161
Euro	11,690	33.900	396,277
Singapore dollars	449	22.290	10,002
Hong Kong dollars	3,926	4.158	16,325
Malaysia ringgit	25,800	6.905	178,146
Indonesian rupiah	82,328,789	0.0024	200,059

Financial liabilities

Monetary items			
U.S. dollars	\$ 190,711	32.250	\$ 6,150,434
Euro	23	33.900	790
Japanese yen	6,606	0.2756	1,821
Malaysia ringgit	4,860	6.905	33,556
Swiss francs	17	31.525	536
Non-monetary items			
U.S. dollars	36	32.250	1,155
Malaysia ringgit	146	6.905	1,007

December 31, 2015

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
U.S. dollars	\$ 146,477	32.825	\$ 4,808,097
Japanese yen	66,034	0.2727	18,008
Euro	36,286	35.880	1,301,927

(Continued)

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Hong Kong dollars	2,246	4.235	9,513
Malaysia ringgit	10,513	7.3425	77,189
Indonesian rupiah	6,564,905	0.0024	15,953
Nonmonetary items			
U.S. dollars	4,329	32.825	142,105
<u>Financial liabilities</u>			
Monetary items			
U.S. dollars	113,723	32.825	3,732,969
Japanese yen	1,212	0.2727	330
Euro	176	35.880	6,304
Swiss francs	17	33.185	564
Malaysia ringgit	7,948	7.3425	58,360
Nonmonetary items			
Euro	324	35.880	11,628
Malaysia ringgit	290	7.3425	2,130
			(Concluded)

For the years ended December 31, 2016 and 2015, realized and unrealized net foreign exchange gain (loss) amounts were gain of NT\$73,517 thousand and gain of NT\$160,664 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the numerous foreign currency transactions and functional currencies of the Group entities.

34. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- a. Lending funds to others: Please see Table 1 attached;
- b. Providing endorsements or guarantees for others: Please see Table 2 attached;
- c. Holding of securities at the end of the period: Please see Table 3 attached;
- d. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more: Please see Table 4 attached;
- e. Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None;
- f. Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: None;
- g. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see Table 5 attached;



- h. Trade receivables from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: Please see Table 6 attached;
- i. Trading in derivative instruments: Please see Notes 7 and 20;
- j. Information on investees: Please see Table 7 attached;
- k. Others: Information on intercompany relationships and significant intercompany transactions: Please see Table 9 attached;

Information on investments in mainland China:

- a. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area: Please see Table 8 attached;
- b. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: Please see Table 8 attached.
 - 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - 3) The amount of property transactions and the amount of the resultant gains or losses.
 - 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - 5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - 6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services.

35. OPERATION SEGMENT FINANCIAL INFORMATION

a. Basic information

1) Classification

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

a) Wires and cables

The segment's main products include copper rods, wires, connector and components which are sold to industries involving cables and wires, communications cable, heavy electronics, home electrical appliances and construction.

b) Specialty steel

The segment's main products included smelting, rolled stainless steel, carbon steel and precision alloy wire which are sold to industries involving construction components, crankshaft, machine tools, plumbing, heat exchanger, drain, petrochemical and construction.

c) Real estate

Real estate is responsible for the development of commercial and real estate complex and real estate management. Furthermore, the modes of operation are construction of residences, offices, markets and hotels, and offer renting, operating management and after-sales services.

d) Administration and investing

The segment of administration and investing refers to other investment in Mainland China.

2) Estimates of operating segment income and expenses, assets and liabilities

Accounting policies of operating segments are the same with those summarized in Note 4 to the consolidated financial statements. Operating segment income and expenses are measured based on estimated future potential profit and pre-tax operating profit adjusted by hedge accounting. Sales and transfers between segments are treated as transactions with third parties and evaluated at fair value.

The Group does not allocate income tax expense (benefit), investment income (loss) recognized under equity method, foreign exchange gain (loss), net investment income (loss), gain (loss) on disposal of investments, gain (loss) on valuation of financial assets and liabilities and extraordinary items to reportable segments. The amounts reported are consistent with the report used by operating decision-makers.

3) Identification of operating segment

The reported operating segments are classified according to the different products and services that are managed separately because they use different technology and selling strategies.



b. Financial information

1) Segment revenues and results:

(NT\$ in Thousand)

	For the Year Ended December 31, 2016				
	Wires and Cables	Specialty Steel	Real Estate	Administration and Investing	Total
External net sales and operating revenues	\$ 85,826,403	\$ 47,643,754	\$ 921,920	\$ 8,963,164	\$ 143,355,241
Operating profit (loss)	1,278,526	2,654,441	159,076	663,100	4,755,143
Net non-operating income (expenses)					
Net interest income (expenses)					(10,774)
Share of profit of associates under equity method					987,866
Dividend income					21,585
Gain on disposal of property, plant and equipment					275,150
Gain on disposal of investments					748,843
Foreign exchange gain, net					73,517
Loss on financial assets and liabilities at fair value through profit or loss					(91,062)
Impairment loss					(454,262)
Net other income (expenses)					<u>(132,635)</u>
Consolidated income before income tax					<u>\$ 6,173,371</u>

	For the Year Ended December 31, 2015				
	Wires and Cables	Specialty Steel	Real Estate	Administration and Investing	Total
External net sales and operating revenues	\$ 96,730,647	\$ 43,044,956	\$ 882,012	\$ 8,680,500	\$ 149,338,115
Operating profit (loss)	1,269,241	1,332,914	217,775	(207,843)	2,612,087
Net non-operating income (expenses)					
Net interest income (expenses)					(31,441)
Share of profit of associates under equity method					643,805
Dividend income					41,874
Gain on disposal of property, plant and equipment					86,959
Loss on disposal of investments					(583,460)
Foreign exchange gain, net					160,664
Gain on financial assets and liabilities at fair value through profit or loss					45,101
Impairment loss					(403,267)
Net other income (expenses)					<u>(106,891)</u>
Consolidated income before income tax					<u>\$ 2,465,431</u>

2) Segment assets and liabilities

	Wires and Cables	Specialty Steel	Real Estate	Administration and Investing	Total
<u>Segment assets</u>					
December 31, 2016	\$ 16,329,620	\$ 28,877,477	\$ 28,808,581	\$ 40,163,536	<u>\$ 114,179,214</u>
December 31, 2015	20,662,132	23,225,021	23,078,217	37,717,921	<u>\$ 104,683,291</u>
<u>Segment liabilities</u>					
December 31, 2016	6,512,611	13,785,932	19,778,832	8,819,834	<u>\$ 48,897,209</u>
December 31, 2015	8,695,185	9,977,802	13,376,607	9,065,238	<u>\$ 41,114,832</u>

3) Geographical information

The Group's revenue from external customers and non-current assets, excluding those classified as held for sale, financial instruments, deferred tax assets, and post-employment benefit, categorized by geographical location are as follows:

	Revenue from External Customers		Non-current Assets December 31	
	2016	2015	2016	2015
Asia	\$ 129,606,839	\$ 139,601,103	\$ 31,359,080	\$ 28,858,104
United States of America	10,139,330	7,670,776	-	92
Europe	1,926,065	1,568,806	-	-
Others	<u>1,683,007</u>	<u>497,430</u>	<u>-</u>	<u>-</u>
	<u>\$ 143,355,241</u>	<u>\$ 149,338,115</u>	<u>\$ 31,359,080</u>	<u>\$ 28,858,196</u>

Note: Revenue from external customers classified by geographical location.

4) Major customer

No individual customer accounted for at least 10% of consolidated revenue in 2016 and 2015.

TABLE 1

WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, U.S. Dollars/Renminbi)

No.	Financing Company	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Financing Amount Limits (Note 1)
													Item	Value		
1	Walsin Lihwa Holdings Limited	Jiangyin Walsin Steel Cable Co., Ltd.	Other receivable	Yes	\$ 334,500 (US\$ 10,000)	\$ 322,500 (US\$ 10,000)	\$ 322,500 (US\$ 10,000)	2.81%	Operating capital	\$ -	Operating capital	\$ -	-	\$ -	\$ 807,863 (US\$ 25,050)	\$ 25,346,377 (US\$ 785,934)
		Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	"	"	301,050 (US\$ 9,000)	290,250 (US\$ 9,000)	290,250 (US\$ 9,000)	2.81%	"	-	"	-	"	-	1,011,328 (US\$ 31,359)	
		XiAn Walsin United Technology Co., Ltd.	"	"	903,150 (US\$ 27,000)	- (US\$ -)	- (US\$ -)	2.37%	"	-	"	-	"	-	25,346,377 (US\$ 785,934)	
		Walsin (China) Investment Co., Ltd.	"	"	10,747,991 (US\$ 39,000) (RMB 1,900,000)	10,089,786 (US\$ 39,000) (RMB 1,900,000)	952,930 (US\$ -) (RMB 205,000)	3.92%	"	-	"	-	"	-	25,346,377 (US\$ 785,934)	
2	Walsin (China) Investment Co., Ltd.	Walsin (Nanjing) Construction Limited	"	"	9,489,851 (RMB 1,900,000)	8,832,036 (RMB 1,900,000)	700,027 (RMB 150,594)	5.22%	"	-	"	-	"	-	8,832,036 (RMB 1,900,000)	25,346,377 (US\$ 785,934)
		Yantai Walsin Stainless Steel Co., Ltd.	"	"	2,446,125 (US\$ 75,000)	2,418,750 (US\$ 75,000)	- (US\$ -)	-	"	-	"	-	"	-	6,336,594 (US\$ 196,484)	
		Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	"	"	1,793,825 (US\$ 55,000)	1,773,750 (US\$ 55,000)	- (US\$ -)	-	"	-	"	-	"	-	6,336,594 (US\$ 196,484)	
		Changshu Walsin Specialty Steel Co., Ltd.	"	"	1,565,520 (US\$ 48,000)	1,548,000 (US\$ 48,000)	- (US\$ -)	-	"	-	"	-	"	-	6,336,594 (US\$ 196,484)	
		Jiangyin Walsin Steel Cable Co., Limited (JHS)	"	"	652,300 (US\$ 20,000)	645,000 (US\$ 20,000)	- (US\$ -)	-	"	-	"	-	"	-	807,863 (US\$ 25,050)	
		Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	"	"	619,685 (US\$ 19,000)	612,750 (US\$ 19,000)	- (US\$ -)	-	"	-	"	-	"	-	1,011,328 (US\$ 31,359)	

Notes:

- For Walsin Lihwa Holdings Limited and Walsin (China) Investment Co., Ltd. according to the Article of Financing Provided of Walsin Lihwa Corporation, the total limited amount of the financing provided cannot exceed 40% of the equity of the consolidated financial statements of Walsin Lihwa Corporation. The limited amount of financing provided to the single enterprise that holds directly or indirectly 100% voting right of overseas invested company cannot exceed 40% of the equity of the consolidated financial statements of Walsin Lihwa Corporation. The limited amount of financing provided to the single enterprise that holds more than 2/3 ratio but less than 100% of subsidiaries cannot exceed the equity multiplied by the investment ratio of the financing company. In addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the equity of the latest consolidated financial statement of Walsin Lihwa Corporation. If the subsidiaries need to raise the financing limit, the individual financing limit shall be discussed and resolved by the board of directors.
 - The limited amount of financing provided to the single enterprise was as follows:
Jiangyin Walsin Steel Cable Co., Ltd. = US\$33,400 × 100% × 75% = US\$25,050.
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. = US\$32,765 × 100% × 95.71% = US\$31,359.
XiAn Walsin United Technology Co., Ltd. = NT\$63,365,942/32.25 × 40% = US\$785,934.
Walsin (China) Investment Co., Ltd. = NT\$63,365,942/32.25 × 40% = US\$785,934.
Walsin (Nanjing) Construction Limited = RMB1,900,000 × 4.64844 = 8,832,036.
Yantai Walsin Stainless Steel Co., Ltd. = NT\$63,365,942/32.25 × 10% = US\$196,484.
Jiangyin Walsin Specialty Alloy Materials Co., Ltd. = NT\$63,365,942/32.25 × 10% = US\$196,484.
Changshu Walsin Specialty Steel Co., Ltd. = NT\$63,365,942/32.25 × 10% = US\$196,484.
 - The limit of amount of financing provided was as follows:
The limit of amount of financing provided = NT\$63,365,942 × 40% = NT\$25,346,377 (US\$785,934).
- Amounts are stated in thousands of N.T. dollars, except those stated in thousands of U.S. dollars and Renminbi.
- The currency exchange rate as of December 31, 2016 was as follows: US\$ to NT\$ = 1:32.25; RMB to NT\$ = 1:4.64844.

TABLE 1-1

CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars and U.S. Dollars)

No.	Financing Company	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Financing Amount Limits (Note 1)
													Item	Value		
3	Concord Industries Limited	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Other receivable	Yes	\$ 1,839,750 (US\$ 55,000)	\$ 1,773,750 (US\$ 55,000)	\$ 1,773,750 (US\$ 55,000)	2.13%-2.81%	Operating capital	\$ -	Operating capital	\$ -	-	\$ -	\$ 25,346,377 (US\$ 785,934)	\$ 25,346,377 (US\$ 785,934)
		Yantai Walsin Stainless Steel Co., Ltd.	"	"	2,508,750 (US\$ 75,000)	2,418,750 (US\$ 75,000)	2,418,750 (US\$ 75,000)	2.13%-2.31%	"	-	"	-	"	-	25,346,377 (US\$ 785,934)	
		Walsin Lihwa Holdings Limited	"	"	1,555,425 (US\$ 46,500)	1,499,625 (US\$ 46,500)	- (US\$ -)	0.19%-0.35%	"	-	"	-	"	-	6,336,594 (US\$ 196,484)	
		Changshu Walsin Specialty Steel Co., Ltd.	"	"	1,605,600 (US\$ 48,000)	1,548,000 (US\$ 48,000)	1,548,000 (US\$ 48,000)	2.13%	"	-	"	-	"	-	25,346,377 (US\$ 785,934)	
		Walsin (China) Investment Co., Ltd.	"	"	5,805,470 (US\$ 178,000)	5,740,500 (US\$ 178,000)	- (US\$ -)	-	"	-	"	-	"	-	25,346,377 (US\$ 785,934)	
4	Walsin Specialty Steel Corp.	Changshu Walsin Specialty Steel Co., Ltd.	"	"	1,605,600 (US\$ 48,000)	- (US\$ -)	- (US\$ -)	2.40%	"	-	"	-	"	-	25,346,377 (US\$ 785,934)	25,346,377 (US\$ 785,934)
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	"	"	836,250 (US\$ 25,000)	- (US\$ -)	- (US\$ -)	2.52%	"	-	"	-	"	-	25,346,377 (US\$ 785,934)	
		Walsin Lihwa Holdings Limited	"	"	1,789,575 (US\$ 53,500)	819,150 (US\$ 25,400)	- (US\$ -)	0.19%-0.35%	"	-	"	-	"	-	6,336,594 (US\$ 196,484)	

Notes:

1. According to the Article of Financing Provided of Concord Industries Limited and Walsin Specialty Steel Corp., the total limited amount of the financing provided cannot exceed 40% of the equity of the consolidated financial statements of Walsin Lihwa Corporation. The limited amount of financing provided to the single enterprise that hold directly or indirectly 100% voting right of overseas invested company cannot exceed 40% of the equity of the consolidated financial statements of Walsin Lihwa Corporation. In addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the equity of the latest consolidated financial statement of Walsin Lihwa Corporation.

a. The limited amount of financing provided to the single enterprise was as follows:

Jiangyin Walsin Specialty Alloy Materials Co., Ltd. = NT\$63,365,942/32.25 × 40% = US\$785,934.
Yantai Walsin Stainless Steel Co., Ltd. = NT\$63,365,942/32.25 × 40% = US\$785,934.
Changshu Walsin Specialty Steel Co., Ltd. = NT\$63,365,942/32.25 × 40% = US\$785,934.
Walsin (China) Investment Co., Ltd. = NT\$63,365,942/32.25 × 40% = US\$785,934.
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. = NT\$63,365,942/32.25 × 40% = US\$785,934.
Walsin Lihwa Holdings Limited = NT\$63,365,942/32.25 × 10% = US\$196,484.

b. The limited amount of financing provided was as follows:

The limit of amount of financing provided = NT\$63,365,942 × 40% = NT\$25,346,377 (US\$785,934).

2. Amounts are stated in thousands of N.T. dollars, except those stated in thousands of U.S. dollars.

3. The currency exchange rate as of December 31, 2016 was as follows: US\$ to NT\$ = 1:32.25.

CHIN-CHERNG CONSTRUCTION CO. AND SUBSIDIARIES

FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars and U.S. Dollars)

No.	Financing Company	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Financing Amount Limits (Note 1)
													Item	Value		
5	Joint Success Enterprises Limited	Walsin (Nanjing) Construction Limited	Other receivable	Yes	\$ 885,756 (US\$ 26,480)	\$ 853,980 (US\$ 26,480)	\$ 853,980 (US\$ 26,480)	2.13%-2.70%	Operating capital	\$ -	Operating capital	\$ -	-	\$ -	\$ 3,852,327 (US\$ 119,452)	\$ 25,346,377 (US\$ 785,934)
		Walsin Lihwa Holdings Limited	"	"	100,350 (US\$ 3,000)	96,750 (US\$ 3,000)	74,175 (US\$ 2,300)	0.19%-0.35%	"	-	"	-	"	-	6,336,594 (US\$ 196,484)	

Notes:

1. According to the Financing Provided of Joint Success Enterprises Limited, the total limited amount of financing provided cannot exceed 40% of the equity of Walsin Lihwa Corporation's consolidated financial statements. The limited amount of financing provided to the single enterprise that holds more than 2/3 ratio but less than 100% of subsidiaries cannot exceed the equity multiplied by the investment ratio of Walsin Lihwa Corporation. In addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the equity of the latest consolidated financial statement of Walsin Lihwa Corporation.
 - a. The limited amount of financing provided to the single enterprise was as follows:

Walsin (Nanjing) Construction Limited = US\$119,932 × 100% × 99.60% = US\$119,452.
Walsin Lihwa Holdings Limited = NT\$63,365,942/32.25 × 10% = US\$196,484.
 - b. The limited amount of financing provided was as follows:

The limited amount of financing provided = US\$63,365,942 × 40% = NT\$25,346,377 (US\$785,934).
2. Amounts are stated in thousands of N.T. dollars, except those stated in thousands of U.S. dollars.
3. The currency exchange rate as of December 31, 2016 was as follows: US\$ to NT\$ = 1:32.25.

TABLE 1-3

MARKET PILOT LIMITED

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars and U.S. Dollars)

No.	Financing Company	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Financing Amount Limits (Note 1)
													Item	Value		
6	Market Pilot Limited	Walsin Lihwa Holdings Limited	Other receivable	Yes	\$ 33,450 (US\$ 1,000)	\$ 33,250 (US\$ 1,000)	\$ - (US\$ -)	0.19%-0.35%	Operating capital	\$ -	Operating capital	\$ -	-	\$ -	\$ 6,336,594 (US\$ 196,484)	\$ 25,346,377 (US\$ 785,934)
		XiAn Walsin United Technology Co., Ltd.	"	"	936,600 (US\$ 28,000)	903,000 (US\$ 28,000)	903,000 (US\$ 28,000)	2.13%	"	-	"	-	-	-	25,346,377 (US\$ 785,934)	

Notes:

- According to the Financing Provided of Market Pilot Limited, the total limited amount of financing provided cannot exceed 40% of the equity of Walsin Lihwa Corporation's consolidated financial statements. The limited amount of financing provided to the single enterprise that holds directly or indirectly 100% voting right of overseas invested company cannot exceed 40% of the equity of the consolidated financial statements of Walsin Lihwa Corporation. In addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the equity of the latest consolidated financial statement of Walsin Lihwa Corporation.
 - The limited amount of financing provided to the single enterprise was as follows:
Walsin Lihwa Holdings Limited = NT\$63,365,942/32.25 × 10% = US\$196,484.
XiAn Walsin United Technology Co., Ltd. = NT\$63,365,942/32.25 × 40% = US\$785,934.
 - The limited amount of financing provided was as follows:
The limited amount of financing provided = NT\$63,365,942 × 40% = NT\$25,346,377 (US\$785,934).
- Amounts are stated in thousands of N.T. dollars, except those stated in thousands of U.S. dollars.
- The currency exchange rate as of December 31, 2016 was as follows: US\$ to NT\$ = 1:32.25.

TABLE 2

WALSIN LIHWA CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars and U.S. Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Each Guaranteed Party's Endorsement/ Guarantee Amounts (Note 3)	Highest Balance for the Period	Ending Balance (Note 4)	Actual Borrowing Amount	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statement (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note 3)	Guaranteed Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
0	Walsin Lihwa Corporation	Borrego Solar Systems, Inc.	c	NT\$ 2,499,375 (US\$ 77,500)	NT\$ 869,700 (US\$ 26,000)	NT\$ 838,500 (US\$ 26,000)	NT\$ 72,563 (US\$ 2,250)	\$ -	1	NT\$ 63,365,942	Yes	No	No
		Green Lake Exchange, LLC.	c	NT\$ 1,690,384 (US\$ 52,145)	NT\$ 351,225 (US\$ 10,500)	NT\$ 338,625 (US\$ 10,500)	NT\$ - (US\$ -)	-	1		"	"	"
				NT\$ 4,189,759	NT\$ 1,220,925	NT\$ 1,177,125	NT\$ 72,563		2				

Notes:

- The information on Walsin Lihwa Corporation and the subsidiaries is listed and labeled on the "No." column.
 - "0" represents Walsin Lihwa Corporation.
 - Subsidiaries are numbered starting at 1.
- The relationship between Walsin Lihwa Corporation and the endorsed/guaranteed entities can be classified into six types.
 - The entity is with business transactions.
 - The subsidiary in which over 50% of common stock was held by the parent company directly.
 - The invested company in which over 50% of common stock was held directly/indirectly by Walsin Lihwa Corporation and the subsidiaries.
 - The parent company which held directly or indirectly through subsidiaries over 50% of common stock of Walsin Lihwa Corporation.
 - The mutually endorsed companies due to the requirement of the project work.
 - The Company which was endorsed due to the co-investment agreement. The endorsement percentage of each investor is based on the investment percentage.
- According to the Article of endorsement/guarantee and financing provided of Walsin Lihwa Corporation, the total limited amount of endorsement/guarantee cannot exceed 100% of the net value of Walsin Lihwa Corporation's current financial statement (including the consolidated financial statement). The limited amount of the endorsement/guarantee and financing provided to the single enterprise cannot exceed the net value of the guaranteed company. The limited amount of the guarantee to the invested company in which over 66.67% of the common stock was held cannot exceed the amount which is 250% of the net value multiplied by the equity percentage of the guarantee provider; however, the limits mentioned above are not applicable to Walsin Lihwa Corporation's wholly owned holding companies incorporated in duty-free area overseas.
 - The limited amount of endorsement/guarantee provided was as follows:

$$\text{NT\$}63,365,942 \times 100\% = \text{NT}63,365,942.$$
 - The limited amount of endorsement/guarantee provided to the single entity was as follows:
 Borrego Solar Systems, Inc.: $\text{US\$}39,810 \times 250\% \times 77.87\% = \text{US\$}77,500.$
 Green Lake Exchange, LLC.: $\text{US\$}20,966 \times 250\% \times 100\% = \text{US\$}52,415.$
- The currency exchange rate as of December 31, 2016 was as follows: US\$ to NT\$ = 1:32.25.

TABLE 3

WALSIN LIHWA CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Walsin Lihwa Corporation	<u>Stock</u>							
	HannStar Display	Chairman of the board of directors is an immediate relative of the chairman of the board of directors of Walsin Lihwa Corporation	Available-for-sale financial assets - non-current	237,292,180	\$ 1,865,116	7.34	\$ 1,865,116	
	HannStar Board	-	"	58,955,639	1,037,619	13.09	1,037,619	
	Taiwan High Speed Rail	"	"	4,794,000	88,210	0.23	88,210	
	Powertec Energy Corp.	The holding company is a director of the issuer company	Financial assets measured at cost - non-current	380,167,354	938,758	17.03	1,437,003	
	Kuong Tai Metal Industrial Co., Ltd.	"	"	9,631,802	114,355	9.39	197,452	
	One-Seven Trading Co., Ltd.	-	"	30,000	300	6.67	304	
	Global Investment Holdings	The holding company is a director of the issuer company	"	5,562,000	43,680	2.93	47,333	
	WK Technology Fund	-	"	1,902,387	22,457	1.91	19,842	(Note)
	Universal Venture Capital Investment	"	"	1,400,000	13,280	1.16	13,244	(Note)
Parawin Venture Capital Corp.	"	"	508,101	724	0.87	2,911	(Note)	

Note: The difference of fair value less carrying value is not permanent, so no impairment is recognized.

TABLE 3-1

CONCORD INDUSTRIES CONSTRUCTION CO. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
 DECEMBER 31, 2016
 (In Thousands of Renminbi)

Holding Company Name	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
XiAn Walsin United Technology Co., Ltd.	<u>Certification of capital verification</u> Shaanxi Optoelectronics Technology Co., Ltd.	Investee accounted for by the cost method	Financial assets measured at cost - non-current	N/A	\$ 134,000	19.00	\$ 207,128	

TABLE 3-2

CHIN-CHERNG CONSTRUCTION CO. AND SUBSIDIARIES
**MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Chin-Cherng Construction Co.	Stock							
	Chinshan Hotspring Development Co., Ltd.	Investee accounted for by the cost method	Financial assets measured at cost - non-current	8	\$ -	8.00	\$ -	
	Gsharp Corporation	"	"	270,000	-	2.73	-	
	Parawin Venture Capital Corp.	"	"	5,471	32	0.01	32	

TABLE 3-3

WALSIN INFO-ELECTRIC CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Walsin Info-Electric Corp.	Stock W T International Inc.	Investee accounted for by the cost method	Financial assets measured at cost - non-current	228,000	\$ 2,280	7.60	\$ 2,759	

TABLE 3-4**MARKET PILOT LIMITED AND SUBSIDIARIES**
MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(In Thousands of Renminbi)

Holding Company Name	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
XiAn Walsin United Technology Co., Ltd.	<u>Certification of capital verification</u> Shaanxi Optoelectronics Technology Co., Ltd.	Investee accounted for by the cost method	Financial assets measured at cost - non-current	N/A	\$ 19,000	19.00	\$ 13,954 (Note)	

Note: The difference of fair value less carrying value is not permanent, so no impairment is recognized.

TABLE 4

WALSIN LIHWA CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units	Amount
Walsin Lihwa Corporation	Stock Concord Industries Limited	Investments accounted for using equity method	Capital reduction	Subsidiary	469,203,187	\$ 11,063,039	-	\$ (1,658,808) (Note)	36,900,000	\$ 1,201,095	\$ 1,201,095	\$ -	432,303,187	\$ 8,203,136
	Market Pilot Limited	"	Capital investment	"	100,000,000	(709,362)	27,000,000	820,998 (Note)	-	-	-	-	127,000,000	111,636

Note: The amount included investment income or loss and adjustments on cumulative translation adjustments.

TABLE 4-1

WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of Renminbi)**

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units	Amount
Walsin (China) Investment Co., Ltd.	Certification of capital verification No. 1 Fund	Financial instruments at fair value through profit or loss	Wanjia Co-win Asset Management Co., Ltd.	-	N/A	\$ 79,184	-	\$ 80,052 (Note)	N/A	\$ 83,440	\$ 79,040	\$ 4,400	N/A	\$ 80,196

Note: The amount included investment income.

TABLE 4-2

CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of Renminbi)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units	Amount
Concord Industries Limited	Stock Walsin Specialty Steel Corp	Investments accounted for using equity method	Capital reduction	Subsidiary	198,600,000	\$ 799,205	-	\$ (195,489) (Note)	73,400,000	\$ 489,386	\$ 489,386	\$ -	125,200,000	\$ 114,330
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Certification of capital verification Shanghai Bank No. 2 Structured Product	Debt investments with no active market	Bank of Shanghai	-	N/A	300,000	N/A	914,000	N/A	912,996	906,000	6,996	N/A	308,000

Note: The amount included investment income.

TABLE 4-3

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of Renminbi)**

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units	Amount
Ace Result Global Limited	Certification of capital verification Hangzhou Walsin Power Cable & Wire Co., Ltd.	Investments accounted for using equity method	Futong Group Co., Ltd.	-	N/A	\$ 168,557	-	\$ 60,561 (Note)	N/A	\$ 61,144	\$ 92,321	\$ (31,177)	N/A	\$ 136,797

Note: The amount included investment income or loss and adjustments on capital surplus.

TABLE 5

WALSIN LIHWA CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Walsin Lihwa Corporation	Walsin Lihwa Holdings Limited	Subsidiary	Sales	\$ (3,876,969)	(6)	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	\$ 358,948	15	
	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	100% indirectly owned subsidiary	Sales	(174,211)	-		"	"	72,586	3	
	Changshu Walsin Specialty Steel Co., Ltd.	100% indirectly owned subsidiary	Sales	(104,994)	-		"	"	15,190	1	

TABLE 5-1

WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars and Renminbi)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Walsin Lihwa Holdings Limited	Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	RMB(2,003,165)	(76)	Normal	Normal	Normal	RMB 1,238,215	66	
	Nanjing Walsin Metal Co., Ltd.	78.26% indirectly owned subsidiary	"	RMB (578,523)	(22)	"	"	"	RMB 570,914	30	
	Yantai Walsin Stainless Steel Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	"	RMB (69,606)	(3)	"	"	"	RMB 66,510	4	
Nanjing Walsin Metal Co., Ltd.	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Both subsidiaries of Walsin Lihwa Holdings Limited	"	RMB (477,701)	(6)	"	"	"	RMB 79		
	Hangzhou Walsin Power Cable & Wire Co., Ltd.	Associates	"	RMB (159,586)	(2)	"	"	"	RMB 33	-	
	Dongguan Walsin Wire & Cable Co., Ltd.	Both subsidiaries of Walsin Lihwa Holdings Limited	"	RMB (268,540)	(3)	"	"	"	RMB -	-	
Walsin Lihwa Holdings Limited	Walsin Lihwa Corporation	Parent company	Purchase	3,876,969	30	"	"	"	(358,948)	(41)	

Note: Amounts are stated in thousands of N.T. dollars, except those stated in thousands of Renminbi.

TABLE 5-2

CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars and Renminbi)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Yantai Huanghai Iron and Steel Co., Ltd.	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Both subsidiaries of Concord Industries Limited	Sales	RMB(1,286,159)	(77)	Normal	Normal	Normal	RMB 61,769	42	
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Changshu Walsin Specialty Steel Co., Ltd.	"	"	RMB (163,099)	(11)	"	"	"	RMB 42,024	20	
Changshu Walsin Specialty Steel Co., Ltd.	Walsin Lihwa Corporation	Parent company	Purchase	104,994	7	"	"	"	(15,190)	(3)	

Note: Amounts are stated in thousands of N.T. dollars, except those stated in thousands of Renminbi.

TABLE 6**WALSIN LIHWA CORPORATION**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Walsin Lihwa Corporation	Walsin Lihwa Holdings Limited	Subsidiary	Trade receivables \$ 358,948	9.74	\$ -	-	\$ 358,948	\$ -

TABLE 6-1

WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2016

(In Thousands of Renminbi and U.S. Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Walsin Lihwa Holdings Limited	Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Trade receivables \$ 1,238,215	1.27	\$ -	-	\$ -	\$ -
	Nanjing Walsin Metal Co., Ltd.	78.26% indirectly owned subsidiary	Trade receivables 570,914	1.01	-	-	54,347	-
	Yantai Walsin Stainless Steel Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Trade receivables 66,510	1.63	-	-	-	-
	Walsin (China) Investment Co., Ltd.	100% owned subsidiary	Other receivables 639,259	-	-	-	-	-
	Jiangyin Walsin Steel Cable Co., Ltd.	75% indirectly owned subsidiary	Other receivables US\$ 10,286	-	-	-	-	-
Walsin (China) Investment Co., Ltd.	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	95.71% indirectly owned subsidiary	Other receivables US\$ 9,250	-	-	-	-	-
	Walsin Lihwa Holdings Limited	Parent company	Other receivables US\$ 4,900	-	-	-	-	-

Note: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars.

TABLE 6-2

CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2016
(In Thousands of Renminbi and U.S. Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yantai Walsin Stainless Steel Co., Ltd.	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Both subsidiaries of Concord Industries Limited	Trade receivables \$ 61,769	12.66	\$ -	-	\$ -	\$ -
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Changshu Walsin Specialty Steel Co., Ltd.	"	Trade receivables 42,024	4.98	-	-	29,586	-
Concord Industries Limited	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	81.63% owned subsidiary	Other receivables US\$ 55,862	-	-	-	-	-
	Yantai Walsin Stainless Steel Co., Ltd.	100% owned subsidiary	Other receivables US\$ 76,151	-	-	-	-	-
	Changshu Walsin Specialty Steel Co., Ltd.	Both subsidiaries of Concord Industries Limited	Other receivables US\$ 48,148	-	-	-	-	-
Walsin Specialty Steel Corp.	Changshu Walsin Specialty Steel Co., Ltd.	"	Other receivables US\$ 58,640	-	-	-	-	-
	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	"	Other receivables US\$ 73,657	-	-	-	-	-

Note: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars.

TABLE 6-3

CHIN-CHERNG CONSTRUCTION CO. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2016
 (In Thousands of Renminbi)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Joint Success Enterprises	Walsin (Nanjing) Construction Limited	Subsidiary	Other receivables \$ 183,768	-	\$ -	-	\$ -	\$ -

TABLE 7

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2016

1. Information of investees that Walsin Lihwa Corporation has control ability or significant influence was as follows (in thousands of New Taiwan dollars):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
Walsin Lihwa Corporation	Walsin Lihwa Holdings Limited	Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	Investments	\$ 12,062,611	\$ 16,201,161	391,147,848	100.00	\$ 19,939,154	\$ 1,423,729	\$ 1,423,875	
	Concord Industries Limited	Trident Chambers Wickhams Cay P.O. Box 146, Road Town, Tortola, British Virgin Islands	Investments	16,328,743	17,529,838	432,303,187	100.00	8,203,136	(892,595)	(892,595)	
	Touch Micro-System Technology Corp.	566 Gaoshin Road, Yangmei Township, Taoyuan 326 Taiwan, R.O.C.	OEM on MEMS foundry service	750,000	750,000	2,100,000	100.00	9,359	(28)	(28)	
	Ace Result Global Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	1,676,504	1,676,504	47,639,988	100.00	732,108	(227,659)	(227,659)	
	Energy Pilot Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	562,829	562,829	20,670,001	100.00	748,344	132,347	132,347	
	Market Pilot Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	3,799,884	2,926,037	127,000,000	100.00	111,636	(51,339)	(51,339)	
	Min Maw Precision Industry Corp.	25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	Solar power systems management, design, and installation	180,368	180,368	24,150,000	100.00	297,386	40,869	40,869	
	Chin-Cherng Construction Co.	5th Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Construction business	611,687	611,675	277,257,758	99.22	3,484,702	(36,964)	(36,674)	
	Walsin Info-Electric Corp.	2nd Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Mechanical and electrical, communications, and power systems	66,406	208,778	9,491,461	98.87	132,222	758	749	
	PT. Walsin Lippo Industries	Jl. MH. Thamrin Block A1-1, Delta Silicon Industrial Park, Lippo Cikarang, Dekasi 17550, Indonesia	Steel wires	481,663	481,663	10,500	70.00	607,271	128,546	89,982	
	PT. Walsin Lippo Kabel	Kawasan Newton J 7-5 Rt. 001 Rw. 04, Serang, Cikarang Selatan, Bekasi	Production and sale of cables and wires	11,656	11,656	1,050,000	70.00	(1,068)	(1,897)	(1,328)	
	Joint Success Enterprises Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	Investments	1,224,479	1,224,479	38,020,000	49.05	2,426,940	(95,535)	(22,515)	
	Chin-Xin Investment Co., Ltd.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	Investments	2,237,969	2,237,969	179,468,270	37.00	2,510,503	32,857	12,157	
Concord VII Venture Capital Co., Ltd.	11th Floor, 132 Min-Sheng East Road Sec. 3, Taipei 104, Taiwan, R.O.C.	Venture capital	-	212,480	-	-	-	391	169		

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
	Walsin Color Co., Ltd.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	Management of investments and conglomerate	\$ 416,849	\$ 416,849	47,114,093	33.97	\$ 412,974	\$ (19,792)	\$ (6,723)	
	Concord II Venture Capital Co., Ltd.	11th Floor, 132 Min-Sheng East Road Sec. 3, Taipei 104, Taiwan, R.O.C.	Venture capital and consulting affairs	257,860	257,860	26,670,699	26.67	205,069	(21,092)	(5,625)	
	Winbond Electronics Corp.	No. 8, Keya 1st Rd., Daya Township, Taichung County 428, Taiwan R.O.C.	Research, development, production and sale of semiconductors and related components	5,834,460	5,834,460	811,327,531	22.66	10,023,613	2,899,721	657,077	
	Walton Advanced Engineering, Inc.	No. 18, Yugang N. 1st Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan, R.O.C.	Production, sale, and test of semiconductors	1,185,854	1,185,854	109,628,376	22.71	1,855,648	440,344	98,640	
	Walsin Technology Corp.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	Production and sale of ceramics capacitors	1,707,966	1,784,827	94,794,970	18.30	2,651,897	2,156,936	393,917	

(Continued)



2. Information of investees that Walsin Lihwa Holdings Limited and subsidiaries have control ability or significant influence was as follows (in thousands of U.S./Hong Kong dollars/Renminbi):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
Walsin Lihwa Holdings Limited	Walsin (China) Investment Co., Ltd.	Rm. 2804, 28th Floor, Shanghai Mart Tower, No. 2299, Yanan Road (West), Shanghai, China	Investments	US\$ 78,600	US\$ 78,600	N/A	100.00	\$ 947,227	\$ 67,665	\$ 66,996	
	Walsin International Investments Limited	Unit 9-15, 22/F, Millennium City, 378 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong	Investments	HK\$ 0.002	HK\$ 0.002	2	100.00	(18,653)	(1,220)	(1,220)	
	Renowned International Limited	Akara Building, 24 De Castro Street Wickhams Cay I, Road Town, Tortola, BVI.	Investments	US\$ 16,937	US\$ 16,937	16,937,020	83.97	796,774	117,107	98,335	
	Walcom Chemicals Industrial Limited	Suite 1111, Tower II, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong	Commerce	US\$ 0.030	US\$ 0.030	325,000	65.00	-	HK\$ -	-	
	Borrego Solar Systems, Inc.	6210 Lake Shore Drive, San Diego, CA92119, USA	Specializes in commercial, residential, and public sector turnkey, grid-connected solar electric systems	US\$ 15,000	US\$ 15,000	1,460,458	77.87	250,233	98,613	76,799	
	Nanjing Walsin Expo Exhibition Ltd.	No. 199 Yanshan Road, Nanjing	Exhibition and conference organizing service	US\$ 265	US\$ 265	N/A	60.00	107	(269)	(161)	
	Nanjing Taiwan Trade Mart Management Co., Ltd.	Room 205, 2/F, No. 156, Mengdu Avenue, Jianye Zone, Nanjing	Business and asset management, consulting and advertising services	US\$ 1,000	US\$ 1,000	N/A	100.00	(153,465)	12,069	12,069	
	Jiang Taiwan Trade Mart Development Co., Ltd.	No. 901, Yingtian Avenue, Jianye Zone, Nanjing	Nanjing Taiwan Trade Mart Management Co., Ltd. development and construction, and management	2,000	2,000	N/A	20.00	2,028	58	8	
Renowned International Limited	Nanjing Walsin Metal Co., Ltd.	No. 59 HengJing Road Nanjing Economical & Technical Development Zone, Jiangsu Province, China	Copper alloy	US\$ 72,001	US\$ 72,001	N/A	92.29	947,979	135,738	125,272	
Walsin (China) Investment Co., Ltd.	Hangzhou Walsin Power Cable & Wire Co., Ltd.	No. 9, 12 Road, Xiasha Economic & Technology Development Zone, Hangzhou, Zhejiang	Production and sale of cables and wires	US\$ 25,405	US\$ 25,405	N/A	14.41	104,535	(64,359)	(9,896)	Carrying value included investment premium amounted to RMB24,143 thousand
	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	No. 1128 Liuxiang Road, Nanxiang Town, Jiading, Shanghai	Production and sale of cables and wires	US\$ 14,956	US\$ 14,956	N/A	95.71	209,415	(3,154)	(3,019)	
	Jiangyin Walsin Steel Cable Co., Ltd.	No. 679 Binjiang Road (West), Binjiang Economic & Technology Development Zone, Jiangyin, Jiangsu	Manufacture and sale of steel cables and wires	US\$ 15,000	US\$ 15,000	N/A	75.00	167,279	(7,111)	(5,333)	
	Dongguan Walsin Wire & Cable Co., Ltd.	Xiniupo Industrial Zone District, Dalang Town, Dongguan, Guangdong	Production and sale of bare copper cables and wires	US\$ 26,000	US\$ 26,000	N/A	100.00	416,916	54,542	54,542	
	Nanjing Walsin Metal Co., Ltd.	No. 59 HengJing Road Nanjing Economical & Technical Development Zone, Jiangsu Province, China	Copper alloy	US\$ 300	US\$ 300	N/A	0.76	7,807	135,738	1,032	
	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	No. 677, Binjiang West Road, Jiangyin City, Jiangsu	Cold-rolled stainless steel and flat rolled products	US\$ 9,000	US\$ 9,000	N/A	18.37	2,824	(77,050)	(14,154)	

Note: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars and H.K. dollars

(Continued)

3. Information of investees that Concord Industries Limited and subsidiaries have control ability or significant influence was as follows (in thousands of U.S. dollars/Renminbi):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
Concord Industries Limited	Walsin Specialty Steel Corp.	Offshore Incorporations Centre, Road Town, Tortola, BVI	Commerce and Investments	US\$ 125,200 (Note 2)	US\$ 198,600 (Note 2)	125,200,000	100.00	\$ 114,330	\$ (195,490)	\$ (195,490)	
	Walsin Precision Technology Sdn. Bhd.	2115-1, Kawasan Perindustrian air Keroh, Fasaiv, Air Keroh, 75450 Melaka, Malaysia	Production and sale of stainless steel plates	US\$ 8,470	US\$ 8,470	32,178,385	100.00	105,090	23,892	23,892	
	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	No. 677, Binjiang West Road, Jiangyin City, Jiangsu	Cold-rolled stainless steel and flat-rolled products	US\$ 40,000	US\$ 40,000	N/A	81.63	12,551	(77,050)	(62,896)	
	XiAn Walsin Metal Product Co., Ltd.	2/F, Building B, No. 15, Shanglinyuan First Road, New Industrial Park, Hi-and-New Tech Park of Xian, Shaanxi	Production and sale of medium and heavy specialized stainless steel plates	US\$ 10,000	US\$ 10,000	N/A	100.00	(220,289)	(11,847)	(11,847)	
	Yantai Walsin Stainless Steel Co., Ltd.	No. 2 Wuzhishan Road, ETDZ Yantai City, Shantung Province, P.R.C.	Production and sale of electronic components and new alloy materials	US\$ 32,927	US\$ 32,927	N/A	25.00	(21,456)	(64,474)	(16,118)	
	Changzhou China Steel Precision Materials Co., Ltd.	No. 281, Changhong Road (West), Wujin Economic & Technology Development Zone, Changzhou City, Jiangsu Province	Melting and forging of nonferrous metallic materials and composites as well as new types of alloys	US\$ 13,080	US\$ 13,080	N/A	30.00	68,594	(20,578)	(6,173)	
	Walsin Lihwa (Changzhou) Investment Co., Ltd.	6/F, No. 2, Tenglong Road, Wujin Economic Development Area, Jiangsu	Commerce and investments	US\$ 49,000	US\$ 49,000	N/A	100.00	321,374	6,521	6,521	
	Xian Walsin Opto-electronic Limited	No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of Xi'an, Shaanxi	LED, micro projector, and solar cell assembly	US\$ 150	US\$ 150	N/A	100.00	(28,862)	14	14	
	XiAn LvJing Technology Co., Ltd.	No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of Xian, Shaanxi	Solar module assembly	US\$ 45,200	US\$ 45,200	N/A	100.00	151,889	(4,682)	(4,682)	
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Yantai Walsin Stainless Steel Co., Ltd.	No. 2 Wuzhishan Road, ETDZ Yantai City, Shantung Province, P.R.C.	Production and sale of electronic components and new alloy materials	168,086	168,086	N/A	75.00	(64,369)	(64,474)	(48,355)	
Walsin Specialty Steel Corp.	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	No. 2402, Waiqingsong Road, Baihe Town, Qing Pu Zone, Shanghai	Manufacture and sale of stainless steel	US\$ 39,000	US\$ 39,000	N/A	100.00	(141,076)	122,763	122,763	
	Changshu Walsin Specialty Steel Co., Ltd.	No. 56 Renmin Road, Haiyu Town, Changshu City, Jiangsu Province	Manufacture and sale of specialized steel tubes	US\$ 97,000	US\$ 97,000	N/A	100.00	224,152	(177,857)	(177,857)	

Note 1: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars.

Note 2: The amount included capitalization of retained earnings of US\$4,500 thousand.

(Continued)

4. Information of investees that Chin-Cherng Construction Co. and subsidiaries have control ability or significant influence was as follows (in thousands of New Taiwan dollars/Renminbi):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
Chin-Cherng Construction Co.	Joint Success Enterprises Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	\$ 1,265,603	\$ 1,265,603	39,500,000	50.95	\$ 2,422,170	\$ (95,535)	\$ (48,675)	
	Dingshin Development Co., Ltd.	5th Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Investment of real estate and related business	8,540	8,540	2,119,200	35.32	44,025	2,651	936	
	Concord II Venture Capital Co., Ltd.	11th Floor, 132 Min-Sheng East Road Sec. 3, Taipei 104, Taiwan, R.O.C.	Venture capital and consulting affairs	1,603	1,603	172,342	0.17	1,325	(21,146)	(36)	
	Chin-Xin Investment Co., Ltd.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	Investments	54,154	54,154	3,264,092	0.67	47,187	32,857	220	
Joint Success Enterprises Limited	Walsin (Nanjing) Construction Limited	No. 236 Jiangdong Road, Jianye District, Nanjing, Jiangsu Province	Construction, rental and sale of buildings and industrial factories	RMB 375,542	RMB 375,542	N/A	100.00	RMB 831,991	RMB (32,542)	RMB (32,542)	
Walsin (Nanjing) Construction Limited	Nanjing Walsin Property Management Co., Ltd.	No. 230, Hexi Avenue, Jianye Zone, Nanjing, Jiangsu	Property management, business management and housing leasing	RMB 1,000	RMB 1,000	N/A	100.00	RMB (2,996)	RMB 2,977	RMB 2,977	

Note: Amounts are stated in thousands of N.T. dollars, except those stated in thousands of Renminbi.

(Continued)

5. Information of investees that Energy Pilot Limited and subsidiaries have control ability or significant influence was as follows (in thousands of U.S. dollars):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
Energy Pilot Limited	Green Lake Capital, LLC.	1209 Orange Street, Wilmington, Delaware 19801	Solar power business	\$ 20,670	\$ 20,670	N/A	100.00	\$ 23,204	\$ 4,102	\$ 4,102	
Green Lake Capital, LLC.	Green Lake Exchange, LLC.	160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA	Solar power related business	11,355	11,355	N/A	100.00	20,966	5,983	5,983	

(Continued)



6. Information of investees that Market Pilot Limited has control ability or significant influence was as follows (in thousands of Renminbi):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
Market Pilot Limited	XiAn Walsin United Technology Co., Ltd.	No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of Xian, Shaanxi	Electronic devices and module	\$ 642,719	\$ 642,719	N/A	100.00	\$ (172,762)	\$ (25,873)	\$ (25,873)	

(Continued)

7. Information of investees that Ace Result Global Limited has control ability or significant influence was as follows (in thousands of Renminbi):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
Ace Result Global Limited	Hangzhou Walsin Power Cable & Wire Co., Ltd.	No. 9, 12 Road, Xiasha Economic & Technology Development Zone, Hangzhou, Zhejiang	Production and sale of cables and wires	\$ 271,744	\$ 325,929	N/A	24.52	\$ 136,797	\$ (64,359)	\$ (17,508)	

(Concluded)



TABLE 8

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
 DECEMBER 31, 2016
 (In Thousands of New Taiwan Dollars/U.S. Dollars/Renminbi)

A. Walsin Lihwa Corporation

1. The names of investee companies in Mainland China, main businesses and products, total amount of paid-in capital, investment type, investment flows, percentage of ownership in investment, investment gain or loss, carrying value, accumulated inward remittance of earnings and upper limit on investment in Mainland China were as follows:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 17)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Jiangyin Walsin Steel Cable Co., Ltd.	Manufacture and sale of steel cables and wires	\$ 645,000 (US\$ 20,000)	b	\$ 483,750 (US\$ 15,000) (Note 2)	\$ -	\$ -	\$ 483,750 (US\$ 15,000) (Note 2)	\$ (34,501)	75.00	\$ (25,874)	\$ 777,586	\$ -
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Manufacture and sale of cables and wires	503,971 (US\$ 15,627)	b	482,331 (US\$ 14,956) (Note 3)	-	-	482,331 (US\$ 14,956) (Note 3)	(15,302)	95.71	(14,647)	973,453	-
Hangzhou Walsin Power Cable & Wire Co., Ltd.	Manufacture and sale of cables and wires	5,227,080 (US\$ 162,080)	b	3,193,073 (US\$ 99,010) (Note 4)	-	-	3,193,073 (US\$ 99,010) (Note 4)	(312,251)	38.93	(132,956)	1,137,837	-
Walsin (China) Investment Co., Ltd.	Investments	2,534,850 (US\$ 78,600)	b	2,534,850 (US\$ 78,600) (Note 5)	-	-	2,534,850 (US\$ 78,600) (Note 5)	328,291	100.00	325,045	4,403,128	-
Changshu Walsin Specialty Steel Co., Ltd.	Manufacture and sale of specialized steel tubes	3,128,250 (US\$ 97,000)	b	3,128,250 (US\$ 97,000) (Note 6)	-	-	3,128,250 (US\$ 97,000) (Note 6)	(862,909)	100.00	(862,909)	1,041,959	-
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Manufacture and sale of stainless steel	1,257,750 (US\$ 39,000)	b	1,257,750 (US\$ 39,000) (Note 7)	-	-	1,257,750 (US\$ 39,000) (Note 7)	595,609	100.00	595,609	(655,785)	-
Dongguan Walsin Wire & Cable Co., Ltd.	Manufacture and sale of bare copper cables and wires	838,500 (US\$ 26,000)	b	838,500 (US\$ 26,000) (Note 8)	-	-	838,500 (US\$ 26,000) (Note 8)	264,622	100.00	264,622	1,938,009	-
Nanjing Walsin Metal Co., Ltd.	New copper metal material	2,618,700 (US\$ 81,200) (Note 9)	b	1,959,446 (US\$ 60,758) (Note 10)	-	-	1,959,446 (US\$ 60,758) (Note 10)	658,561	78.26	515,363	3,736,528	-
Jiangyin Walsin Precision Metal Technology Co., Ltd.	Precision alloy wire	1,580,250 (US\$ 49,000)	b	1,580,250 (US\$ 49,000) (Note 11)	-	-	1,580,250 (US\$ 49,000) (Note 11)	(373,824)	100.00	(373,824)	71,471	-
XiAn Walsin Metal Product Co., Ltd.	Manufacture and sale of specialized stainless steel plates	322,500 (US\$ 10,000)	b	322,500 (US\$ 10,000)	-	-	322,500 (US\$ 10,000)	(57,476)	100.00	(57,476)	(1,024,000)	-
Yantai Walsin Stainless Steel Co., Ltd.	Production and sale of electronic components and new alloy materials	5,000,846 (US\$ 155,065) (Note 12)	b	1,061,896 (US\$ 32,927)	-	-	1,061,896 (US\$ 32,927)	(312,807)	100.00	(312,807)	(398,956)	-

(Continued)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 17)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Commerce and investments	\$ 1,580,250 (US\$ 49,000)	b	\$ 1,580,250 (US\$ 49,000)	\$ -	\$ -	\$ 1,580,250 (US\$ 49,000)	\$ 31,636	100.00	\$ 31,636	\$ 1,493,886	\$ -
Changzhou China Steel Precision Materials Co., Ltd.	Melting and forging of nonferrous metallic materials and composites as well as new types of alloys	1,406,100 (US\$ 43,600)	b	421,830 (US\$ 13,080)	-	-	421,830 (US\$ 13,080)	(99,838)	30.00	(29,951)	318,854	984,270
XiAn Walsin United Technology Co., Ltd.	Electronic devices and module	3,221,775 (US\$ 99,900)	b	3,223,646 (US\$ 99,958)	-	-	3,223,646 (US\$ 99,958)	(125,528)	100.00	(125,528)	(803,074)	-
Nanjing Walsin Expo Exhibition Ltd.	Exhibition and conference organizing service	8,546 (US\$ 265)	b	8,546 (US\$ 265)	-	-	8,546 (US\$ 265)	(1,305)	60.00	(781)	497	-
Nanjing Taiwan Trade Mart Management Co., Ltd.	Business and asset management, consulting and advertising services	32,250 (US\$ 1,000)	b	32,250 (US\$ 1,000)	-	-	32,250 (US\$ 1,000)	58,555	100.00	58,555	(713,373)	-
XiAn Lv Jing Technology Co., Ltd.	Solar Module Assembly	1,457,700 (US\$ 45,200)	c	645,000 (US\$ 20,000)	-	-	645,000 (US\$ 20,000)	(22,715)	100.00	(22,715)	706,046	-
Shaanxi Tianhong Silicon Industrial Corporation	Polysilicon Production	5,578,128 (RMB 1,200,000)	b	- (US\$ -)	-	-	- (US\$ -)	(52,661)	19.00	-	622,891 (Note 13)	-
Xian Walsin Opto-electronic Limited	LED, micro projector, and solar cell assembly	4,838 (US\$ 150)	b	4,838 (US\$ 150)	-	-	4,838 (US\$ 150)	66	100.00	66	(134,163)	-
Jiangsu Taiwan Trade Mart Development Co., Ltd.	Development and management of Nanjing Taiwan Trade Mart Management Co., Ltd.	46,484 (RMB 10,000)	b	9,804 (US\$ 304)	-	-	9,804 (US\$ 304)	281	20.00	39	9,427	-
Shaanxi Optoelectronics Technology Co., Ltd.	Communication equipment and electronic components	464,844 (RMB 100,000)	b	- (RMB -)	-	-	- (RMB -)	(272)	19.00	-	88,320	-
Walsin (Nanjing) Construction Limited	Construction, rental and sale of buildings and industrial factories	1,745,684 (RMB 375,542)	b	1,745,684 (RMB 375,542) (Note 14)	-	-	1,745,684 (RMB 375,542) (Note 14)	(157,886)	99.60	(157,255)	3,851,991	-
Nanjing Walsin Property Management Co., Ltd.	Property management, business management and housing leasing	4,648 (RMB 1,000)	b	- (RMB -)	-	-	- (RMB -)	14,445	99.60	14,388	(13,871)	-

(Continued)

2. The upper limit on investment of the Company in Mainland China was as follows:

Accumulated Investment in Mainland China as of December 31, 2016 (NT\$ and US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (NT\$ and US\$ in Thousands)	Upper Limit on Investment (NT\$ in Thousands)
\$ 22,756,535 (US\$ 705,629)	\$ 24,137,448 (US\$ 748,448)	N/A (Note 18)

Note:

1. Investments can be classified into three types as follows:
 - a. Direct investment in Mainland China.
 - b. Reinvestment in Mainland China through third country companies
 - c. Others.
2. Including US\$4,500 thousand investment through Walsin (China) Investment Co., Ltd.
3. Including US\$7,349 thousand investment through Walsin (China) Investment Co., Ltd.
4. Including US\$2,800 thousand investment through Walsin (China) Investment Co., Ltd., and US\$22,730 thousand dividends appropriated from Dongguan Walsin Wire & Cable Co., Ltd., Jiangying Walsin Steel Cable Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. and Hangzhou Walsin Power Cable & Wire Co., Ltd.
5. Capital investment of US\$28,600 thousand was contributed from the accounts payable of Walsin (China) Investment Co., Ltd. to Walsin Lihwa Holdings Limited.
6. Including US\$8,000 thousand investment through Walsin Specialty Steel Corp. and US\$42,000 thousand dividends appropriated from Changshu Walsin Specialty Steel Co., Ltd. and Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.
7. Including US\$4,800 thousand investment through Walsin (China) Investment.
8. Investment through Walsin (China) Investment Co., Ltd.
9. Including US\$3,500 thousand revaluation increment of assets.
10. By the dividends of US\$43,521 thousand appropriated from Nanjing Walsin Photoelectric Co., Ltd. to Renowned International Limited and the dividends of US\$300 thousand appropriated from Jiangyin Walsin Steel Cable Co., Ltd. to Walsin (China) Investment Co., Ltd.
11. Including investment through Walsin (China) Investment Co., Ltd. of US\$4,500 thousand and US\$4,500 thousand of own capital of Walsin (China) Investment Co., Ltd.
12. Including by own capital of RMB578,796 thousand of Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd., Changzhou Wujin NSL Co., Ltd. and Changshu Walsin Specialty Steel Co., Ltd. and RMB3,750 thousand investments made through Changzhou Wujin NSL Co., Ltd. Including US\$32,927 thousand investment through Yantai Huanghai Iron and Steel Co., Ltd. and Yantai Dazhong Recycling Resource Co., Ltd. were merged.
13. The amount included Walsin Lihwa Holdings purchase of Lead Hero Limited equity at purchase cost of US\$1 and indirectly through Shaanxi Tianhong Silicon Industrial Corporation with carrying value RMB168,000 thousand, and by own capital of RMB60,000 thousand of XiAn Lv Jing Technology Co., Ltd. And the amount was adjusted by own capital of XiAn Lv Jing Technology Co., Ltd. of RMB228,000 thousand and by the fair value.
14. The amount included investment through Joint Success Enterprise Limited approved in the previous years.
15. Amounts are stated in thousands of N.T. dollars, except those stated in thousands of U.S. dollars and Renminbi.
16. The currency exchange rates as of December 31, 2016 were as follows: US\$ to NT\$ = 1:32.25, RMB to NT\$ = 1:4.64844. The average exchange rates of December 31, 2016 were as follows: US\$ to NT\$ = 1:32.263, RMB to NT\$ = 1:4.85171.
17. Amount was recognized based on the reviewed financial statements.
18. Upper limit on investment:

The Company had been approved as operation headquarters by Industrial Development Bureau, Ministry of Economic Affairs, thus exempted from the related regulations of "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China".

(Continued)

B. Chin-Cheng Construction Co.

1. The names of investee companies in Mainland China, main businesses and products, total amount of paid-in capital, investment type, investment flows, percentage of ownership in investment, investment gain or loss, carrying value, accumulated inward remittance of earnings and upper limit on investment in Mainland China were as follows:

(In Thousands of Renminbi)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Walsin (Nanjing) Construction Limited	Construction, rental and sale of buildings and industrial factories	\$ 375,542	Note 1	\$ 375,542	\$ -	\$ -	\$ (375,542)	\$ (32,542)	50.95	\$ (16,580)	\$ 423,900	\$ -
Nanjing Walsin Property Management Co., Ltd.	Property management, business management and housing leasing	1,000	Note 1	-	-	-	-	2,144	50.95	1,092	(1,435)	-

2. The upper limit on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2016 (RMB in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (RMB in Thousands)	Upper Limit on Investment (NT\$ in Thousands)
RMB375,542	RMB375,542	NT\$2,107,258 (Note 3)

Note 1: Investing in companies in China through the companies already established and existing in the areas other than Taiwan and China.

Note 2: Amount was recognized based on the reviewed financial statements.

Note 3: The upper limit on investment in Mainland China was as follows:

$$\text{NT\$3,512,096 thousand} \times 60\% = \text{NT\$2,107,258 thousand.}$$

(Concluded)

TABLE 9

WALSIN LIHWA CORPORATION AND INVESTEES

 INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
 (In Thousands of New Taiwan Dollars/U.S. Dollars/Renminbi)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
0	Walsin Lihwa Corporation	Walsin Lihwa Holdings Limited	Transactions between parent company and subsidiaries	Trade receivables	\$ 358,948	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	72,586	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	15,190	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Walsin Lihwa Holdings Limited	Transactions between parent company and subsidiaries	Sales	3,876,969	The terms are set by quotations on the local market, and are similar to those of general customers.	3
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Sales	174,211	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Sales	104,994	The terms are set by quotations on the local market, and are similar to those of general customers.	-
1	Walsin Lihwa Holdings Limited	Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	RMB 1,238,215	The terms are set by quotations on the local market, and are similar to those of general customers.	5
		Nanjing Walsin Metal Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	RMB 570,914	The terms are set by quotations on the local market, and are similar to those of general customers.	2
		Yantai Walsin Stainless Steel Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	RMB 66,510	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Walsin (China) Investment Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	RMB 639,259	Based on capital demand	3
		Jiangyin Walsin Steel Cable Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 10,286	Based on capital demand	-
		Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 9,250	Based on capital demand	-
		Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Sales	RMB 2,003,165	The terms are set by quotations on the local market, and are similar to those of general customers.	7
		Nanjing Walsin Metal Co., Ltd.	Transactions between parent company and subsidiaries	Sales	RMB 578,523	The terms are set by quotations on the local market, and are similar to those of general customers.	2
		Yantai Walsin Stainless Steel Co., Ltd.	Transactions between parent company and subsidiaries	Sales	RMB 69,606	The terms are set by quotations on the local market, and are similar to those of general customers.	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
2	Nanjing Walsin Metal Co., Ltd.	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 79	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Transactions between subsidiaries	Sales	RMB 477,701	The terms are set by quotations on the local market, and are similar to those of general customers.	2
		Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between subsidiaries	Sales	RMB 268,540	The terms are set by quotations on the local market, and are similar to those of general customers.	1
3	Concord Industries Limited	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 55,862	Based on capital demand	2
		Yantai Walsin Stainless Steel Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 76,151	Based on capital demand	2
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 48,148	Based on capital demand	1
4	Walsin Specialty Steel Corp.	Changshu Walsin Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 58,640	Based on capital demand	2
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 73,657	Based on capital demand	2
5	Joint Success Enterprise Limited	Walsin (Nanjing) Construction Limited	Transactions between parent company and subsidiaries	Other receivables	RMB 183,768	Based on capital demand	1
6	Walsin (China) Investment Co., Ltd.	Walsin Lihwa Holdings Limited	Transactions between subsidiaries and parent company	Other receivables	US\$ 4,900	Based on capital demand	-
7	Yantai Walsin Stainless Steel Co., Ltd.	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 61,769	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between subsidiaries	Sales	RMB 1,286,159	The terms are set by quotations on the local market, and are similar to those of general customers.	5
8	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 42,024	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Sales	RMB 163,099	The terms are set by quotations on the local market, and are similar to those of general customers.	1

(Continued)



No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statement Account	Amount	Terms	
0	Walsin Lihwa Corporation	Changshu Walsin Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	\$ 25,209	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Walsin Precision Technology Sdn. Bhd.	Transactions between parent company and subsidiaries	Trade receivables	10,019	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	29,944	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Walsin Lihwa Holding Limited	Transactions between parent company and subsidiaries	Trade receivables	436,959	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Sales	243,117	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Walsin Precision Technology Sdn. Bhd.	Transactions between parent company and subsidiaries	Sales	310,068	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Sales	136,195	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Walsin Lihwa Holdings Limited	Transactions between parent company and subsidiaries	Sales	5,090,389	The terms are set by quotations on the local market, and are similar to those of general customers.	3
1	Walsin Lihwa Holdings Limited	Nanjing Walsin Metal Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	RMB 576,933	The terms are set by quotations on the local market, and are similar to those of general customers.	3
		Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	RMB 1,911,625	The terms are set by quotations on the local market, and are similar to those of general customers.	9
		Yantai Walsin Stainless Steel Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 18,707	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Walsin (China) Investment Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	RMB 419,568	Based on capital demand	2
		Jiangyin Walsin Steel Cable Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 10,216	Based on capital demand	-
		Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 9,198	Based on capital demand	-
		XiAn Walsin United Technology Co., Ltd.	Transactions between subsidiaries	Other receivables	US\$ 27,229	Based on capital demand	1
		Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Sales	RMB 2,161,864	The terms are set by quotations on the local market, and are similar to those of general customers.	7
		Nanjing Walsin Metal Co., Ltd.	Transactions between parent company and subsidiaries	Sales	RMB 569,422	The terms are set by quotations on the local market, and are similar to those of general customers.	2
Yantai Walsin Stainless Steel Co., Ltd.	Transactions between subsidiaries	Sales	RMB 23,717	The terms are set by quotations on the local market, and are similar to those of general customers.	-		
2	Nanjing Walsin Metal Co., Ltd.	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Transactions between subsidiaries	Sales	RMB 607,270	The terms are set by quotations on the local market, and are similar to those of general customers.	2
		Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between subsidiaries	Sales	RMB 30,075	The terms are set by quotations on the local market, and are similar to those of general customers.	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
3	Concord Industries Limited	Jiangyin Walsin Specialty Alloy Materials Co., Ltd. Yantai Walsin Stainless Steel Co., Ltd.	Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries	Other receivables	US\$ 55,777	Based on capital demand	2
				Other receivables	US\$ 76,212	Based on capital demand	2
4	Walsin Specialty Steel Corp.	Changshu Walsin Specialty Steel Co., Ltd. Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries	Other receivables	US\$ 48,175	Based on capital demand	2
				Other receivables	US\$ 25,005	Based on capital demand	1
5	Joint Success Enterprise Limited	Walsin (Nanjing) Construction Limited	Transactions between parent company and subsidiaries	Other receivables	RMB 179,558	Based on capital demand	1
6	Walsin (China) Investment Co., Ltd.	Walsin Lihwa Holdings Limited	Transactions between subsidiaries and parent company	Other receivables	US\$ 4,900	Based on capital demand	-
7	Yantai Walsin Stainless Steel Co., Ltd.	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between subsidiaries Transactions between subsidiaries	Sales	RMB 1,013,990	The terms are set by quotations on the local market, and are similar to those of general customers.	3
				Trade receivables	RMB 141,442	The terms are set by quotations on the local market, and are similar to those of general customers.	1
8	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Changshu Walsin Specialty Steel Co., Ltd. Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries Transactions between subsidiaries	Sales	RMB 178,749	The terms are set by quotations on the local market, and are similar to those of general customers.	1
				Trade receivables	RMB 23,567	The terms are set by quotations on the local market, and are similar to those of general customers.	-

(Concluded)



5. Financial report of the parent company of the most recent year audited and certified by Supervisors

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Walsin Lihwa Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

The following are key audit matters of the financial statements of the Company as of and for the year ended December 31, 2016:

Sales Revenue Recognition

The recognition of sales revenue depends on whether the ownership and risks of goods have been transferred to customers. The point of transferring ownership and risks of goods to customers of the Company is based on the transaction terms of diversified sales contracts, such as on dispatching day, free on board (FOB), and receiving day. As the transaction terms are determined by individual sales contracts, the recognition of sales revenue is regarded as key audit matter of the 2016 financial statements.



Our audit procedures in response to sales revenue recognition consisting of selecting samples of sales contracts from main customers and examining the transaction terms of the sales contracts selected to confirm that sales revenue had been recognized accordingly on the point of transferring ownership and risks of goods.

Inventory valuation

As of December 31, 2016, the inventories of the Company were amounted to NT\$8,079,979 thousand (the gross cost of inventories of NT\$8,315,211 thousand deducted allowance to devaluation of inventory of NT\$235,232 thousand). Please refer to Note 10 of the financial statements.

The inventory of the Company is stated at the lower of cost or net realizable value. The valuation of net realizable value required significant judgements and estimation. In addition, the market price of copper and nickel fluctuated frequently, which will significantly affect the valuation of inventories of wires, cables and specialty steels. As a result, the inventory valuation is regarded as key audit matter of the 2016 financial statements.

Our audit procedures in response to inventory valuation consisted of the following, obtained the inventory valuation sheets prepared by the management, selected samples of estimated selling prices and traced to the recent sales records to assess the rationale of net realizable value determined by the management. Moreover, by attending year-end inventory counting, we assessed the condition of the inventories to verify the completeness of obsolete goods.

Other Matter

The financial statements of certain equity-method investees included in the financial statements as of December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015 were audited by another auditors. Our opinion, insofar as it relates to such investments, is based solely on the reports of another auditors. The investments in such investees amounted to NT\$2,843,728 thousand and NT\$2,354,263 thousand which constituted 3.02% and 2.48% of the total assets as of December 31, 2016 and 2015, respectively, and the investment gain amounted to NT\$725,406 thousand and NT\$291,096 thousand for the years ended December 31, 2016 and 2015, respectively.

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

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

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

Those charged with governance (including supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 17, 2017

Notice to Readers

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

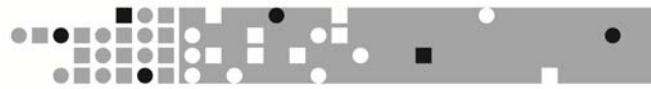
For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version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

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

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,375,045	1	\$ 2,094,947	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	18,882	-	142,105	-
Notes receivable (Notes 4 and 9)	27,710	-	11,214	-
Trade receivables (Notes 4 and 9)	1,954,780	2	1,648,504	2
Trade receivables from related parties (Notes 4, 9 and 26)	446,725	1	503,259	-
Other receivables	417,023	-	559,430	1
Inventories (Notes 4 and 10)	8,079,979	9	5,494,344	6
Other current assets	<u>299,516</u>	-	<u>216,280</u>	-
Total current assets	<u>12,619,660</u>	<u>13</u>	<u>10,670,083</u>	<u>11</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 8)	2,990,945	3	1,743,806	2
Financial assets measured at cost - non-current (Notes 4 and 11)	1,133,555	1	1,105,823	1
Investment accounted for using equity method (Notes 4 and 12)	54,351,963	58	60,247,699	64
Property, plant and equipment (Notes 4 and 13)	13,853,939	15	11,625,911	12
Investments properties (Notes 4 and 14)	8,730,768	9	8,857,932	9
Deferred tax assets - non-current (Notes 4 and 21)	373,919	1	635,920	1
Refundable deposits	62,907	-	64,877	-
Other non-current assets	<u>2,474</u>	-	<u>167,963</u>	-
Total non-current assets	<u>81,500,470</u>	<u>87</u>	<u>84,449,931</u>	<u>89</u>
TOTAL	<u>\$ 94,120,130</u>	<u>100</u>	<u>\$ 95,120,014</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 2,515,701	3	\$ 2,499,990	3
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	1,155	-	-	-
Derivative financial liabilities hedging - current (Notes 4 and 16)	-	-	11,628	-
Trade payables	3,174,672	4	2,740,035	3
Current tax liabilities (Notes 4 and 21)	342,045	-	195,000	-
Other payables	1,773,759	2	1,329,360	1
Current portion of long-term borrowings (Note 15)	6,630,000	7	2,550,000	3
Other current liabilities	<u>250,784</u>	-	<u>83,865</u>	-
Total current liabilities	<u>14,688,116</u>	<u>16</u>	<u>9,409,878</u>	<u>10</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 15)	15,000,000	16	21,630,000	23
Deferred tax liabilities - non-current (Notes 4 and 21)	131,132	-	131,132	-
Net defined benefit liabilities (Notes 4 and 17)	766,162	1	1,386,742	1
Other non-current liabilities (Note 12)	<u>168,778</u>	-	<u>882,192</u>	1
Total non-current liabilities	<u>16,066,072</u>	<u>17</u>	<u>24,030,066</u>	<u>25</u>
Total liabilities	<u>30,754,188</u>	<u>33</u>	<u>33,439,944</u>	<u>35</u>
EQUITY (Note 18)				
Share capital	<u>33,960,002</u>	<u>36</u>	<u>35,760,002</u>	<u>38</u>
Capital surplus	<u>15,701,403</u>	<u>17</u>	<u>15,766,866</u>	<u>17</u>
Retained earnings				
Legal reserve	2,824,743	3	2,664,570	3
Special reserve	2,712,250	3	2,712,250	3
Unappropriated earnings	<u>9,674,226</u>	<u>10</u>	<u>6,006,305</u>	<u>6</u>
Total retained earnings	<u>15,211,219</u>	<u>16</u>	<u>11,383,125</u>	<u>12</u>
Other equity				
Exchange difference on translating foreign operations	(2,110,122)	(2)	1,428,373	1
Unrealized gain (loss) gain on available-for-sale financial assets	1,225,921	1	(1,960,168)	(2)
Cash flow hedges	<u>(13,671)</u>	-	<u>(89,318)</u>	-
Total other equity	<u>(897,872)</u>	<u>(1)</u>	<u>(621,113)</u>	<u>(1)</u>
Treasury shares (Notes 4 and 18)	<u>(608,810)</u>	<u>(1)</u>	<u>(608,810)</u>	<u>(1)</u>
Total equity	<u>63,365,942</u>	<u>67</u>	<u>61,680,070</u>	<u>65</u>
TOTAL	<u>\$ 94,120,130</u>	<u>100</u>	<u>\$ 95,120,014</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated February 17, 2017)



WALSIN LIHWA CORPORATION

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

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 19)	\$ 67,074,039	100	\$ 71,574,888	100
OPERATING COSTS (Note 10)	(61,086,408)	(91)	(67,490,137)	(94)
(UNREALIZED) REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>(5,070)</u>	<u>-</u>	<u>5,898</u>	<u>-</u>
GROSS PROFIT	<u>5,982,561</u>	<u>9</u>	<u>4,090,649</u>	<u>6</u>
OPERATING EXPENSES				
Selling and marketing expenses	618,942	1	577,530	1
General and administrative expenses	551,690	1	484,883	1
Research and development expenses	<u>26,410</u>	<u>-</u>	<u>31,807</u>	<u>-</u>
Total operating expenses	<u>1,197,042</u>	<u>2</u>	<u>1,094,220</u>	<u>2</u>
PROFIT FROM OPERATIONS	<u>4,785,519</u>	<u>7</u>	<u>2,996,429</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	8,316	-	4,687	-
Dividend income	21,540	-	41,827	-
Other income	29,481	-	47,839	-
Gain on disposal of property, plant and equipment	4,945	-	15,376	-
Gain on disposal of investments (Note 20)	39,639	-	200,138	-
Foreign exchange gain, net	42,152	-	149,246	-
(Loss) gain on valuation of financial assets and liabilities	(124,378)	-	37,993	-
Impairment loss (Note 20)	(213,797)	-	(46,177)	-
Other expense	(97,291)	-	(125,400)	-
Interest expense	(465,978)	(1)	(364,891)	-
Share of gain (loss) of subsidiaries and associates under equity method	<u>1,145,471</u>	<u>2</u>	<u>(799,246)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>390,100</u>	<u>1</u>	<u>(838,608)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	5,175,619	8	2,157,821	3
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(607,494)</u>	<u>(1)</u>	<u>(556,095)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>4,568,125</u>	<u>7</u>	<u>1,601,726</u>	<u>2</u>

(Continued)

WALSIN LIHWA CORPORATION

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

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	\$ (3,204)	-	\$ (105,215)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations	(3,243,323)	(5)	(607,781)	(1)
Unrealized gain (loss) on available-for-sale financial assets	1,349,020	2	(1,158,358)	(1)
Cash flow hedges gain (loss)	75,647	-	(87,453)	-
Share of other comprehensive income (loss) of subsidiaries and associates under equity method	<u>1,506,270</u>	<u>2</u>	<u>(1,247,586)</u>	<u>(2)</u>
Other comprehensive loss for the year	<u>(315,590)</u>	<u>(1)</u>	<u>(3,206,393)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ 4,252,535</u>	<u>6</u>	<u>\$ (1,604,667)</u>	<u>(2)</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 1.33</u>		<u>\$ 0.45</u>	
Diluted	<u>\$ 1.33</u>		<u>\$ 0.45</u>	

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

(With Deloitte & Touche auditors' report dated February 17, 2017)

(Concluded)

WALSIN LIHWA CORPORATION

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

	Share Capital	Capital Surplus	Retained Earnings			Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Other Equity		Treasury Shares	Total Equity
			Legal Reserve	Special Reserve	Unrealized Gain (Loss) on Available-for-sale Financial Assets			Cash Flow Hedges			
BALANCE AT JANUARY 1, 2015	\$ 35,760,002	\$ 15,647,004	\$ 2,438,101	\$ 2,712,250	\$ 4,782,167	\$ 2,035,498	\$ 419,051	\$ (1,865)	\$ (292,893)	\$ 63,499,315	
Appropriation of 2014 earnings											
Legal reserve	-	-	226,469	-	(226,469)	-	-	-	-	-	
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	(311)	-	-	(18,523)	-	-	-	-	(18,834)	
Change in capital surplus and retained earnings from investments in subsidiaries and associates under equity method	-	120,174	-	-	-	-	-	-	-	120,174	
Net profit for the year ended December 31, 2015	-	-	-	-	1,601,726	-	-	-	-	1,601,726	
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	-	(132,596)	(607,125)	(2,379,219)	(87,453)	-	(3,206,393)	
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	1,469,130	(607,125)	(2,379,219)	(87,453)	-	(1,604,667)	
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(315,917)	(315,917)	
Others	-	(1)	-	-	-	-	-	-	-	(1)	
BALANCE, DECEMBER 31, 2015	35,760,002	15,766,866	2,664,570	2,712,250	6,006,305	1,428,373	(1,960,168)	(89,318)	(608,810)	61,680,070	
Appropriation of 2015 earnings											
Legal reserve	-	-	160,173	-	(160,173)	-	-	-	-	-	
Cash dividends	-	-	-	-	(701,200)	-	-	-	-	(701,200)	
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	495	-	-	-	-	-	-	-	495	
Change in capital surplus from investments in subsidiaries and associates under equity method	-	(69,209)	-	-	-	-	-	-	-	(69,209)	
Net profit for the year ended December 31, 2016	-	-	-	-	4,568,125	-	-	-	-	4,568,125	
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(38,831)	(3,538,495)	3,186,089	75,647	-	(315,590)	
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	4,529,294	(3,538,495)	3,186,089	75,647	-	4,252,535	
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(1,796,741)	(1,796,741)	
Cancellation of treasury shares	(1,800,000)	3,259	-	-	-	-	-	-	1,796,741	-	
Others	-	(8)	-	-	-	-	-	-	-	(8)	
BALANCE, DECEMBER 31, 2016	\$ 33,960,002	\$ 15,701,403	\$ 2,824,743	\$ 2,712,250	\$ 9,674,226	\$ (2,110,122)	\$ 1,225,921	\$ (13,671)	\$ (608,810)	\$ 63,365,942	

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

(With Deloitte & Touche auditors' report dated February 17, 2017)

WALSIN LIHWA CORPORATION

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 5,175,619	\$ 2,157,821
Adjustments for:		
Depreciation expenses	853,281	1,125,981
Amortization expenses	11,149	7,283
(Reversal of) impairment loss recognized on trade receivables	(48)	679
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	124,378	(37,993)
Interest expense	465,978	364,891
Interest income	(8,316)	(4,687)
Dividend income	(21,540)	(41,827)
Share of (gain) loss of subsidiaries and associates under equity method	(1,145,471)	799,246
Gain on disposal of property, plant and equipment	(4,945)	(15,376)
Gain on disposal of investments	(39,639)	(200,138)
Impairment loss recognized on financial assets	200,000	7,040
Impairment loss recognized on property, plant and equipment	13,797	39,137
Unrealized (realized) gain on the transaction with associates	5,070	(5,898)
Net loss (gain) on foreign currency exchange	1,600	(2,286)
Changes in operating assets and liabilities		
Increase in financial assets held for trading	(8,104)	(75,044)
(Increase) decrease in notes receivable	(16,496)	12,048
(Increase) decrease in trade receivables	(249,694)	7,864
Decrease (increase) in other receivables	115,808	(28,200)
(Increase) decrease in inventories	(2,585,635)	1,021,550
(Increase) decrease in other current assets	(83,236)	198,938
(Increase) decrease in other operating assets	(4,833)	410
Increase in trade payables	434,637	92,262
Increase in other payable	201,741	10,885
(Decrease) increase in net defined benefit liabilities	(623,784)	6,847
(Increase) decrease in other current liabilities	161,849	(145,895)
Decrease in other operating liabilities	(5,120)	(4,953)
Cash generated from operations	2,968,046	5,290,585
Interest paid	(472,849)	(348,639)
Interest received	7,845	4,395
Dividend received	258,603	179,004
Income tax paid	(39,275)	(1,095)
Net cash generated from operating activities	<u>2,722,370</u>	<u>5,124,250</u>

(Continued)



WALSIN LIHWA CORPORATION

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

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at cost	\$ (233,052)	\$ -
Proceeds from capital return and liquidation return of investees in associates under equity method	5,623,771	2,376,145
Proceeds from capital return of investees in financial assets measured at cost	5,320	6,573
Derivative instruments not held for trading	64,018	-
Purchase of associates under equity method	(873,858)	(17,599,101)
Proceeds from disposal of associates under equity method	-	392,612
Purchase of property, plant and equipment	(2,822,779)	(1,225,650)
Proceeds from disposal of property, plant and equipment	12,089	56,127
Decrease (increase) in refundable deposits	1,970	(38,352)
Proceeds from sale of available-for-sale financial assets	273,916	180,158
Other investing activities	<u>(459,829)</u>	<u>(535,930)</u>
Net cash generated from (used in) investing activities	<u>1,591,566</u>	<u>(16,387,418)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	14,111	(593,201)
Increase in long-term borrowings	-	15,000,000
Decrease in long-term borrowings	(2,550,000)	(1,120,000)
Dividends paid	(701,200)	-
Cash paid for acquisition of treasury shares	(1,796,741)	(315,917)
Other financing activities	<u>(8)</u>	<u>(1)</u>
Net cash (used in) generated from financing activities	<u>(5,033,838)</u>	<u>12,970,881</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(719,902)	1,707,713
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,094,947</u>	<u>387,234</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,375,045</u>	<u>\$ 2,094,947</u>

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

(With Deloitte & Touche auditors' report dated February 17, 2017)

(Concluded)

WALSIN LIHWA CORPORATION

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

1. GENERAL INFORMATION

Walsin Lihwa Corporation (the Company) was incorporated in December 1966 and commenced business in December 1966. The Company made various investments in construction, electronics, material science, real estate, etc., to diversify its operations. The Company's main products are wires, cables and specialty steel.

The Company's shares have been listed on the Taiwan Stock Exchange (TSE) since November 1972. In October 1995 and November 2010, the Company increased its share capital and issued Global Depositary Shares (GDR), which are listed on the Luxembourg Stock Exchange under stock number 168527.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 17, 2017.

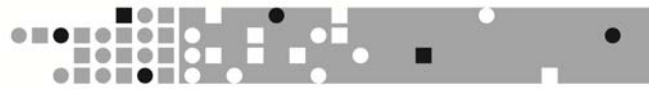
3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New, Amended or Revised Standards and Interpretations (the New IFRSs)</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)

(Continued)



New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

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

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

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

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value

less costs of disposal, the Company is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) IFRIC 21 “Levies”

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

There is no anticipated material impact of retrospective application of the above amendments to the financial statements starting from 2017.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

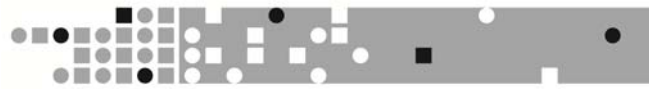
Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a company’s financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. When the Company applies the amended IFRS 13 in 2017, the amendment would not have material impact to the financial statements.

5) Annual Improvements to IFRSs: 2012-2014 Cycle

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

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria



for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale. The amendment will be applied prospectively to transactions that occur on or after January 1, 2017.

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

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

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

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

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

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

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

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

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

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

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

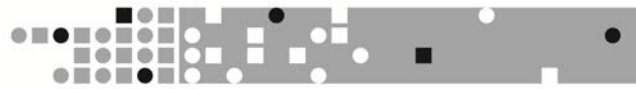
1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

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



- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

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

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

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity’s risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are

applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

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

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

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

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

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

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

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

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

4) IFRS 16 “Leases”

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

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the statements



of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

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

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

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

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, regardless that there are unrealized losses on that asset, irrespective of whether the Company expects to recover the carrying amount of the debt instrument by selling it or by holding it to collect contractual cash flows.

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

6) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures,” were amended in this annual improvement.

The amendment to IFRS 12 clarified that when an entity’s interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12. However, all other requirements in IFRS 12 apply to interests in entities classified as held for sale in accordance with IFRS 5.

The amendment to IAS 28 clarified that when the Company applies the equity method to account for investment in an associate that is an investment entity, the Company may elect to retain the fair value of the investment in subsidiaries of the investment entity associate. The election should be made separately for each investment entity associate, at the later of the date (a) the investment entity associate is initially recognized, (b) the associate becomes an investment entity, or (c) the investment entity associate first becomes a

parent.

The Company shall apply the aforementioned amendments retrospectively.

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

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

The Company may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. The Company is also required to disclose the reclassified amounts and such amounts should be included in the reconciliation of the carrying amount of investment property. Alternatively, the Company may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

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



b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and related equity items, as appropriate, in the parent company only financial statements.

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

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized within 12 months after the reporting period, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the reporting period. Property, plant and equipment, intangible assets, other than assets classified as current are classified as non-current. Current liabilities are obligations incurred for trading purposes or to be settled within 12 months after the reporting period and liabilities that do not have an unconditional right to defer settlement for at least 12 months after the reporting period. Liabilities that are not classified as current are classified as non-current. 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.

d. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for:



- 1) Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- 2) Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- 3) Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

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

e. Inventories

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

f. Investments accounted for using equity method

Investments in subsidiaries, associates and jointly controlled entities are accounted for by the equity method.

1) Investment in subsidiaries

Subsidiaries (including special purpose entities) are the entities controlled by the Company.

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

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



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

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

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

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

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

2) Investment in associates

An associate is an entity over which the Company has significant influence and the associate is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

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



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

When the Company's share of losses of an associate equals or exceeds its interest in that associate, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

The Company discontinues the use of the equity method from the date on which it ceases to have significant influence over the associate. Any retained investment is measured at fair value on that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

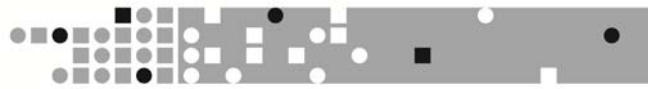
When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values



and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

h. Investment properties

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

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

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

i. Intangible assets

Intangible assets are measured initially at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the differences between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

k. Financial instruments

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

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

Financial assets

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

1) Measurement category

The categories of financial assets held by the Company are financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

a) Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

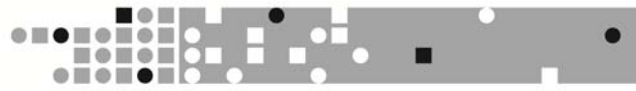
b) Available-for-sale financial assets

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

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

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that



are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

c) Loans and receivables

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

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

2) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

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

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

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

For all other financial assets, objective evidence of impairment could include:

- a) Significant financial difficulty of the issuer or counterparty; or
- b) Breach of contract, such as a default or delinquency in interest or principal payments; or
- c) It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable are considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable trade receivables that are written off against the allowance account.

3) Derecognition of financial assets

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

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

Financial liabilities

1) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost



using the effective interest method:

Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

2) Derecognition of financial liabilities

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

Derivative financial instruments

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

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

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

1. Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item

relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

m. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

n. Revenue recognition

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

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

1) Rendering of services

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

2) Dividend and interest income

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

o. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are



recognized as an expense in the period in which they are incurred.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and return on plan assets (excluding interest), are recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

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

q. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all (deductible temporary differences and unused loss carry forward) to the extent that it is probable that taxable profits will be available against which those deductible temporary

differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The accounts include allowance for doubtful trade receivable accounts, inventory valuation losses, depreciation, impairment, pension, deferred tax assets, etc. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The followings are the main assumptions and sources of estimation uncertainty at the end of financial reporting period:

Valuation of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical



experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	\$ 1,130	\$ 3,280
Checking accounts and cash in bank	<u>1,373,915</u>	<u>2,091,667</u>
	<u>\$ 1,375,045</u>	<u>\$ 2,094,947</u>

The ranges of market rates of cash in bank at the end of the reporting period were as follows (except the market rate of checking account was zero):

	December 31	
	2016	2015
Bank balance	0.05%-0.40%	0.13%-0.40%

Cash in bank in the total of EUR2,841 thousand and EUR29,097 thousand at December 31, 2016 and 2015, respectively, was intended for payment of equipment for use in the Taichung Port. The deposits are designated as cash flow hedge to manage exposures to exchange rate fluctuations.

Certain time deposits as of December 31, 2016 and 2015 were classified and pledged as follows:

	Purpose	December 31	
		2016	2015
Non-current assets			
Refundable deposits	To meet required security deposit	\$ 4,300	\$ 4,300
	To meet contract requirements for completing contractions	<u>32,800</u>	<u>32,800</u>
		<u>\$ 37,100</u>	<u>\$ 37,100</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
<u>Financial assets held for trading</u>		
Derivative financial assets (not under hedge accounting)		
Commodity futures contracts	\$ 18,882	\$ 132,175
Exchange rate swap contracts	-	9,930
Financial assets at FVTPL	<u>\$ 18,882</u>	<u>\$ 142,105</u>
Current	\$ 18,882	\$ 142,105
Non-current	-	-
	<u>\$ 18,882</u>	<u>\$ 142,105</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
Exchange rate swap contracts	\$ 1,155	-
Financial liabilities at FVTPL	<u>\$ 1,155</u>	<u>\$ -</u>
Current	\$ 1,155	-
Non-current	-	-
	<u>\$ 1,155</u>	<u>\$ -</u>

As of December 31, 2016 and 2015, outstanding commodity futures not under hedge accounting were as follows:

	Type of Transaction	Quantity (Tons)	Trade Date	Expiration Date	Exercise Price (In Thousands)	Market Price (In Thousands)	Valuation (Loss) Gain (In Thousands)
<u>December 31, 2016</u>							
Commodity futures							
Copper	Buy	600	2016.05.10-2016.12.29	2017.02.15-2017.04.19	US\$ 3,203	US\$ 3,299	US\$ 96
Copper	Sell	10,025	2016.12.09-2016.12.30	2017.01.18-2017.03.29	US\$ 55,779	US\$ 55,289	US\$ 490
<u>December 31, 2015</u>							
Commodity futures							
Copper	Buy	9,825	2015.09.23-2015.12.23	2016.01.22-2016.10.19	US\$ 46,791	US\$ 45,945	US\$ (846)
Copper	Sell	3,375	2015.12.21-2015.12.31	2016.01.20	US\$ 15,863	US\$ 15,868	US\$ (5)
Nickel	Sell	2,952	2015.10.12-2015.10.30	2016.01.08-2016.01.29	US\$ 30,879	US\$ 26,001	US\$ 4,878



As of December 31, 2016 and 2015, outstanding exchange rate swap contracts not under hedge accounting were as follows:

	Currencies	Contract Expiration Date	Contract Amount (In Thousands)
December 31, 2016	US\$ to NT\$	2017.01.19	US\$150,000/NT\$4,833,100
December 31, 2015	US\$ to NT\$	2016.01.29-2016.12.22	US\$100,000/NT\$3,275,280

For the years ended December 31, 2016 and 2015, the Company's strategy for commodity futures contracts, forward exchange contracts and exchange rate swap contracts was to hedge exposures to fluctuations of essential materials' prices and foreign exchange rates. However, those derivative financial instruments did not meet the criteria of hedge effectiveness; therefore, they were not accounted for by hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
<u>Domestic investments</u>		
Listed shares and emerging market stocks		
HannStar Display Corp.	\$ 1,865,116	\$ 923,067
Hannstar Board Corp.	1,037,619	613,139
Taiwan High Speed Rail Corp.	<u>88,210</u>	<u>207,600</u>
	<u>\$ 2,990,945</u>	<u>\$ 1,743,806</u>
Current	\$ -	\$ -
Non-current	<u>2,990,945</u>	<u>1,743,806</u>
	<u>\$ 2,990,945</u>	<u>\$ 1,743,806</u>

For the years ended December 31, 2016 and 2015, the Company sold 15,206 thousand shares of Taiwan High Speed Rail Corp. and 12,559 thousand shares of Hannstar Board Corp. at market value on the Taiwan Stock Exchange, resulting in gains on disposal of investments amounting NT\$172,036 thousand and NT\$43,893 thousand, respectively.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2016	2015
<u>Notes receivable</u>		
Notes receivable	\$ 27,710	\$ 10,724
Notes receivable from related parties	<u>-</u>	<u>490</u>
	<u>\$ 27,710</u>	<u>\$ 11,214</u>
<u>Trade receivables</u>		
Trade receivables	\$ 1,956,911	\$ 1,650,683
Less: Allowance for impairment loss	<u>(2,131)</u>	<u>(2,179)</u>
	1,954,780	1,648,504
Trade receivables from related parties	<u>446,725</u>	<u>503,259</u>
	<u>\$ 2,401,505</u>	<u>\$ 2,151,763</u>

The average credit period on sales of goods was 60 days. In determining the collectability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss based on estimated uncollectable amounts determined by reference to age of receivables, past default experience of the counterparties and an analysis of their current financial position.

The concentration of credit risk was limited due to the fact that the customer base was large and unrelated.

The Company did not recognize impairment loss on trade receivables balances that were past due at the end of the reporting period because there was no significant change in credit quality and the amounts were still considered collectable.

The aging of receivables was as follows:

	December 31	
	2016	2015
Not overdue	\$ 2,176,923	\$ 2,001,929
Less than 90 days	120,557	47,676
91-180 days	486	-
Overdue more than one year	<u>105,670</u>	<u>104,337</u>
	<u>\$ 2,403,636</u>	<u>\$ 2,153,942</u>

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



The aging of receivable that were past due not impaired was as follows:

	December 31	
	2016	2015
Less than 90 days	\$ <u> -</u>	\$ <u>47,676</u>

The above analysis schedule was based on the past due date.

Movements in the allowance for impairment loss recognized on trade receivables were as follows:

	Individually Assessed Impairment Loss	Group Assessed Impairment Loss	Total
Balance at January 1, 2015	\$ 1,500	\$ -	\$ 1,500
Add: Impairment losses recognized on receivables	<u>679</u>	<u>-</u>	<u>679</u>
Balance at December 31, 2015	<u>\$ 2,179</u>	<u>\$ -</u>	<u>\$ 2,179</u>
Balance at January 1, 2016	\$ 2,179	\$ -	\$ 2,179
Less: Reversal of impairment loss	<u>(48)</u>	<u>-</u>	<u>(48)</u>
Balance at December 31, 2016	<u>\$ 2,131</u>	<u>\$ -</u>	<u>\$ 2,131</u>

10. INVENTORIES

	December 31	
	2016	2015
Raw materials	\$ 2,198,652	\$ 1,424,970
Raw materials in transit	1,816,182	422,761
Supplies	709,377	581,583
Work-in-process	752,691	688,571
Finished goods and merchandise	2,598,747	2,376,459
Contracts in progress	<u>4,330</u>	<u>-</u>
	<u>\$ 8,079,979</u>	<u>\$ 5,494,344</u>

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2016 and 2015 was NT\$60,752,694 thousand and NT\$67,065,243 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2016 and 2015 included reversal of inventory write-downs of NT\$177,280 thousand and NT\$23,218

thousand. Previous write-downs had been reversed according to the result of inventory close-out.

Contracts in progress of the manufacturing industry included construction costs of cable and wire installation projects not completed as of the balance sheet dates.

11. FINANCIAL ASSETS MEASURED AT COST

	<u>December 31</u>	
	2016	2015
Domestic unlisted common shares		
Kuong Tai Welding Ind. Co., Ltd.	\$ 114,355	\$ 114,355
Powertec Energy Corp.	938,758	905,706
Others	<u>80,442</u>	<u>85,762</u>
	<u>\$ 1,133,555</u>	<u>\$ 1,105,823</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 1,133,555</u>	<u>\$ 1,105,823</u>

The Company participated in Powertec Energy Corp's capital increase with cash on September 20, 2016. The investment was NT\$233,052 thousand. The shares held by the Company were 380,167 thousand shares and the ownership percentage was 17.03% after the issuance.

Management believed that fair value of the above unlisted equity investments held by the Company cannot be reliably measured due to the very wide range of reasonable fair value estimates; therefore, the investments were measured at cost less impairment at the end of reporting period.

The Company recognized impairment loss on financial assets measured at cost of NT\$200,000 thousand for the year ended December 31, 2016, after appropriate evaluation.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	2016	2015
Investments in subsidiaries	\$ 36,692,259	\$ 44,838,761
Investments in associates	<u>17,659,704</u>	<u>15,408,938</u>
	<u>\$ 54,351,963</u>	<u>\$ 60,247,699</u>



a. Investments in subsidiaries

Name of Associate	December 31			
	2016		2015	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Unlisted companies:				
Walsin Lihwa Holdings Ltd.	\$ 19,939,154	100.00	\$ 24,790,527	100.00
Concord Industries Ltd.	8,203,136	100.00	11,063,039	100.00
Energy Pilot Ltd.	748,344	100.00	627,028	100.00
Market Pilot Ltd.	111,636	100.00	1	100.00
Ace Result Ltd.	732,108	100.00	853,885	100.00
Chin-Cherng Construction Co., Ltd.	3,484,702	99.22	3,717,443	99.22
P.T Walsin Lippo Industries	607,271	70.00	528,812	70.00
Joint Success Enterprises Ltd.	2,426,940	49.05	2,662,689	49.05
Others	<u>438,968</u>		<u>595,337</u>	
	<u>\$ 36,692,259</u>		<u>\$ 44,838,761</u>	

b. Investments in associates

Name of Associate	December 31			
	2016		2015	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<u>Material associates</u>				
Winbond Electronics Corp.	\$ 10,023,613	22.66	\$ 8,886,320	22.66
Walton Advanced Engineering, Inc.	1,855,648	22.71	1,753,480	22.70
Walsin Technology Corp.	2,651,897	18.30	2,532,931	18.30
Associates that are not individually				
<u>Materials</u>				
Others	<u>3,128,546</u>		<u>2,236,207</u>	
	<u>\$ 17,659,704</u>		<u>\$ 15,408,938</u>	

Refer to Table 6 “Information on Investees” and Table 7 “Information on Investments in Mainland China” for the nature of activities, principal place of business and country of incorporation of the associates.

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

	December 31	
	2016	2015
Winbond Electronics Corp.	<u>\$ 8,088,935</u>	<u>\$ 6,401,374</u>
Walton Advanced Engineering, Inc.	<u>\$ 1,282,652</u>	<u>\$ 994,329</u>
Walsin Technology Corp.	<u>\$ 3,351,002</u>	<u>\$ 2,039,373</u>

All the associates are accounted for using the equity method.

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

1) Material associates

December 31, 2016

	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.
Current assets	\$ 27,259,743	\$ 4,970,546	\$ 16,385,319
Non-current assets	40,730,266	10,742,285	12,414,084
Current liabilities	(14,605,735)	(4,340,026)	(8,866,424)
Non-current liabilities	<u>(8,163,475)</u>	<u>(3,294,871)</u>	<u>(3,706,811)</u>
Equity	45,220,799	8,077,934	16,226,168
Non-controlling interests	<u>(1,299,838)</u>	<u>-</u>	<u>(1,820,394)</u>
	<u>\$ 43,920,961</u>	<u>\$ 8,077,934</u>	<u>\$ 14,405,774</u>
Proportion of the Company’s ownership	22.66%	22.71%	18.30%
Equity attributable to the Company	\$ 9,952,490	\$ 1,834,499	\$ 2,636,257
Other adjustments	<u>71,123</u>	<u>21,149</u>	<u>15,640</u>
Carrying amount	<u>\$ 10,023,613</u>	<u>\$ 1,855,648</u>	<u>\$ 2,651,897</u>
Operating revenue	<u>\$ 42,091,709</u>	<u>\$ 8,748,398</u>	<u>\$ 18,490,529</u>

(Continued)



	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.
Net profit for the year	\$ 3,140,074	\$ 440,354	\$ 2,296,495
Other comprehensive income	<u>2,485,116</u>	<u>117,721</u>	<u>(707,418)</u>
Total comprehensive income for the year	<u>\$ 5,625,190</u>	<u>\$ 558,075</u>	<u>\$ 1,589,077</u> (Concluded)
<u>December 31, 2015</u>			
	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.
Current assets	\$ 24,712,757	\$ 4,392,683	\$ 14,915,873
Non-current assets	37,885,010	11,117,354	11,308,434
Current liabilities	(12,333,195)	(2,882,787)	(7,131,589)
Non-current liabilities	<u>(10,166,033)</u>	<u>(4,960,419)</u>	<u>(3,628,431)</u>
Equity	40,098,539	7,666,831	15,464,287
Non-controlling interests	<u>(1,196,568)</u>	<u>-</u>	<u>(1,706,332)</u>
	<u>\$ 38,901,971</u>	<u>\$ 7,666,831</u>	<u>\$ 13,757,955</u>
Proportion of the Company's ownership	22.66%	22.70%	18.30%
Equity attributable to the Company	\$ 8,815,186	\$ 1,740,371	\$ 2,517,706
Other adjustments	<u>71,134</u>	<u>13,109</u>	<u>15,225</u>
Carrying amount	<u>\$ 8,886,320</u>	<u>\$ 1,753,480</u>	<u>\$ 2,532,931</u>
Operating revenue	<u>\$ 38,350,315</u>	<u>\$ 7,913,595</u>	<u>\$ 16,029,408</u>
Net profit for the year	\$ 3,472,873	\$ 143,530	\$ 1,262,987
Other comprehensive income	<u>(1,754,383)</u>	<u>70,609</u>	<u>(473,290)</u>
Total comprehensive income for the year	<u>\$ 1,718,490</u>	<u>\$ 214,139</u>	<u>\$ 789,697</u>

2) Associates that are not individually material

	Year Ended December 31	
	2016	2015
The Company's share of:		
Profit (loss) from continuing operations	\$ (185)	\$ 26,887
Other comprehensive (loss) income	<u>964,771</u>	<u>(693,744)</u>
Total comprehensive (loss) income for the year	<u>\$ 964,586</u>	<u>\$ (666,857)</u>

Market Pilot Ltd. was incorporated in July 2010 as an investment holding company. Due to operating losses, as of December 31, 2015, the equity has resulted in deficit. Because the recognized losses exceeded the equity interest, except for NT\$1 thousand retained in investments accounted for using equity method, the remaining amount of NT\$709,363 thousand were recorded as other non-current liabilities - investment with credit balance.

Winbond Electronics Corp. (WEC) designs, develops, manufactures and sells very large scale integration (VLSI) integrated circuits (ICs) used in a variety of microelectronic applications. The Company sold its 36,764 thousand shares of WEC to third parties at market value on the Taiwan Stock Exchange in December 2015 that resulted in disposal gain of NT\$12,027 thousand recorded as gain on disposal of investments.

The Company's share of profit and other comprehensive income of associates for the years ended December 31, 2016 and 2015 was based on the associates' financial statements audited by independent auditors for the same period. The financial statements of certain equity-method investees included the consolidated financial statement referred to above were not audited by the auditors of the Company, but were audited by other independent auditors. The investment in such investee amounted to NT\$2,843,728 thousand and NT\$2,354,263 thousand as of December 31, 2016 and 2015; investment gain amounted to NT\$725,406 thousand and NT\$291,096 thousand for the years ended December 31, 2016 and 2015.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2015	\$ 2,124,485	\$ 5,864,956	\$ 14,641,687	\$ 3,669,962	\$ 464,875	\$ 26,765,965
Additions	7,617	22,831	253,768	107,722	871,014	1,262,952
Disposals	(860)	(27,581)	(529,687)	(187,615)	-	(745,743)
Reclassified	<u>-</u>	<u>1,014</u>	<u>43,172</u>	<u>98,035</u>	<u>(142,221)</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 2,131,242</u>	<u>\$ 5,861,220</u>	<u>\$ 14,408,940</u>	<u>\$ 3,688,104</u>	<u>\$ 1,193,668</u>	<u>\$ 27,283,174</u>

(Continued)



	Land	Buildings and Improvements	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2015	\$ 8,067	\$ 3,592,309	\$ 8,959,886	\$ 2,778,042	\$ -	\$ 15,338,304
Disposals	-	(12,591)	(524,077)	(159,994)	-	(696,662)
Depreciation expense	-	197,434	626,832	158,504	-	982,770
Impairment losses recognized in profit or loss	-	-	(23,444)	56,295	-	32,851
Reclassified	-	328	(55,210)	54,882	-	-
Balance at December 31, 2015	<u>\$ 8,067</u>	<u>\$ 3,777,480</u>	<u>\$ 8,983,987</u>	<u>\$ 2,887,729</u>	<u>\$ -</u>	<u>\$ 15,657,263</u>
Carrying amounts at December 31, 2015	<u>\$ 2,123,175</u>	<u>\$ 2,083,740</u>	<u>\$ 5,424,953</u>	<u>\$ 800,375</u>	<u>\$ 1,193,668</u>	<u>\$ 11,625,911</u>
<u>Cost</u>						
Balance at January 1, 2016	\$ 2,131,242	\$ 5,861,220	\$ 14,408,940	\$ 3,688,104	\$ 1,193,668	\$ 27,283,174
Additions	23,848	362,353	1,988,874	139,063	460,948	2,975,086
Disposals	(1,801)	(17,001)	(85,272)	(318,475)	-	(422,549)
Reclassified	-	132,110	773,360	51,868	(957,338)	-
Balance at December 31, 2016	<u>\$ 2,153,289</u>	<u>\$ 6,338,682</u>	<u>\$ 17,085,902</u>	<u>\$ 3,560,560</u>	<u>\$ 697,278</u>	<u>\$ 29,835,711</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2016	\$ 8,067	\$ 3,777,480	\$ 8,983,987	\$ 2,887,729	\$ -	\$ 15,657,263
Disposals	-	(11,680)	(86,944)	(316,781)	-	(415,405)
Depreciation expense	-	104,306	481,189	140,622	-	726,117
Impairment losses recognized in profit or loss	-	-	13,797	-	-	13,797
Balance at December 31, 2016	<u>\$ 8,067</u>	<u>\$ 3,870,106</u>	<u>\$ 9,392,029</u>	<u>\$ 2,711,570</u>	<u>\$ -</u>	<u>\$ 15,981,772</u>
Carrying amounts at December 31, 2016	<u>\$ 2,145,222</u>	<u>\$ 2,468,576</u>	<u>\$ 7,693,873</u>	<u>\$ 848,990</u>	<u>\$ 697,278</u>	<u>\$ 13,853,939</u>

(Concluded)

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

Buildings and improvements	3-50 years
Machinery and equipment	3-20 years
Other equipment	3-15 years

The Company's main building and electrical and mechanical power equipment are depreciated over their estimated useful lives of 50 years and 20 years, respectively.

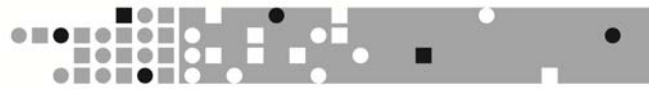
The Company owns parcels of land which were registered in the name of certain individuals because of certain regulatory restrictions. To secure its ownership of such parcels of land, the Company keeps in its possession the land titles with the annotation of being pledged to the Company. As of December 31, 2016 and 2015, the recorded total carrying value of such parcels of land amounted to NT\$418,362 thousand and NT\$397,704 thousand, respectively.

After appropriate evaluation, the Company recognized impairment loss on property, plant and equipment of NT\$13,797 thousand and NT\$32,851 thousand respectively for the years ended December 31, 2016 and 2015, which were recorded as impairment loss.

14. INVESTMENT PROPERTIES

	<u>December 31</u>	
	2016	2015
Completed investment property	<u>\$ 8,730,768</u>	<u>\$ 8,857,932</u>
		Completed Investment Property
<u>Cost</u>		
Balance at January 1, 2015		<u>\$ 9,772,725</u>
Balance at December 31, 2015		<u>\$ 9,772,725</u>
Balance at January 1, 2016		<u>\$ 9,772,725</u>
Balance at December 31, 2016		<u>\$ 9,772,725</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1, 2015		\$ 771,582
Depreciation expense		<u>143,211</u>
Balance at December 31, 2015		<u>\$ 914,793</u>
Balance at January 1, 2016		\$ 914,793
Depreciation expense		<u>127,164</u>
Balance at December 31, 2016		<u>\$ 1,041,957</u>

The completed investment properties are depreciated under straight-line method over 20 to 50 years.



The main investment property of the Company is the Walsin Xin Yi Building. The building valuation was commissioned by independent appraisal agencies (a third party). As of December 31, 2016 and 2015, the completed investment properties' real estate value was NT\$28,307,139 thousand and NT\$27,789,261 thousand, respectively.

15. BORROWINGS

	December 31	
	2016	2015
Short-term borrowings	<u>\$ 2,515,701</u>	<u>\$ 2,499,990</u>
Current portion of long-term borrowings	<u>\$ 6,630,000</u>	<u>\$ 2,550,000</u>
Long-term borrowings	<u>\$ 15,000,000</u>	<u>\$ 21,630,000</u>

a. Short-term borrowings as of December 31, 2016 and 2015 were as follows:

	December 31			
	2016		2015	
	Interest Rate		Interest Rate	
	%	Amount	%	Amount
Materials procurement loans	0.9-2.114	\$ 745,701	0.82-1.38	\$ 419,990
Bank lines of credit	0.79-1.2	<u>1,770,000</u>	1.13-1.30	<u>2,080,000</u>
		<u>\$ 2,515,701</u>		<u>\$ 2,499,990</u>

b. Long-term borrowings as of December 31, 2016 and 2015 were as follows:

		December 31		
		2016	2015	
	Significant Covenant	Rate	Amount	Amount
Taipei Fubon Bank and others	Credit loan; every six months to repay the principal at 30%, 35%, 35% from the end of the fourth year from drawing date (September 2015)	1.80%	\$ 15,000,000	\$ 15,000,000
Bank of Taiwan and others	Credit loan; every six months to repay the principal at 10%, 10%, 15%, 15%, 50% from the end of the third year from drawing date (August 2012)	1.59%	6,630,000	9,180,000
			<u>21,630,000</u>	<u>24,180,000</u>
Less current portion of long-term borrowings			<u>(6,630,000)</u>	<u>(2,550,000)</u>
			<u>\$ 15,000,000</u>	<u>\$ 21,630,000</u>

Under the loan agreements, the Company should maintain certain financial ratios calculated on annual and semi-annual financial statements audited by independent auditors, during the loan term. The financial ratios are as follows:

- 1) Ratio of current assets to current liabilities not less than 100%;
- 2) Ratio of total liabilities less cash and cash equivalents to tangible net worth not more than 120%;
- 3) Ratio of net income before interest expenses, taxation, depreciation and amortization to interest expenses not less than 150%; and
- 4) Tangible net worth (net worth less intangible assets) not less than NT\$50,000,000 thousand.

As of December 31, 2016 and 2015, the Company's current portion of long-term borrowings was NT\$6,630,000 thousand and NT\$2,550,000 thousand under the loan agreement, respectively. The Company's financial reports for the years ended December 31, 2016 and 2015 showed that the Company was in compliance with these ratio requirements.

16. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Derivative financial liabilities under hedge accounting</u>		
Cash flow hedges - foreign exchange forward contracts	\$ -	\$ 11,628
Current	\$ -	\$ 11,628
Non-current	-	-
	<u>\$ -</u>	<u>\$ 11,628</u>

The Company's hedge strategy is to enter foreign exchange forward contracts to avoid firm commitment of its exchange rate exposure. When forecast sales and purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

The Company signed foreign exchange forward contracts to avoid its exchange rate exposure due to the equipment purchase contracts signed with foreign suppliers. Those foreign exchange forward contracts were designated as cash flow hedges.

The terms of the foreign exchange forward contracts had been negotiated to match the terms of the respective designated hedged items. As of December 31, 2016 and 2015, the outstanding foreign exchange forward contracts of the Company were as follows:

	Currencies	Contract Expiration Date	Contract Amount (In Thousands)
<u>December 31, 2015</u>			
Buy forward exchange contracts	EUR to NT\$	2016.05.02-2016.06.01	EUR4,204/NT\$162,805



During the years ended December 31, 2016 and 2015, gain of NT\$3,683 thousand and loss of NT\$173,729 thousand, respectively, on fair value had been recognized in other comprehensive income (loss) due to the valuation adjustments of the foreign exchange forward contracts for the exchange rate exposure of expected future equipment purchase.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, the Company in ROC make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expense recognized in profit or loss for the years ended December 31, 2016 and 2015 was NT\$67,593 thousand and NT\$62,448 thousand, respectively, which represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law are operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The Company has no right to influence the investment policy and strategy.

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

	December 31	
	2016	2015
Present value of defined benefit obligation	\$ 1,379,967	\$ 1,395,962
Fair value of plan assets	<u>(612,759)</u>	<u>(8,169)</u>
Net defined benefit liabilities	<u>\$ 767,208</u>	<u>\$ 1,387,793</u>

As of December 31, 2016 and 2015, net defined benefit liabilities of NT\$1,046 thousand and NT\$1,051 thousand, respectively, were recorded as “other payables - accrued expense.”

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	\$ <u>1,279,575</u>	\$ <u>(3,855)</u>	\$ <u>1,275,720</u>
Service cost			
Current service cost	16,110	-	16,110
Net interest expense (income)	<u>25,031</u>	<u>(27)</u>	<u>25,004</u>
Recognized in profit or loss	<u>41,141</u>	<u>(27)</u>	<u>41,114</u>
Remeasurement			
Actuarial loss - changes in financial assumptions	49,554	-	49,554
Actuarial loss (gain) - experience adjustments	<u>55,768</u>	<u>(107)</u>	<u>55,661</u>
Recognized in other comprehensive income (loss)	<u>105,322</u>	<u>(107)</u>	<u>105,215</u>
Contributions from the employer	-	(32,808)	(32,808)
Benefits paid	(28,628)	28,628	-
Account paid	<u>(1,448)</u>	<u>-</u>	<u>(1,448)</u>
Balance at December 31, 2015	<u>1,395,962</u>	<u>(8,169)</u>	<u>1,387,793</u>
Service cost			
Current service cost	16,956	-	16,956
Net interest expense (income)	<u>21,871</u>	<u>(131)</u>	<u>21,740</u>
Recognized in profit or loss	<u>38,827</u>	<u>(131)</u>	<u>38,696</u>
Remeasurement			
Actuarial (gain) loss - experience adjustments	<u>6,480</u>	<u>(3,276)</u>	<u>3,204</u>
Recognized in other comprehensive income (loss)	<u>6,480</u>	<u>(3,276)</u>	<u>3,204</u>
Contributions from the employer	-	(656,214)	(656,214)
Benefits paid	(55,031)	55,031	-
Account paid	<u>(6,271)</u>	<u>-</u>	<u>(6,271)</u>
Balance at December 31, 2016	<u>\$ 1,379,967</u>	<u>\$ (612,759)</u>	<u>\$ 767,208</u>



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

	For the Year Ended December 31	
	2016	2015
Operating costs	\$ 23,754	\$ 25,149
Selling and marketing expenses	3,189	3,070
General and administrative expenses	11,494	12,804
Research and development expenses	<u>259</u>	<u>91</u>
	<u>\$ 38,696</u>	<u>\$ 41,114</u>

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

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

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

	December 31	
	2016	2015
Discount rate(s)	1.6%	1.6%
Expected rate(s) of salary increase	2.0%	2.0%

If possible reasonable change in each of the significant actuarial assumptions occurs and all other assumptions remain constant, the present value of the defined benefit obligation would decrease/increase as follows:

	December 31	
	2016	2015
Discount rates		
0.5% increase	<u>\$ (63,862)</u>	<u>\$ (67,666)</u>
0.5% decrease	<u>\$ 68,622</u>	<u>\$ 72,900</u>
Expected rates of salary increase		
0.5% increase	<u>\$ 68,014</u>	<u>\$ 72,252</u>
0.5% decrease	<u>\$ (63,934)</u>	<u>\$ (67,742)</u>

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

18. EQUITY

	December 31	
	2016	2015
Share capital		
Common shares	\$ 33,960,002	\$ 35,760,002
Capital surplus	15,701,403	15,766,866
Retained earnings	15,211,219	11,383,125
Others	(897,872)	(621,113)
Treasury shares	<u>(608,810)</u>	<u>(608,810)</u>
	<u>\$ 63,365,942</u>	<u>\$ 61,680,070</u>

a. Share capital

Common shares

	December 31	
	2016	2015
Number of shares authorized (in thousands)	<u>\$ 6,500,000</u>	<u>\$ 6,500,000</u>
Amount of authorized shares	<u>\$ 65,000,000</u>	<u>\$ 65,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>\$ 3,396,001</u>	<u>\$ 3,576,001</u>
Amount of issued shares	<u>\$ 33,960,002</u>	<u>\$ 35,760,002</u>

As of December 31, 2015, the balance of the Company's capital account was NT\$35,760,002 thousand, divided into 3,576,001 thousand shares at NT\$10.00 par value.



The Company cancelled 60,000 thousand and 120,000 thousand shares in August and November 2016, respectively. As of December 31, 2016, the balance of the Company's capital account was NT\$3,960,002 thousand, divided into 3,396,001 thousand shares at par value of NT\$10.00.

b. Capital surplus

	December 31	
	2016	2015
Premium from issuance of common shares	\$ 10,387,648	\$ 10,938,230
Arising from the excess of the consideration receivable over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	495	-
Arising from share of changes in capital surplus from investments in associates under equity method	68,609	137,818
Arising from treasury share transactions	2,142,998	1,589,157
Arising from gain on disposal of property plant and equipment	2,074,231	2,074,231
Others	<u>1,027,422</u>	<u>1,027,430</u>
	<u>\$ 15,701,403</u>	<u>\$ 15,766,866</u>

The premium from shares issued in excess of par (share premium from issuance of common shares, conversion of bonds and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's capital surplus and once a year).

The capital surplus from long-term investments, employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on May 25, 2016 and in that meeting, had resolved amendments to the Company's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy of employees' compensation.

Based on the Company's amended Articles of Incorporation, 10% of the Company's annual earnings, net of tax and any deficit, should be appropriated as legal reserve until this reserve equals the Company's paid-in capital. Also, the Company appropriated earnings to special reserve based on the applicable laws and regulations. Any remaining balance of distributable earnings resolved by the shareholders will be retained partially by the Company and will be distributed to shareholders. Refer to Note 20 for the Company's pre-amendment and amended Articles of Incorporation that stipulated distribution of employees' compensation and remuneration to directors and supervisors.

The Company appropriates or reverses special reserve in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, 1010047490 and 1030006415 issued by FSC and the directive entitled “Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs”.

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

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

The appropriations of earnings for 2015 have been approved in the shareholders’ meetings on May 25, 2016.

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 160,173	\$ -
Cash dividends	<u>701,200</u>	0.2
	<u>\$ 861,373</u>	

The appropriations of earnings for 2016 had been resolved by the Company’s board of directors on February 17, 2017. The appropriations and dividends per share were as follows:

The appropriations of earnings for 2016 are subject to the resolution of the shareholders’ meeting to be held on May 26, 2017.

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 456,812	\$ -
Cash dividends	<u>2,328,200</u>	0.7
	<u>\$ 2,785,012</u>	

d. Special reserve

Special reserve remained unchanged for the years ended December 31, 2016 and 2015.



e. Other equity items

1) Foreign currency translation reserve

	2016	2015
Balance at January 1	\$ 1,428,373	\$ 2,035,498
Share of exchange difference of associates for using the equity method	(3,538,495)	(606,216)
Disposal of associates under equity method	<u>-</u>	<u>(909)</u>
Balance at December 31	<u>\$ (2,110,122)</u>	<u>\$ 1,428,373</u>

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (i.e. New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

2) Investments revaluation reserve

	2016	2015
Balance at January 1	\$ (1,960,168)	\$ 419,051
Unrealized loss arising on revaluation of available-for-sale financial assets	1,526,373	(1,158,358)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of associates under equity method	1,837,070	(1,217,706)
Disposal of available-for-sale financial assets	(177,354)	-
Disposal of associates under equity method	<u>-</u>	<u>(3,155)</u>
Balance at December 31	<u>\$ 1,225,921</u>	<u>\$ (1,960,168)</u>

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

3) Cash flow hedging reserve

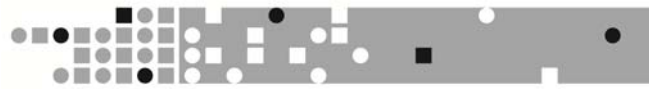
	2016	2015
Balance at January 1	\$ (89,318)	\$ (1,865)
Gain (loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward foreign exchange contracts	3,683	(173,729)
Transferred to carrying amount of hedged items	79,268	-
Others	<u>(7,304)</u>	<u>86,276</u>
Balance at December 31	<u>\$ (13,671)</u>	<u>\$ (89,318)</u>

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising from changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising from changes in fair value of the hedging instruments that was recognized and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item.

f. Treasury shares

Treasury shares transactions for the year ended December 31, 2016 were summarized as follows:

Purpose for Reacquisition of Common Shares	Number of Treasury Shares as of January 1, 2016	Treasury Share Increase During the Year	Treasury Share Decrease During the Year	Number of Treasury Shares as of December 31, 2016
Common shares held by the Company as reserve for employees' incentives	70,000,000	-	-	70,000,000
To maintain the Company's creditability and shareholders' interest	<u>-</u>	<u>180,000,000</u>	<u>180,000,000</u>	<u>-</u>
	<u>70,000,000</u>	<u>180,000,000</u>	<u>180,000,000</u>	<u>70,000,000</u>



Treasury shares transactions for the year ended December 31, 2015 were summarized as follows:

Purpose for Reacquisition of Common Shares	Number of Treasury Shares as of January 1, 2015	Treasury Share Increase During the Year	Treasury Share Decrease During the Year	Number of Treasury Shares as of December 31, 2015
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Common shares held by the Company as reserve for employee incentives

<u>30,000,000</u>	<u>40,000,000</u>	-	<u>70,000,000</u>
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Article 28.2 of the Securities and Exchange Law stipulates that the number of treasury shares held by the Company should not exceed 10% of the number of shares issued and that the cost of acquisition of treasury shares should not exceed the total of retained earnings, additional-paid-in capital and other realized capital surplus. In addition, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote, or exercise other shareholder's rights on the treasury shares.

19. REVENUE

	For the Year Ended December 31	
	2016	2015
Sales revenue	\$ 66,237,497	\$ 70,622,611
Revenue from the rendering of services	69,381	78,209
Construction contract revenue	-	119,497
Rental income	704,545	690,825
Other revenue	<u>62,616</u>	<u>63,746</u>
	<u>\$ 67,074,039</u>	<u>\$ 71,574,888</u>

20. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

Non-operating Income and Expense - (Gain) Loss on Disposal of Investment

	For the Year Ended December 31	
	2016	2015
Loss on disposal of investments - forward exchange contracts settled	\$ (4,948)	\$ (17,949)
Gain on disposal of available-for-sale financial assets - non-current	172,036	43,893

(Continued)

(Loss) gain on disposal of investment - commodity futures settled	(157,486)	10,850
Gain on disposal of investment - exchange rate swap contracts settled	30,037	151,317
Gain on disposal of investments - associates under equity method	<u>-</u>	<u>12,027</u>
	<u>\$ 39,639</u>	<u>\$ 200,138</u>

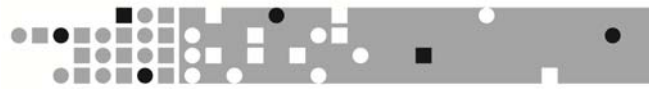
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Non-operating Income and Expense - Impairment Loss

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	\$ 13,797	\$ 32,851
Financial assets measured at cost - non-current	200,000	7,040
Others	<u>-</u>	<u>6,286</u>
	<u>\$ 213,797</u>	<u>\$ 46,177</u>

Employee Benefits Expense, Depreciation and Amortization

	For the Year Ended December 31, 2016			
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term employment benefits				
Salary	\$ 1,398,601	\$ 726,701	\$ -	\$ 2,125,302
Labor health insurance	119,350	41,095	-	160,445
Post-employment benefits	<u>72,120</u>	<u>34,169</u>	<u>-</u>	<u>106,289</u>
	<u>\$ 1,590,071</u>	<u>\$ 801,965</u>	<u>\$ -</u>	<u>\$ 2,392,036</u>
Depreciation				
Property, plant and equipment	\$ 662,023	\$ 64,094	\$ -	\$ 726,117
Investment property	<u>121,010</u>	<u>6,154</u>	<u>-</u>	<u>127,164</u>
	<u>\$ 783,033</u>	<u>\$ 70,248</u>	<u>\$ -</u>	<u>\$ 853,281</u>
Amortization	<u>\$ 7,069</u>	<u>\$ -</u>	<u>\$ 4,080</u>	<u>\$ 11,149</u>



For the Year Ended December 31, 2015

	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term employment benefits				
Salary	\$ 1,266,836	\$ 673,085	\$ -	\$ 1,939,921
Labor health insurance	111,659	41,536	-	153,195
Post-employment benefits	<u>68,751</u>	<u>34,811</u>	-	<u>103,562</u>
	<u>\$ 1,590,071</u>	<u>\$ 801,965</u>	<u>\$ -</u>	<u>\$ 2,392,036</u>
Post-employment benefits	<u>\$ 68,751</u>	<u>\$ 34,811</u>	<u>\$ -</u>	<u>\$ 103,562</u>
Depreciation				
Property, plant and equipment	\$ 905,133	\$ 77,637	\$ -	\$ 982,770
Investment property	<u>134,876</u>	<u>8,335</u>	-	<u>143,211</u>
	<u>\$ 1,040,009</u>	<u>\$ 85,972</u>	<u>\$ -</u>	<u>\$ 1,125,981</u>
Amortization	<u>\$ 2,811</u>	<u>\$ 392</u>	<u>\$ 4,080</u>	<u>\$ 7,283</u>

As of December 31, 2016 and 2015, the Company had 2,317 and 2,192 employees, respectively.

In compliance with the Company Act amended in May 2015, the Company's shareholders held their meeting on May 2016 and resolved amendments to the Company's Articles; the amendments stipulate distribution of employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the years ended December 31, 2016 and 2015, the employees' compensation amounted to NT\$53,100 thousand and NT\$21,962 thousand, and the remuneration to directors and supervisors amounted to NT\$36,900 thousand and NT\$16,335 thousand, representing 1% and 0.7%, respectively, of the base net profit before income tax. The employees' compensation and remuneration to directors and supervisors in cash for the years ended December 31, 2016 and 2015 have been approved by the Company's board of directors on February 17, 2017, and February 26, 2016.

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

The employees' compensation and the remuneration to directors and supervisors for 2015 resolved by the Company's board of directors on February 26, 2016, and the respective amounts recognized in the financial statements were as follows:

	For the Year Ended December 31, 2015	
	Employees' Compensation	Remuneration of Directors and Supervisors
Amounts approved in shareholders' meetings	\$ 21,962	\$ 16,335
Amounts recognized in respective financial statements	<u>21,962</u>	<u>16,335</u>
	<u>\$ -</u>	<u>\$ -</u>

Information on the employees' compensation and remuneration to directors and supervisors for 2016 resolved by the Company's board of directors in 2017 and bonus to employees, directors and supervisors for 2015 resolved by the shareholders' meeting in 2016 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

The Company did not recognize employees' compensation and remuneration to directors and supervisors because its earning in 2014 had been retained by the resolution of the shareholders' meeting in 2015.

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. The major components of tax expense were as follows:

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	\$ 283,741	\$ 1,723
Income tax expense of unappropriated earnings	58,923	195,000
In respect of prior periods	<u>2,830</u>	<u>(628)</u>
	<u>345,494</u>	<u>196,095</u>
Deferred tax		
In respect of the current year	235,000	360,000
In respect of prior periods	<u>27,000</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 607,494</u>	<u>\$ 556,095</u>

A reconciliation of accounting profit and income tax expenses, average effective tax rate and the applicable tax rate is as follows:

	For the Year Ended December 31	
	2016	2015
Income before tax from continuing operations	<u>\$ 5,175,619</u>	<u>\$ 2,157,821</u>

(Continued)



	For the Year Ended December 31	
	2016	2015
Income tax expense calculated at the statutory rate	\$ 879,855	\$ 366,830
Net gain on disposal of investments	(29,246)	(10,000)
Gain on disposal of land-exemption of taxation	(1,130)	(2,115)
Equity in investees' net (gain) loss	(272,900)	57,896
Dividend income	(3,662)	(7,111)
Loss on investees' capital reduction to complement accumulated deficits	(28,598)	-
Realized loss on liquidation of investment	(25,091)	(74,035)
Income tax on unappropriated earnings	58,923	195,000
Adjustments for prior years' tax	29,830	(628)
Unrecognized deductible temporary differences	(487)	27,330
Others	<u>-</u>	<u>2,928</u>
Income tax expense recognized in profit or loss	<u>\$ 607,494</u>	<u>\$ 556,095</u> (Concluded)

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

b. Current tax assets and liabilities

	December 31	
	2016	2015
Current tax assets		
Tax refund receivable (recorded under other non-current assets)	<u>\$ -</u>	<u>\$ 159,174</u>
Current tax liabilities		
Income tax payable	<u>\$ 342,045</u>	<u>\$ 195,000</u>

c. Deferred tax assets and liabilities:

	December 31	
	2016	2015
Deferred tax assets (liabilities)		
Net operating loss carryforwards	\$ -	\$ 183,000
Pension expense not currently deductible	130,000	231,000
Provision for permanent devaluation loss on long-term investments	56,000	22,000
Provision for devaluation loss on obsolete and slow-moving inventories	40,000	70,000
		(Continued)

	December 31	
	2016	2015
Provision for impairment loss on idle assets	\$ 18,000	\$ 18,000
Others	129,919	111,920
Deferred income tax liabilities		
Reserve for land revaluation increment tax	<u>(131,132)</u>	<u>(131,132)</u>
	<u>\$ 242,787</u>	<u>\$ 504,788</u>
Deferred income tax assets - non-current	\$ 373,919	\$ 635,920
Deferred income tax liabilities - non-current	<u>(131,132)</u>	<u>(131,132)</u>
	<u>\$ 242,787</u>	<u>\$ 504,788</u>

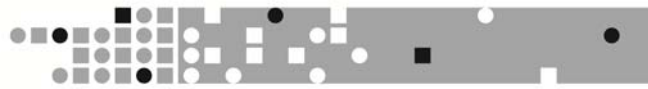
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- d. The information on imputation credit accounts was as follows:

	December 31	
	2016	2015
Unappropriated earnings		
Generated on and after January 1, 1998	<u>\$ 9,674,226</u>	<u>\$ 6,006,305</u>
Balance of Imputation Credit Account (included current tax liabilities)	<u>\$ 1,418,554</u>	<u>\$ 1,326,426</u>
	<u>\$ 1,418,554</u>	<u>\$ 1,326,426</u>
	For the Year Ended December 31	For the Year Ended December 31
	2016 (Expected)	2015 (Actual)
Creditable ratio for distribution of earnings	14.66%	20.75%

Effective from January 1, 2015, according to the revised Article 66 - 6-1 of the Income Tax Law, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio.

- e. The Company's income tax returns through 2014 had been examined and cleared by the tax authorities.



22. EARNINGS PER SHARE

	For the Year Ended December 31					
	2016			2015		
	Amounts (Numerator)		Earnings Per Share (In Dollars)	Amounts (Numerator)		Earnings Per Share (In Dollars)
	After Income Tax	Shares	After Income Tax	After Income Tax	Shares	After Income Tax
	(Attributable to Parent's Shareholders)	(Denominator) (In Thousands)	(Attributable to Parent's Shareholders)	(Attributable to Parent's Shareholders)	(Denominator) (In Thousands)	(Attributable to Parent's Shareholders)
Basic earnings per share						
Net income	\$ 4,568,125	3,424,730	<u>\$ 1.33</u>	\$ 1,601,726	3,527,914	<u>\$ 0.45</u>
Effect of dilutive potential common shares	-	4,817		-	19,029	
Diluted earnings per share						
Net income plus dilutive effect	<u>\$ 4,568,125</u>	<u>3,429,547</u>	<u>\$ 1.33</u>	<u>\$ 1,601,726</u>	<u>3,543,943</u>	<u>\$ 0.45</u>

23. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

As of December 31, 2016, the Company's future minimum lease payments on non-cancelable operating lease commitments were as follows:

Years of 2017	\$ 12,359
2018-2022	47,009
After 2023	<u>58,434</u>
	<u>\$ 117,802</u>

b. The Company as lessor

Lease arrangements

Operating leases are related to the investment property owned by the Company with lease terms between 5 and 10 years, with an option to extend for additional 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2016 and 2015, deposits received under operating leases amounted to NT\$159,053 thousand and NT\$162,876 thousand, respectively (recorded under other liabilities - non-current).

As of December 31, 2016, the Company's future minimum lease receivables on non-cancelable operating lease commitments were as follows:

Years of 2017	\$ 647,563
2018-2022	<u>1,103,084</u>
	<u>\$ 1,750,647</u>

24. CAPITAL MANAGEMENT

The Company's capital management objective is to ensure that it has the necessary financial resources and operational plan so that it can cope with the next 12 months working capital requirements, capital expenditures, debt repayments and dividends spending.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Company review the capital structure on a quarterly basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Except for the financial assets that are measured at cost, the management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as an approximate of fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	\$ 18,882	\$ -	\$ -	\$ 18,882
Available-for-sale financial assets	<u>2,990,945</u>	<u>-</u>	<u>-</u>	<u>2,990,945</u>
	<u>\$ 3,009,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,009,827</u>
Financial liabilities at FVTPL	<u>\$ -</u>	<u>\$ 1,155</u>	<u>\$ -</u>	<u>\$ 1,155</u>



December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	\$ 132,175	\$ 9,930	\$ -	\$ 142,105
Available-for-sale financial assets	<u>1,743,806</u>	<u>-</u>	<u>-</u>	<u>1,743,806</u>
	<u>\$ 1,875,981</u>	<u>\$ 9,930</u>	<u>\$ -</u>	<u>\$ 1,885,911</u>
Derivative financial liabilities for hedging	<u>\$ -</u>	<u>\$ 11,628</u>	<u>\$ -</u>	<u>\$ 11,628</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2016 and 2015.

- 2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - exchange rate swaps contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Financial assets</u>		
Loans and receivables		
Cash and cash equivalents	\$ 1,375,045	\$ 2,094,947
Notes receivable and trade receivables (included related parties)	2,429,215	2,162,977
Other receivables	417,023	559,430
Refundable deposits	62,907	64,877
Financial assets at FVTPL (current and non-current)	18,882	142,105
Available-for-sale financial assets (current and non-current)	2,990,945	1,743,806
Financial assets measured at cost - non-current	1,133,555	1,105,823

(Continued)

	December 31	
	2016	2015
<u>Financial liabilities</u>		
Financial liabilities at FVTPL (current and non-current)	1,155	-
Derivative financial liabilities for hedging (current and non-current)	-	11,628
Amortized cost		
Short-term borrowings	2,515,701	2,499,990
Notes payable and trade payables	3,174,672	2,740,035
Other payables	1,773,759	1,329,360
Long-term borrowings (included current portion)	21,630,000	24,180,000
Deposits received (recorded as other non-current liabilities - other)	166,373	171,493
		(Concluded)

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and investments, trade receivable, and trade payables. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provides written principles on foreign exchange risk, interest rate risk and credit risk, use of financial derivatives and non-derivative financial instruments, and investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments for speculative purposes.

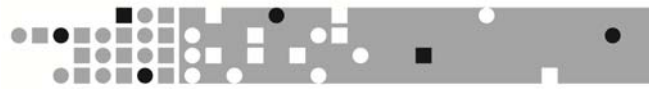
1) Market risk

The Company is exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses forward foreign exchange contracts and interest rate swaps contracts to hedge foreign currency risk and interest rate risk.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

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



It is the Company's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were as follows:

	December 31	
	2016	2015
<u>Assets</u>		
U.S. dollars	\$ 2,217,072	\$ 1,626,454
Japanese yen	111,161	18,008
Euro	361,139	1,261,204
Singapore dollars	2,610	-
Hong Kong dollars	16,325	9,513
Australian dollar	2,987	-
Renminbi	1,159	-
<u>Liabilities</u>		
U.S. dollars	2,079,303	1,190,826
Euro	790	6,304
Japanese yen	1,821	330

The carrying amounts of the Company's derivatives exposed to foreign currency risk at the end of the reporting period were as follows:

	December 31	
	2016	2015
<u>Assets</u>		
U.S. dollars	\$ 4,837,500	\$ 3,282,500
Euro	-	150,825

The Company was mainly exposed to the U.S. dollars.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period.

	U.S. Dollar Impact	
	Year Ended December 31	
	2016	2015
Profit or loss	\$ 49,753	\$ 37,181

b) Interest rate risk

The Company's interest rate risk arises primarily from fixed and floating rate deposits and borrowings.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2016	2015
Cash flow interest rate risk		
Financial liabilities	\$ 24,145,701	\$ 26,679,990

Sensitivity analysis

The sensitivity analysis below shows the possible effect on profit and loss assuming a change in the interest rates at the end of the reporting period.

If interest rates at the end of the reporting period increased by 1% and all other variables were held constant, the Company's pre-tax income for the years ended December 31, 2016 and 2015 would have been decreased by NT\$241,457 thousand and NT\$266,800 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge their obligation and financial guarantees would equal to the following:

- a) The carrying amount of the respective recognized financial assets as stated in the condensed balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Company

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst the approved counterparties. Credit exposure is controlled by setting credit limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider



that the Company's credit risk was significantly reduced.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

a) The Company's non-derivative financial liabilities with their agreed repayment period were as follows:

December 31, 2016

	1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 9,145,701	\$ 15,000,000	\$ -	\$ -	\$ 24,145,701
Non-interest bearing	<u>4,948,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,948,431</u>
	<u>\$ 14,094,132</u>	<u>\$ 15,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,094,132</u>

December 31, 2015

	1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 5,049,990	\$ 21,630,000	\$ -	\$ -	\$ 26,679,990
Non-interest bearing	<u>4,069,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,069,395</u>
	<u>\$ 9,119,385</u>	<u>\$ 21,630,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,749,385</u>

b) The Company's derivative financial instruments with agreed settlement date were as follows:

December 31, 2016

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Net settled</u>					
Commodity futures contracts	\$ (464)	\$ 19,036	\$ 310	\$ -	\$ 18,882
Exchange rate swaps contracts	<u>(1,155)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,155)</u>
	<u>\$ (1,619)</u>	<u>\$ 19,036</u>	<u>\$ 310</u>	<u>\$ -</u>	<u>\$ 17,727</u>

December 31, 2015

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Net settled</u>					
Commodity futures contracts	\$ 150,676	\$ (9,101)	\$ (9,400)	\$ -	\$ 132,175
Forward exchange contracts	-	-	(11,628)	-	(11,628)
Exchange rate swaps contracts	<u>3,050</u>	<u>1,894</u>	<u>4,986</u>	<u>-</u>	<u>9,930</u>
	<u>\$ 153,726</u>	<u>\$ (7,207)</u>	<u>\$ (16,042)</u>	<u>\$ -</u>	<u>\$ 130,477</u>

e. Transfers of financial assets

Factored trade receivables for the nine months ended December 31, 2016 and 2015 were as follows:

Counterparties	Receivables Sold	Amounts Collected	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line (In Thousands)
<u>2016</u>					
CTBC bank	<u>\$ 91,202</u>	<u>\$ 89,902</u>	<u>\$ -</u>	-	US\$ 3,000
<u>2015</u>					
CTBC bank	<u>\$ 44,505</u>	<u>\$ 31,961</u>	<u>\$ -</u>	-	US\$ 3,000

The above credit lines may be used on a revolving basis.

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the parent company and consolidated subsidiaries had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties were disclosed as below:

a. Sales

	Year Ended December 31	
	2016	2015
Subsidiaries	\$ 4,162,442	\$ 5,771,708
Other related parties	<u>-</u>	<u>236,403</u>
	<u>\$ 4,162,442</u>	<u>\$ 6,008,111</u>



b. Rental income

	Year Ended December 31	
	2016	2015
Subsidiaries	\$ 240	\$ 240
Associates	22,212	17,680
Other related parties	<u>9,988</u>	<u>12,948</u>
	<u>\$ 32,440</u>	<u>\$ 30,868</u>

c. Purchases

	Year Ended December 31	
	2016	2015
Subsidiaries	\$ 39,809	\$ 200,791
Other related parties	<u>-</u>	<u>71,332</u>
	<u>\$ 39,809</u>	<u>\$ 272,123</u>

d. Administrative expenses

	Year Ended December 31	
	2016	2015
Subsidiaries	\$ 300	\$ 301
Associates	9,761	9,811
Other related parties	<u>7,395</u>	<u>7,568</u>
	<u>\$ 17,456</u>	<u>\$ 17,680</u>

The stock registration matters of the Company and related parties were handled together. The related fees allocated to the related parties were charged against general and administrative expenses.

e. Notes receivable

	December 31	
	2016	2015
Associates	\$ 656	\$ 490
Other related parties	<u>99</u>	<u>-</u>
	<u>\$ 755</u>	<u>\$ 490</u>

f. Trade receivable

	December 31	
	2016	2015
Associates	\$ 446,725	\$ 503,259
Other related parties	<u>-</u>	<u>-</u>
	<u>\$ 446,725</u>	<u>\$ 503,259</u>

g. Trade payables

	December 31	
	2016	2015
Subsidiaries	<u>\$ 3,910</u>	<u>\$ 159,759</u>

h. Other receivables

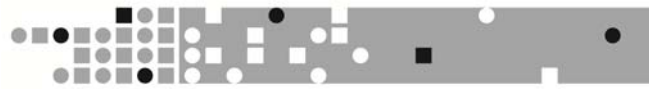
	December 31	
	2016	2015
Subsidiaries	\$ 426	\$ 53
Associates	1,799	2,329
Other related parties	<u>2,556</u>	<u>1,969</u>
	<u>\$ 4,781</u>	<u>\$ 4,351</u>

i. Property, plant and equipment acquired

	Price	
	Year Ended December 31	
	2016	2015
Subsidiaries	<u>\$ -</u>	<u>\$ 9,041</u>

j. Property, plant and equipment disposed

	Year Ended December 31			
	2016		2015	
Related Parties Types	Price	Gain on Disposal	Price	Gain on Disposal
Associates	\$ 291	\$ 273	\$ -	\$ -
Other related parties	<u>-</u>	<u>-</u>	<u>706</u>	<u>681</u>
	<u>\$ 291</u>	<u>\$ 273</u>	<u>\$ 706</u>	<u>\$ 681</u>



k. Financial assets acquired

For the year ended December 31, 2016

Related Parties Types	Account Items	Number of Shares	Underlying Assets	Price
Subsidiaries	Investment accounted for using equity method	10,500	P.T Walsin Lippo Industries	\$ 481,663
Subsidiaries	Investment accounted for using equity method	1,050,000	PT. Walsin Lippo Kabe	11,656
				<u>\$ 493,319</u>

l. Loan guarantees

Related Parties Types	December 31	
	2016	2015
Subsidiaries	<u>US\$ 36,500</u>	<u>US\$ 36,500</u>

m. Compensation of key management personnel

The remuneration of directors and other members of key management personnel was as follows:

	Year Ended December 31	
	2016	2015
Short-term benefits	\$ 140,393	\$ 107,089
Post-employment benefits	<u>2,782</u>	<u>3,458</u>
	<u>\$ 143,175</u>	<u>\$ 110,547</u>

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collaterals for bank borrowings and guarantees for tariff of imported raw materials:

	December 31	
	2016	2015
Other non-current assets - refundable deposits	<u>\$ 37,100</u>	<u>\$ 37,100</u>

28. SIGNIFICANT CONTINGENCIES LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2016 and 2015 were as follows:

- a. Outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2016 and 2015 were as follows (in thousands):

	December 31	
	2016	2015
U.S. dollars	US\$ 32,427	US\$ 28,296
Japanese yen	JPY 48,421	JPY 60,064
Euro	EUR 25,484	EUR 37,008
New Taiwan dollars	NT\$ 83,663	NT\$ 54,424

- b. As of December 31, 2016, the outstanding standby letters of credit not reflected in the accompanying financial statements amounted to approximately NT\$421,321 thousand, US\$66 thousand and as of December 31, 2015, the outstanding standby letters of credit not reflected in the accompanying financial statements amounted to approximately NT\$412,262 thousand; tariff letters of credit amounted to approximately NT\$706,500 thousand and NT\$695,000 thousand; guarantees for the borrowings of its affiliates amounted to US\$36,500 thousand and US\$36,500 thousand.
- c. Non-cancelable copper and nickel procurement contracts with total contract value of US\$34,210 thousand US\$24,745 thousand were in effect as of December 31, 2016 and 2015.

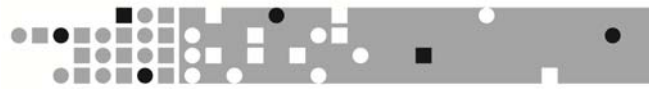
29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2016

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
U.S. dollars	\$ 68,746	32.250	\$ 2,217,072
Japanese yen	403,343	0.2756	111,161
Euros	10,653	33.900	361,139
Hong Kong dollars	3,926	4.158	16,325

(Continued)



	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Non-monetary items			
U.S. dollars	585	32.250	18,882
Investments accounted for using equity method			
U.S. dollars	42,035	32.250	1,355,615
Renminbi	6,757,745	4.64844	31,412,974
<u>Financial liabilities</u>			
Monetary items			
U.S. dollars	64,474	32.250	2,079,303
Euros	23	33.900	790
Swiss francs	17	31.525	536
Japanese yen	6,606	0.2756	1,821
Non-monetary items			
U.S. dollars	36	32.250	1,155
Investments accounted for using equity method			
Indonesian rupiah	445,000	0.0024	1,068 (Concluded)
<u>December 31, 2015</u>			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
U.S. dollars	\$ 49,549	32.825	\$ 1,626,454
Japanese yen	66,034	0.2727	18,008
Euros	35,151	35.880	1,261,204
Hong Kong dollars	2,246	4.235	9,513
Non-monetary items			
U.S. dollars	4,329	32.825	142,105
Investments accounted for using equity method			
U.S. dollars	\$ 35,212	32.825	\$ 1,155,840
Renminbi	7,772,256	5.05505	39,289,141
Indonesian rupiah	106,250	0.0024	255 (Continued)

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
U.S. dollars	36,278	32.825	1,190,826
Euros	176	35.880	6,304
Swiss francs	17	33.185	564
Japanese yen	1,212	0.2727	330
Non-monetary items			
Euros	324	35.880	11,628 (Concluded)

For the years ended December 31, 2016 and 2015, realized and unrealized net foreign exchange gain (loss) amounts were gain of NT\$42,152 thousand and gain of NT\$149,246 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the numerous foreign currency transactions and functional currencies of the Company entities.

30. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- a. Lending funds to others: None;
- b. Providing endorsements or guarantees for others: Please see Table 1 attached;
- c. Holding of securities at the end of the period: Please see Table 2 attached;
- d. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 % of paid-in capital or more: Please see Table 3 attached;
- e. Acquisition of real estate reaching NT\$300 million or 20 % of paid-in capital or more: None;
- f. Disposal of real estate reaching NT\$300 million or 20 % of paid-in capital or more: None;
- g. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 % of paid-in capital or more: Please see Table 4 attached;
- h. Trade receivables from related parties reaching NT\$100 million or 20 % of paid-in capital or more: Please see Table 5 attached;
- i. Trading in derivative instruments: Please see Notes 7 and 16;
- j. Information on investees: Please see Table 6 attached.



Information on investments in mainland China:

- a. Please see Table 7 attached for information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area.
- b. Please see Table 7 attached for any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:
 - 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period;
 - 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period;
 - 3) The amount of property transactions and the amount of the resultant gains or losses;
 - 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes;
 - 5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds; and
 - 6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services.

31. OPERATION SEGMENT FINANCIAL INFORMATION

The Company has provided the financial information of the operating segments in the consolidated financial statements. These parent company only financial statements do not provide such information.

TABLE 1

WALSIN LIHWA CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars and U.S. Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Each Guaranteed Party's Endorsement/ Guarantee Amounts (Note 3)	Highest Balance for the Period	Ending Balance (Note 4)	Actual Borrowing Amount	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statement (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note 3)	Guaranteed Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
0	Walsin Lihwa Corporation	Borrego Solar Systems, Inc.	c	NT\$ 2,499,375 (US\$ 77,500)	NT\$ 869,700 (US\$ 26,000)	NT\$ 838,500 (US\$ 26,000)	NT\$ 72,563 (US\$ 2,250)	\$ -	1	NT\$ 63,365,942	Yes	No	No
		Green Lake Exchange, LLC.	c	NT\$ 1,690,384 (US\$ 52,145)	NT\$ 351,225 (US\$ 10,500)	NT\$ 338,625 (US\$ 10,500)	NT\$ - (US\$ -)	-	1		"	"	"
				NT\$ 4,189,759	NT\$ 1,220,925	NT\$ 1,177,125	NT\$ 72,563		2				

Notes:

- The information on Walsin Lihwa Corporation and the subsidiaries is listed and labeled on the "No." column.
 - "0" represents Walsin Lihwa Corporation.
 - Subsidiaries are numbered starting with 1.
- The relationship between Walsin Lihwa Corporation and the endorsed/guaranteed entities can be classified into six types.
 - The entity is with business transactions.
 - The subsidiary in which over 50% of common stock was held by the parent company directly.
 - The invested company in which over 50% of common stock was held directly/indirectly by Walsin Lihwa Corporation and the subsidiaries.
 - The parent company which held directly or indirectly through subsidiaries over 50% of common stock of Walsin Lihwa Corporation.
 - The mutually endorsed companies due to the requirement of the project work.
 - The Company which was endorsed due to the co-investment agreement. The endorsement percentage of each investor is based on the investment percentage.
- According to the Article of endorsement/guarantee and financing provided by Walsin Lihwa Corporation, the total limited amount of endorsement/guarantee cannot exceed 100% of the net value of Walsin Lihwa Corporation's current financial statement (including the consolidated financial statement). The limited amount of the endorsement/guarantee and financing provided for the single enterprise cannot exceed the net value of the guaranteed company. The limited amount of the guarantee to the invested company in which over 66.67% of the common stock was held cannot exceed the amount which is 250% of the net value multiplied by the equity percentage of the guarantee provider; however, the limits mentioned above are not applicable to Walsin Lihwa Corporation's wholly owned holding companies incorporated in duty-free area overseas.
 - The limited amount of endorsement/guarantee provided was as follows:

$$\text{NT\$}63,365,942 \times 100\% = \text{NT\$}63,365,942.$$
 - The limited amount of endorsement/guarantee provided for the single entity was as follows:
 Borrego Solar Systems, Inc.: $\text{US\$}39,810 \times 250\% \times 77.87\% = \text{US\$}77,500.$
 Green Lake Exchange, LLC.: $\text{US\$}20,966 \times 250\% \times 100\% = \text{US\$}52,415.$
- The currency exchange rate as of December 31, 2016 was as follows: US\$ to NT\$ = 1:32.25.

TABLE 2

WALSIN LIHWA CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Walsin Lihwa Corporation	Stock							
	HannStar Display	Chairman of the board of directors is an immediate relative of the chairman of the board of directors of Walsin Lihwa Corporation	Available-for-sale financial assets - non-current	237,292,180	\$ 1,865,116	7.34	\$ 1,865,116	
	HannStar Board	-	"	58,955,639	1,037,619	13.09	1,037,619	
	Taiwan High Speed Rail	"	"	4,794,000	88,210	0.23	88,210	
	Powertec Energy Corp.	The holding company is a director of the issuer company	Financial assets measured at cost - non-current	380,167,354	938,758	17.03	1,437,003	
	Kuong Tai Metal Industrial Co., Ltd.	"	"	9,631,802	114,355	9.39	197,452	
	One-Seven Trading Co., Ltd.	-	"	30,000	300	6.67	304	
	Global Investment Holdings	The holding company is a director of the issuer company	"	5,562,000	43,680	2.93	47,333	
	WK Technology Fund	-	"	1,902,387	22,457	1.91	19,842	(Note)
	Universal Venture Capital Investment	"	"	1,400,000	13,280	1.16	13,244	(Note)
Parawin Venture Capital Corp.	"	"	508,101	724	0.87	2,911		

Note: The difference of fair value less carrying value is not permanent, so no impairment is recognized.

TABLE 3**WALSIN LIHWA CORPORATION**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)**

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units	Amount
Walsin Lihwa Corporation	Stock Concord Industries Ltd.	Investments accounted for using equity method	Capital reduction	Subsidiary	469,203,187	\$ 11,063,039	-	\$ (1,658,808) (Note)	36,900,000	\$ 1,201,095	\$ 1,201,095	\$ -	432,303,187	\$ 8,203,136
	Market Pilot Ltd.	"	Capital investment	"	100,000,000	(709,362)	27,000,000	820,998 (Note)	-	-	-	-	127,000,000	111,636

Note: The amount included investment income or loss and adjustments to cumulative translation adjustments.

TABLE 4

WALSIN LIHWA CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Walsin Lihwa Corporation	Walsin Lihwa Holdings Ltd.	Subsidiary	Sales	\$ (3,876,969)	(6)	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	\$ 358,948	15	
	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	100% indirectly owned subsidiary	Sales	(174,211)	-	"	"	"	72,586	3	
	Changshu Walsin Specialty Steel Co., Ltd.	100% indirectly owned subsidiary	Sales	(104,994)	-	"	"	"	15,190	1	

TABLE 5**WALSIN LIHWA CORPORATION**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Walsin Lihwa Corporation	Walsin Lihwa Holdings Ltd.	Subsidiary	Trade receivables \$ 358,948	9.74	\$ -	-	\$ 358,948	\$ -

TABLE 6

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2016

Information of investees that Walsin Lihwa Corporation has control ability or significant influence was as follows (in thousands of New Taiwan dollars):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
Walsin Lihwa Corporation	Walsin Lihwa Holdings Ltd.	Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	Investments	\$ 12,062,611	\$ 16,201,161	391,147,848	100.00	\$ 19,939,154	\$ 1,423,729	\$ 1,423,875	
	Concord Industries Ltd.	Trident Chambers Wickhams Cay P.O. Box 146, Road Town, Tortola, British Virgin Islands	Investments	16,328,743	17,529,838	432,303,187	100.00	8,203,136	(892,595)	(892,595)	
	Touch Micro-System Technology Corp.	566 Gaoshin Road, Yangmei Township, Taoyuan 326 Taiwan, R.O.C.	OEM on MEMS foundry service	750,000	750,000	2,100,000	100.00	9,359	(28)	(28)	
	Ace Result Global Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	1,676,504	1,676,504	47,639,988	100.00	732,108	(227,659)	(227,659)	
	Energy Pilot Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	562,829	562,829	20,670,001	100.00	748,344	132,347	132,347	
	Market Pilot Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	3,799,884	2,926,037	127,000,000	100.00	111,636	(51,339)	(51,339)	
	Min Maw Precision Industry Corp.	25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	Solar power systems management, design, and installation	180,368	180,368	24,150,000	100.00	297,386	40,869	40,869	
	Chin-Cherng Construction Co.	5th Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Construction business	611,687	611,675	277,257,758	99.22	3,484,702	(36,964)	(36,674)	
	Walsin Info-Electric Corp.	2nd Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Mechanical and electrical, communications, and power systems	66,406	208,778	9,491,461	98.87	132,222	758	749	
	PT. Walsin Lippo Industries	Jl. MH. Thamrin Block A1-1, Delta Silicon Industrial Park, Lippo Cikarang, Dekasi 17550, Indonesia	Steel wires	481,663	481,663	10,500	70.00	607,271	128,546	89,982	
	PT. Walsin Lippo Kabel	Kawasan Newton J 7-5 Rt. 001 Rw. 04, Serang, Cikarang Selatan, Bekasi	Production and sale of cables and wires	11,656	11,656	1,050,000	70.00	(1,068)	(1,897)	(1,328)	
	Joint Success Enterprises Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	Investments	1,224,479	1,224,479	38,020,000	49.05	2,426,940	(95,535)	(22,515)	
	Chin-Xin Investment Co., Ltd.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	Investments	2,237,969	2,237,969	179,468,270	37.00	2,510,503	32,857	12,157	
	Concord VII Venture Capital Co., Ltd.	11th Floor, 132 Min-Sheng East Road Sec. 3, Taipei 104, Taiwan, R.O.C.	Venture capital	-	212,480	-	-	-	391	169	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	Percentage of Ownership	Carrying Value			
	Walsin Color Co., Ltd.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	Management of investments and conglomerate	\$ 416,849	\$ 416,849	47,114,093	33.97	\$ 412,974	\$ (19,792)	\$ (6,723)	
	Concord II Venture Capital Co., Ltd.	11th Floor, 132 Min-Sheng East Road Sec. 3, Taipei 104, Taiwan, R.O.C.	Venture capital and consulting affairs	257,860	257,860	26,670,699	26.67	205,069	(21,092)	(5,625)	
	Winbond Electronics Corp.	No. 8, Keya 1st Rd., Daya Township, Taichung County 428, Taiwan R.O.C.	Research, development, production and sale of semiconductors and related components	5,834,460	5,834,460	811,327,531	22.66	10,023,613	2,899,721	657,077	
	Walton Advanced Engineering, Inc.	No. 18, Yugang N. 1st Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan, R.O.C.	Production, sale, and test of semiconductors	1,185,854	1,185,854	109,628,376	22.71	1,855,648	440,344	98,640	
	Walsin Technology Corp.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	Production and sale of ceramics capacitors	1,707,966	1,784,827	94,794,970	18.30	2,651,897	2,156,936	393,917	

(Concluded)

TABLE 7

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars/U.S. Dollars/Renminbi)

Walsin Lihwa Corporation

A. The names of investee companies in Mainland China, main businesses and products, total amount of paid-in capital, investment type, investment flows, percentage of ownership in investment, investment gain or loss, carrying value, accumulated inward remittance of earnings and upper limit on investment in Mainland China were as follows:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 17)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Jiangyin Walsin Steel Cable Co., Ltd.	Manufacture and sale of steel cables and wires	\$ 645,000 (US\$ 20,000)	b	\$ 483,750 (US\$ 15,000) (Note 2)	\$ -	\$ -	\$ 483,750 (US\$ 15,000) (Note 2)	\$ (34,501)	75.00	\$ (25,874)	\$ 777,586	\$ -
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Manufacture and sale of cables and wires	503,971 (US\$ 15,627)	b	482,331 (US\$ 14,956) (Note 3)	-	-	482,331 (US\$ 14,956) (Note 3)	(15,302)	95.71	(14,647)	973,453	-
Hangzhou Walsin Power Cable & Wire Co., Ltd.	Manufacture and sale of cables and wires	5,227,080 (US\$ 162,080)	b	3,193,073 (US\$ 99,010) (Note 4)	-	-	3,193,073 (US\$ 99,010) (Note 4)	(312,251)	38.93	(132,956)	1,137,837	-
Walsin (China) Investment Co., Ltd.	Investments	2,534,850 (US\$ 78,600)	b	2,534,850 (US\$ 78,600) (Note 5)	-	-	2,534,850 (US\$ 78,600) (Note 5)	328,291	100.00	325,045	4,403,128	-
Changshu Walsin Specialty Steel Co., Ltd.	Manufacture and sale of specialized steel tubes	3,128,250 (US\$ 97,000)	b	3,128,250 (US\$ 97,000) (Note 6)	-	-	3,128,250 (US\$ 97,000) (Note 6)	(862,909)	100.00	(862,909)	1,041,959	-
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Manufacture and sale of stainless steel	1,257,750 (US\$ 39,000)	b	1,257,750 (US\$ 39,000) (Note 7)	-	-	1,257,750 (US\$ 39,000) (Note 7)	595,609	100.00	595,609	(655,785)	-
Dongguan Walsin Wire & Cable Co., Ltd.	Manufacture and sale of bare copper cables and wires	838,500 (US\$ 26,000)	b	838,500 (US\$ 26,000) (Note 8)	-	-	838,500 (US\$ 26,000) (Note 8)	264,622	100.00	264,622	1,938,009	-
Nanjing Walsin Metal Co., Ltd.	New copper metal material	2,618,700 (US\$ 81,200) (Note 9)	b	1,959,446 (US\$ 60,758) (Note 10)	-	-	1,959,446 (US\$ 60,758) (Note 10)	658,561	78.26	515,363	3,736,528	-
Jiangyin Walsin Precision Metal Technology Co., Ltd.	Precision alloy wire	1,580,250 (US\$ 49,000)	b	1,580,250 (US\$ 49,000) (Note 11)	-	-	1,580,250 (US\$ 49,000) (Note 11)	(373,824)	100.00	(373,824)	71,471	-
XiAn Walsin Metal Product Co., Ltd.	Manufacture and sale of specialized stainless steel plates	322,500 (US\$ 10,000)	b	322,500 (US\$ 10,000)	-	-	322,500 (US\$ 10,000)	(57,476)	100.00	(57,476)	(1,024,000)	-
Yantai Walsin Stainless Steel Co., Ltd.	Production and sale of electronic components and new alloy materials	5,000,846 (US\$ 155,065) (Note 12)	b	1,061,896 (US\$ 32,927)	-	-	1,061,896 (US\$ 32,927)	(312,807)	100.00	(312,807)	(398,956)	-

(Continued)



Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 17)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Commerce and investments	\$ 1,580,250 (US\$ 49,000)	b	\$ 1,580,250 (US\$ 49,000)	\$ -	\$ -	\$ 1,580,250 (US\$ 49,000)	\$ 31,636	100.00	\$ 31,636	\$ 1,493,886	\$ -
Changzhou China Steel Precision Materials Co., Ltd.	Melting and forging of nonferrous metallic materials and composites as well as new types of alloys	1,406,100 (US\$ 43,600)	b	421,830 (US\$ 13,080)	-	-	421,830 (US\$ 13,080)	(99,838)	30.00	(29,951)	318,854	984,270
XiAn Walsin United Technology Co., Ltd.	Electronic devices and module	3,221,775 (US\$ 99,900)	b	3,223,646 (US\$ 99,958)	-	-	3,223,646 (US\$ 99,958)	(125,528)	100.00	(125,528)	(803,074)	-
Nanjing Walsin Expo Exhibition Ltd.	Exhibition and conference organizing service	14,158 (US\$ 439)	b	8,546 (US\$ 265)	-	-	8,546 (US\$ 265)	(1,305)	60.00	(781)	497	-
Nanjing Taiwan Trade Mart Management Co., Ltd.	Business and asset management, consulting and advertising services	32,250 (US\$ 1,000)	b	32,250 (US\$ 1,000)	-	-	32,250 (US\$ 1,000)	58,555	100.00	58,555	(713,373)	-
XiAn Lv Jing Technology Co., Ltd.	Solar Module Assembly	1,457,700 (US\$ 45,200)	c	645,000 (US\$ 20,000)	-	-	645,000 (US\$ 20,000)	(22,715)	100.00	(22,715)	706,046	-
Shaanxi Tianhong Silicon Industrial Corporation	Polysilicon Production	5,578,128 (RMB 1,200,000)	b	- (US\$ -)	-	-	- (US\$ -)	(52,661)	19.00	-	622,891 (Note 13)	-
Xian Walsin Opto-electronic Ltd.	LED, micro projector, and solar cell assembly	4,838 (US\$ 150)	b	4,838 (US\$ 150)	-	-	4,838 (US\$ 150)	66	100.00	66	(134,163)	-
Jiangsu Taiwan Trade Mart Development Co., Ltd.	Development and management of Nanjing Taiwan Trade Mart Management Co., Ltd.	46,484 (RMB 10,000)	b	9,804 (US\$ 304)	-	-	9,804 (US\$ 304)	281	20.00	39	9,427	-
Shaanxi Optoelectronics Technology Co., Ltd.	Communication equipment and electronic components	464,844 (RMB 100,000)	b	- (RMB -)	-	-	- (RMB -)	(272)	19.00	-	88,320	-
Walsin (Nanjing) Construction Ltd.	Construction, rental and sale of buildings and industrial factories	1,745,684 (RMB 375,542)	b	1,745,684 (RMB 375,542) (Note 14)	-	-	1,745,684 (RMB 375,542) (Note 14)	(157,886)	99.60	(157,255)	3,851,991	-
Nanjing Walsin Property Management Co., Ltd.	Property management, business management and housing leasing	4,648 (RMB 1,000)	b	- (RMB -)	-	-	- (RMB -)	14,445	99.60	14,388	(13,871)	-

(Continued)

B. The upper limit on investment of the Company in Mainland China was as follows:

Accumulated Investment in Mainland China as of December 31, 2016 (NT\$ and US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (NT\$ and US\$ in Thousands)	Upper Limit on Investment (NT\$ in Thousands)
\$ 22,756,535 (US\$ 705,629)	\$ 24,137,448 (US\$ 748,448)	N/A (Note 18)

Note:

1. Investments can be classified into three types as follows:
 - a. Direct investment in Mainland China,
 - b. Reinvestment in Mainland China through third country companies, and
 - c. Others.
2. Including US\$4,500 thousand investment through Walsin (China) Investment Co., Ltd.
3. Including US\$7,349 thousand investment through Walsin (China) Investment Co., Ltd.
4. Including US\$2,800 thousand investment through Walsin (China) Investment Co., Ltd., and US\$22,730 thousand dividends appropriated from Dongguan Walsin Wire & Cable Co., Ltd., Jiangying Walsin Steel Cable Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. and Hangzhou Walsin Power Cable & Wire Co., Ltd.
5. Capital investment of US\$28,600 thousand was contributed from the accounts payable of Walsin (China) Investment Co., Ltd. to Walsin Lihwa Holdings Ltd.
6. Including US\$8,000 thousand investment through Walsin Specialty Steel Corp. and US\$42,000 thousand dividends appropriated from Changshu Walsin Specialty Steel Co., Ltd. and Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.
7. Including US\$4,800 thousand investment through Walsin (China) Investment
8. Investment through Walsin (China) Investment Co., Ltd.
9. Including US\$3,500 thousand revaluation increment of assets
10. By the dividends of US\$43,521 thousand appropriated from Nanjing Walsin Photoelectric Co., Ltd. to Renowned International Ltd. and the dividends of US\$300 thousand appropriated from Jiangyin Walsin Steel Cable Co., Ltd. to Walsin (China) Investment Co., Ltd.
11. Including investment through Walsin (China) Investment Co., Ltd. of US\$4,500 thousand and own capital of Walsin (China) Investment Co., Ltd. of US\$4,500 thousand
12. Including RMB578,796 thousand (capital consisted of equity fund of Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd., Changzhou Wujin NSL Co., Ltd. and Changshu Walsin Specialty Steel Co., Ltd.), RMB3,750 thousand (investment made through Changzhou Wujin NSL Co., Ltd.), and US\$32,927 thousand (investment made through Yantai Huanghai Iron and Steel Co., Ltd. and Yantai Dazhong Recycling Resource Co., Ltd., the two companies that merged with Yantai Walsin Stainless Steel Co., Ltd. which is the existing company)
13. Including carrying value of RMB168,000 thousand (of Shaanxi Tianhong Silicon Industrial Corporation which is indirectly owned by Walsin Lihwa Holdings after Walsin Lihwa Holdings purchased Lead Hero Ltd. equity at purchase cost of US\$1), and equity fund of RMB60,000 thousand of XiAn Lv Jing Technology Co., Ltd.
14. Including investment through Joint Success Enterprise Ltd. approved in the previous years
15. Amounts stated in thousands of NT\$, except for those stated in thousands of US\$ and RMB.
16. The currency exchange rates as of December 31, 2016: US\$ to NT\$ = 1:32.25, RMB to NT\$ = 1:4.64844; the average exchange rates of December 31, 2016: US\$ to NT\$ = 1:32.263, RMB to NT\$ = 1:4.85171
17. The amounts recognized based on the reviewed financial statements.
18. Upper limit on investment:

The Company had been approved as the operation headquarters by Industrial Development Bureau, Ministry of Economic Affairs; thus, it has been exempted from the related regulations of Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China.

(Continued)

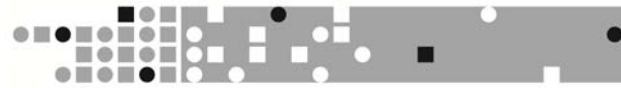
C. Significant direct or indirect transactions between the Company and investees in Mainland China

(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship	Transaction Type	Amount	% to Total	Transaction terms			Notes/Accounts Payable or Receivable		Unrealized Loss
					Unit Price	Payment Terms	Compare to General Transactions	Ending Balance	% to Total	
Changshu Walsin Specialty Steel Co., Ltd.	100% indirectly owned subsidiary	Sales	\$ (104,994)	-	The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	\$ 15,190	1	\$ (3,860)
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	"	"	(174,211)	-	"	"	"	72,586	3	(6,254)

(Concluded)

6. Any financial crunch confronted by the Company or its subsidiaries and related impacts in the most recent year and up to the date of annual report publication : None.



VII Review of Financial Conditions, Financial Performance, and Risk Management

1. Analysis of Financial Status

Unit : NT Thousands

Items \ Year	2015	2016	Difference	
			Amount	%
Current Assets	51,200,394	55,356,705	4,156,311	8.12
Property, Plant and Equipment	17,575,655	20,483,863	2,908,208	16.55
Intangible Assets	199,080	177,029	(22,051)	(11.08)
Other Assets	35,708,162	38,161,617	2,453,455	6.87
Total Assets	104,683,291	114,179,214	9,495,923	9.07
Current Liabilities	17,078,873	32,360,784	15,281,911	89.48
Non-current Liabilities	24,035,959	16,536,425	(7,499,534)	(31.20)
Total Liabilities	41,114,832	48,897,209	7,782,377	18.93
Capital Stock	35,760,002	33,960,002	(1,800,000)	(5.03)
Capital Surplus	15,766,866	15,701,403	(65,463)	(0.42)
Retained Earnings	11,383,125	15,211,219	3,828,094	33.63

Note: The reasons, effects and future plans about that changes in assets, liabilities and equity which over 20% or NT\$10 million in last two years: None.

1. Reasons:

A. The increase of current liabilities and the decrease of non-current liabilities in 2016 compared to 2015 were due to the reclassification of current portion of long-term borrowings, and the advance receipts on real estate that Walsin (Nanjing) Construction Limited signed an agreement with third parties for selling real estate as of December 31, 2016.

B. The increase of retained earnings in 2016 compared to 2015 was due to the increasing profit in 2016.

2. Effects: None.

3. Future plans: Keep working on managing working capital and asset and liability structure.



2. Analysis of Financial Performance

Unit : NT Thousands

Items	Year	2015	2016	Difference													
				Amount	%												
Operating Revenue		149,338,115	143,355,241	(5,982,874)	(4.01)												
Operating Costs		143,528,560	133,791,800	(9,736,760)	(6.78)												
Gross Profit		5,809,555	9,563,441	3,753,886	64.62												
Operating Expense		3,851,811	4,241,667	389,856	10.12												
Profit from Operations		1,957,744	5,321,774	3,364,030	171.83												
Non-operating Revenue and Expense		507,687	851,597	343,910	67.74												
Profit before Taxes		2,465,431	6,173,371	3,707,940	150.40												
Tax Expense		737,299	1,334,868	597,569	81.05												
Net Income		1,728,132	4,838,503	3,110,371	179.98												
<p>I. The variance analysis in last two years:(Variable proportion over 20%)</p> <ol style="list-style-type: none"> In 2016, the stainless steel business benefited from the overall market's steady performance on production and sales, increasing sales volume and gross profit. Copper material business increase its gross profit by the declining fuel cost. Borrego Solar System, Inc. benefited from the growth of solar energy market in U.S. and earned increasing profit in 2016. As the investees' earnings became more stable in 2016, share of gain of subsidiaries and associates under equity method was NT\$1 billion, increasing NT\$340 million compared to 2015. Tax expense increased NT\$600 million in 2016 compared to 2015 was due to the increase of profit from operations in 2016. <p>II. The reason for the changes in business content changes: None.</p> <p>III. The expected sales volume in the next year and its main reason:</p> <ol style="list-style-type: none"> Expected sales volume in the next year: 2017(Unit : ton) <table border="0" style="margin-left: 20px;"> <tr> <td>Bare copper wire</td> <td>518,578</td> </tr> <tr> <td>Power line</td> <td>44,595</td> </tr> <tr> <td>Strand</td> <td>119,088</td> </tr> <tr> <td>Stainless steel</td> <td>463,150</td> </tr> <tr> <td>Hot rods</td> <td>311,000</td> </tr> <tr> <td>Seamless steel pipe</td> <td>13,200</td> </tr> </table> The basis of the expected sales volume and Possible future impact on the Company's financial operations and response plans: see the contents (5)-Business Overview 						Bare copper wire	518,578	Power line	44,595	Strand	119,088	Stainless steel	463,150	Hot rods	311,000	Seamless steel pipe	13,200
Bare copper wire	518,578																
Power line	44,595																
Strand	119,088																
Stainless steel	463,150																
Hot rods	311,000																
Seamless steel pipe	13,200																



3. Analysis of Cash Flow

(1) Cash flow analysis for the current year

Unit : NT Thousands

Cash and Cash Equivalents at the beginning of the year	Net Cash flow from Operating Activities	Net Cash flow from Investing Activities	Net Cash flow from Financing Activities	Effects of Exchange Rate Changes	Cash and Cash Equivalents at the ending of the year	Note
8,887,554	7,439,385	(2,139,538)	(3,768,578)	(2,685,239)	(1,153,970)	
<p>Analysis of change in cash flow in the current year:</p> <p>1.The inflows of net cash used in operating activities NT\$7,439,385 thousand due to the profit before taxes and the advance receipts on real estate.</p> <p>2.The outflows of net cash used in investing activities was NT\$2,139,538 thousand due to the capital expenditure of stainless steel plant.</p> <p>3.The outflows of net cash used in financing activities was NT\$3,768,578 thousand due to the decrease of borrowings and acquisition of treasury shares.</p> <p>4.The outflows of net cash in the year was NT\$1,153,970 thousand and the ending balance of cash was NT\$7,733,584 thousand.</p>						

(2) Remedy for cash Deficit and Liquidity Analysis: Not applicable °

(3) Cash flow Analysis for the coming Year

Unit : NT Thousands

Cash and Cash Equivalents at the beginning of the year	Net Cash flow from Operating Activities	Net Cash flow from Investing Activities	Net Cash flow from Financing Activities	Effects of Exchange Rate Changes	Cash and Cash Equivalents at the ending of the year	Note
7,733,584	12,227,939	(5,729,629)	(10,336,491)	0	3,895,403	
<p>Analysis of change in cash flow for the coming year:</p> <p>1.The inflows of net cash used in operating activities due to the increase of profit before taxes and the expected deduction of inventory.</p> <p>2.The outflows of net cash used in investing activities due to the increase of capital expenditures, renewal of equipment and the investment in construction of Walsin (Nanjing) Construction Limited.</p> <p>3.The outflows of net cash used in financing activities due to repayments of borrowings and dividend payment.</p>						



4. Effect of Major Capital Expenditure on Financial Business Operation:

(1) Utilization of Funds on Major Capital Expenditures and Sources of Funds:

Unit: NT\$ million

Project	Source of funds	Actual or estimated completion date	Investment	Actual or Expected Status of Spending				
				2014	2015	2016	2017	2018
New capital expenditure on hot-rolled stainless steel coil plant	Working Capital	December 2016	2,167	146	293	1,460	268	
Pre-cold rolled Manufacturing Equipment	Working Capital	June 2018	1,436			95	755	586

(2) Project Benefits:

Expanding the steel coil product portfolio and productivity in preparation for future demand for plates.

5. Investment Policy of the Past Year, Profit/Loss Analysis, Improvement Plan and Investment Plan for the Coming Year:

(1) Investment Policy and Profit/Loss in the Past Year:

- On a consolidated basis, the Company's current key reinvestment areas are DRAM, TFT LCD passive components apart from cable, stainless steel and other core businesses.
- On a consolidated basis, in 2016, the gains for affiliated enterprises recognized by equity method was NT\$988 million, most of which came from recognizing the gain for Winbond Electronics Corporation and Walsin Technology Corporation.

(2) Main Reasons for Profit :

Due to the rebound in overall market conditions, affiliates recognized under the equity method slightly improved profits as compared to 2015.

(3) Investment Plan for the Coming Year:

To continue to focus on upstream and downstream consolidation of core businesses and carefully assess investment plans.

6. Risk Management and Assessment:

(1) Impact of Interest Rate and Exchange Rate Changes and Inflation on the Company's Profit and Countermeasures:

Affected item	Impact	Response measures:
Interest Rate Change	Net interest expense (interest expense less interest income) in 2016 was approximately NT\$107.7 million.	Based on the particular timing of capital requirements of the annual budget, the Company will acquire cheaper sources of capital from the market at specific points in time, and will also utilize market instruments (e.g. interest rate swaps) to lock in interest rate costs for long-term capital needs.
Exchange Rate Change	Foreign exchange gains for 2016 were approximately NT\$92 million (including profit/loss from trading foreign exchange derivative products).	Based on foreign currency positions, the Company will utilize market instruments (e.g. forward foreign exchange contracts) for hedging purposes.
Inflation	The Company's principal products are not for general public consumption therefore inflation has no direct impact on the Company.	None.



(2) Policies of Engaging in High-risk, High-leverage Investments, Lending to Others, Providing Endorsements and Guarantees and Derivatives Transactions, Profit/loss Analysis and Future Countermeasures:

Item	Policy	Major causes of profit or loss	Future response measures
High-risk, High-Leverage Investments	The Company does not engage in any high-risk, high-leverage investment activities.	None	None
Lending to Others	Conducted in accordance with the provisions of the Company's "Management Guidelines on Lending Company Funds to Others"	None	None
Endorsements/ Guarantees	Conducted in accordance with the provisions of the Company's "Management Guidelines on Endorsement/Guarantee"	None	None
Derivative Instrument Transactions	With respect to derivative instruments, the Company has mainly engaged in hedging transactions related to business operations and investment activities (foreign exchange and non-ferrous metals). For non-ferrous metals, the Company may carry out non-hedging transactions based on authorized positions and under risk management control for the purpose of curbing price volatilities in raw materials. The authorization is conducted in accordance with the Company's "Procedure for Derivatives Products Trades."	None	None

(3) Future R&D Plans and Projected R&D Investments: The research and development plans of each business group have been included in the business activities section of the Business Overview, and these plans have relatively low risks. Please refer to "Business Overview—A. Business Activities— (3) Overview of Technology and R&D".

(4) Major Changes in Domestic and Foreign Government Policies and Laws and Impact on the Company's Finances and Business: None

(5) Impact of Recent Technological and Market Changes on the Company's Finances and Business, and Countermeasures: None

(6) Impact of Change in Corporate Image on Risk Management and Countermeasures: None

(7) Expected Benefits and Potential Risks of Merger and Acquisition: None

(8) Expected Benefits and Potential Risks of Capacity Expansion: All capacity expansion for plants under Walsin and its group members has to undergo careful assessments. All major capital expenditure has to be submitted to the Board of Directors for review. Hence, investment benefits and potential risks will have been taken into account.

(9) Risks Associated with Over-concentration in Purchases or Sales and Countermeasures: None

(10) Impact of Mass Transfer(s) of Equity by or Change of Directors, Supervisors, or Shareholders Holding 10% or more Interest on the Company, the Associated Risks and Countermeasures: None

(11) Impact of Change of Control on the Company, Associated risks and Countermeasures: None

(12) Final and Non-appealable and Pending Material Litigious, Non-litigious or Administrative Legal Proceedings involving the Company, the Directors, the Supervisors and the President during the Most Recent Year and up to the Annual Report Publication Date:

1. With respect to pending litigious events as of the date of report, Yu-Cheng Chiao, the Company's Vice Chairman, has made a reply to the Company as follows:

(1) I am involved in only one pending lawsuit as of the date of your Company's annual report.

(2) Description of the lawsuit:

A. Facts, claim amount, lawsuit commencement date, main parties:

The Securities and Futures Investor Protection Center ("SFIPC") filed a lawsuit with Taiwan Taipei District Court on April 27, 2005 over misrepresentation of the financial statements of Pacific



Electric Wire & Cable Co., Ltd. (“Pacific Electric”). The lawsuit names myself and others (including other directors, supervisors and accounting firm) as co-defendants on grounds that I acted as a director of Pacific Electric between 1999 and 2001 and SFIPC requests compensation for damages from the co-defendants (Case No.: Taiwan Taipei District Court (referred to as “Taipei District Court” hereunder) 94-Jing-Zi-#22).

When SFIPC first initiated the action on April 27, 2005, it sought compensation in the amount of NT\$7,910,422,313 from 277 defendants including Pacific Electric. SFIPC later added Fubon Life Insurance and Hsing Yo Investment to the list of defendants on June 21, 2005 bringing the number of defendants to 279. The number of people appointing SFIPC as their representative in the class action suit subsequently increased and settlements were reached with several defendants. So far, SFIPC has reached settlement with 248 defendants involving a total settlement amount of NT\$196,100,000. Due to multiple changes in the calculation method and made several expansions and reductions in the number of claims, the most recent claim filed as in the oral argument brief of May 21, 2014 was NT\$7,836,447,750. Currently, the court has set July 19, 2017 for the continuance of oral argument proceedings.

B. Current status:

This case is currently in the first instance of proceedings in the Taipei District Court.

C. My and my attorney's views and handling plan for the case:

The case is still in the first instance of proceedings. Oral argument has begun, but is yet to be concluded. Thus my appointed attorney and I are not in a position to assess the results of the trial at the present time.

D. Possible maximum loss and possible amount of indemnification from the case:

Based on the settlement information provided by SFIPC, the amount of settlement reached between SFIPC and individual directors or supervisors of Pacific Electric ranges between NT\$12,330,000 and NT\$26,000,000. Thus even if I am later found to be liable for damages as a director of Pacific Electric at one time, my liability should not be too far off the amounts of settlement described above.

E. I am not financially strapped or in danger of losing my good credit standing as of the date of this reply.

An evaluation of the aforementioned lawsuit by the Company concludes that because the lawsuit is a personal affair of the Vice Chairman and does not involve the Company's finances or business, it is not expected to have any material impact on the interests of the Company's shareholders or stock price °

(13) Other significant risks and response measures:

1. The Company's KPIs:

(1) Financial indicators: Optimizing financial structure and control of bank financing agreements

Ratio	Formula	Target KPI	2016	2015
Debt ratio	Net liabilities (Total liabilities - Cash and cash equivalents) / Tangible assets	<=120%	65.14%	52.40%
Current ratio	Current assets / Current liabilities	>=100%	171.06%	299.78%
Times interest earned	Net income before income tax and interest expense / Current interest expense	>=150%	2,011.36%	681.97%
Tangible assets	Shareholders' equity - Intangible assets	>=NT\$50 billion	NT\$63.2 billion	NT\$61.5 billion



(2) Performance indicators: Return on shareholder's equity and income before accrued interest, tax, depreciation and amortization

Ratio	Formula	2016	2015
Return on shareholder's equity	Net Income after tax / Average of total shareholders' equity	7.51%	2.67%
Return before accrued interest, tax, depreciation and amortization	Income before interest and tax + depreciation and amortization	NT\$8,332 million	NT\$4,728 million

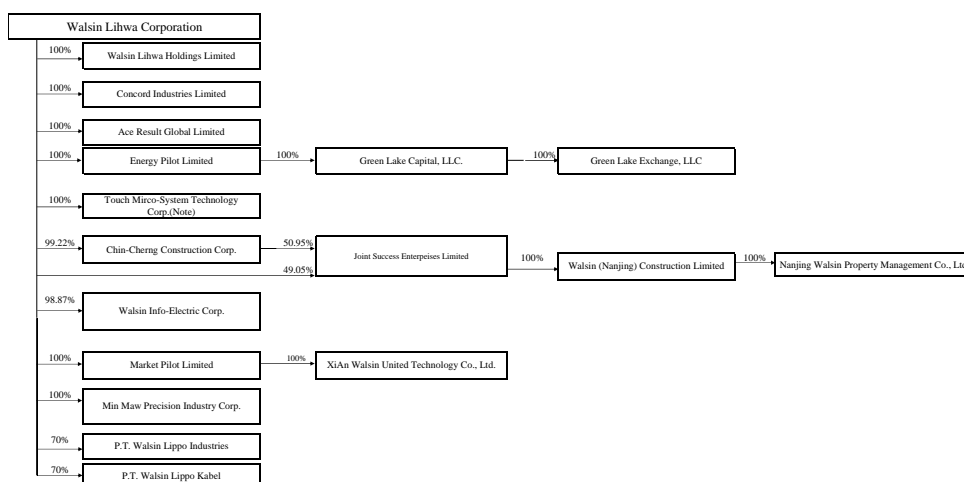
7. Other major issues and events: None

VIII Special Disclosures

1. Summary of Affiliates Companies

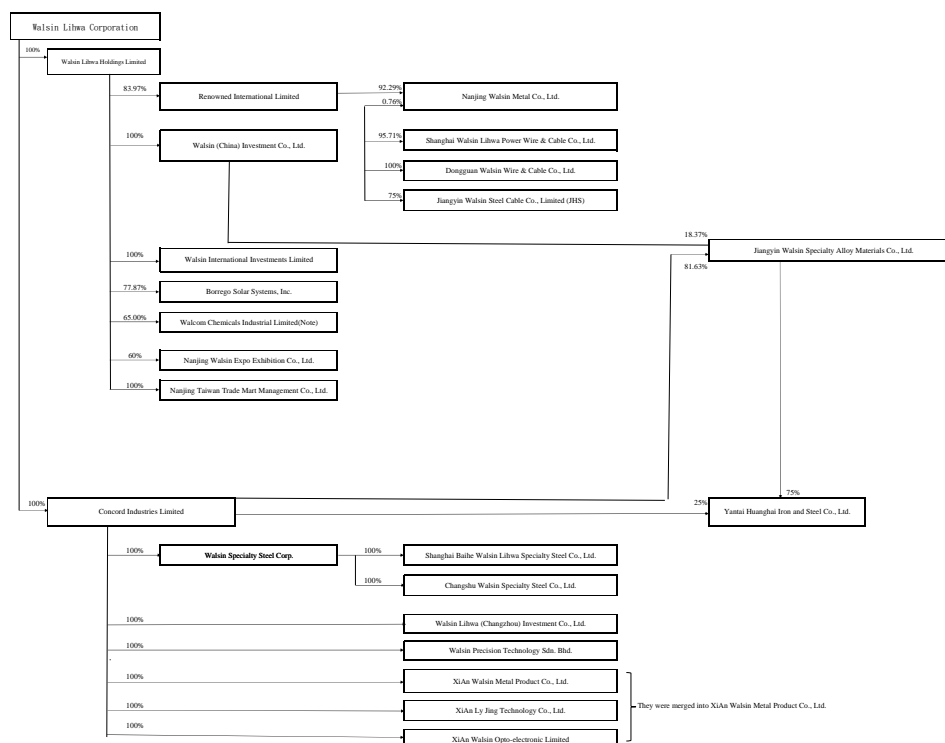
(1) Affiliates

1. Affiliated Organization Chart of Walsin Lihwa Corporation (2016.12.31)

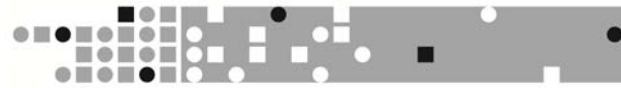


Note: Liquidating

2. Affiliated Organization Chart of Walsin Lihwa Holdings Limited and Concord Industries Limited (2016.12.31)



Note:WLC does not real control the company, it is not included in the consolidated financial statements of affiliated companies



(2) Background Information of the Affiliated Companies

Unit: NT thousands/Foreign Currency thousands

Entity	Date of Incorporation	Address	Capital	Main Operation or Business Items
Walsin Lihwa Holdings Limited	1992/07/15	Akara Building, 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	USD 391,148	Investment holding
Renowned International Limited	1993/03/04	Akara Building, 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	USD 20,172	Investments
Nanjing Walsin Metal Co., Ltd.	2004/12/27	No. 59, HengJing Road Nanjing Economical & Technical Development Zone, Jiangsu Province, China	RMB 620,827	Copper alloy, copper wires cable
Walsin (China) Investment Co., Ltd.	1995/11/02	Rm. 2804, 28th Floor, Shanghai Mart Tower, No. 2299, Yanan Road (West), Shanghai, China	USD 78,600	Investments
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	1995/03/21	No. 1128 Liuxiang Road, Nanxiang Town, Jiading, Shanghai	USD 15,627	Cables and wires
Dongguan Walsin Wire & Cable Co., Ltd.	2000/1/26	Xiniu Industrial Zone District, Dalang Town, Dongguan, Guangdong	USD 26,000	Bare copper cables and wires
Jiangyin Walsin Steel Cable Co., Ltd.	1992/12/16	No. 679 Binjiang Road (West), Binjiang Economic & Technology Development Zone, Jiangyin, Jiangsu	USD 20,000	Strand, steel wire, galvanized wire
Walsin International Investments Limited	1993/12/2	Unit 9-15, 22/F, Millennium City, 378Kwun Tong Road, Kwun Tong, Kooloon, Hong Kong	HKD 0	Investments
Borrego Solar Systems, Inc.	2002/3/1	6210 Lake Shore Drive San Diego, CA 92119, USA	USD 13,941	Solar electric systems
Walcom Chemicals Industrial Limited	1988/12/29	Unit 714, 7/F, Miramar Tower, 1-23 Kimberley Road, Tsimshatsui, Kowloon, Hong Kong	HKD 500	Commerce
Nanjing Walsin Expo Exhibition Ltd.	2009/5/6	No. 199 Yanshan Road, Nanjing	RMB 3,000	Exhibition and conference organizing service
Nanjing Taiwan Trade Mart Management Co., Ltd.	2010/4/14	Room 205, 2/F, No. 156, Mengdu Avenue, Jianye Zone, Nanjing	USD 1,000	Business management, property management, marketing, planning, advertising and consulting; marketing facilities leasing and marketing management; electronics, machinery, agricultural products, textiles, handicrafts and export, commission agency (except auction)
Concord Industries Limited	1992/8/25	Trident Chambers Wickhams Cay P.O.Box 146, Road Town, Tortola, British Virgin Islands	USD 432,303	Investment holding
Walsin Specialty Steel Corp	1997/8/7	Offshore Incorporations Centre, Road Town Tortola, British Virgin Islands	USD 125,200	Commerce and Investments
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	1997/8/8	No. 2402, Waiqingsong Road, Baihe Town, Qing Pu Zone, Shanghai	USD 39,000	Manufacture and sale of stainless steel flanges and fittings, elbows, tees, valves, bar length, precision straight bar, wire and tube products
Changshu Walsin Specialty Steel Co., Ltd.	1997/12/24	Haiyu Town, Changshu City, Jiangsu Province (Mailing address : No. 2, Hai Yang Road, Haiyu Town, Changshu City, Jiangsu Province)	USD 97,000	Production and sales of special steel, rod, wire, stainless steel pipe, architectural hardware and household heating equipment
Yantai Huanghai Iron and Steel Co., Ltd.	2007/3/19	No. 2 Wuzhishan Road. ETDZ Yantai City, Shantung Province,	USD 155,065	Manufacture and sale of steel billets and wire rods, import and export steel products and related technologies, recycle waste materials, wholesale business

(Next)

(Last)

Entity	Date of Incorporation	Address	Capital	Main Operation or Business Items
Walsin Lihwa (Changzhou) Investment Co., Ltd.	2013/12/16	6/F, No.2, Tenglong Road, Wujin Economic Development Area, Jiangsu	USD 49,000	Investment holding
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	2005/3/10	No. 677, Binjiang West Road, Jiangyin City, Jiangsu	USD 49,000	Cold-rolled stainless steel and flat-rolled products
Walsin Precision Technology Sdn. Bhd.	2000/3/15	2115-1, Kawasan Perindustrian air Keroh, Fasaiv, Air Keroh, 75450 Melaka, Malaysia	USD 8,470	stainless steel plates
XiAn Walsin Metal Product Co., Ltd. (Note1)	2008/6/20	2/F, Building B, No. 15, Shanglinyuan First Road, New Industrial Park, Hi-and-New Tech Park of Xian, Shaanxi	USD 10,000	Production and sale of medium and heavy specialized stainless steel plates.
XiAn LyJing Technology Co., Ltd. (Note1)	2007/8/8	No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of Xi'an, Shaanxi	USD 45,200	Solar module assembly
Xian Walsin Opto-electronic Limited (Note 1)	2010/12/17	No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of Xi'an, Shaanxi	USD 150	LED, micro projector, and solar cell assembly
ACE RESULT GLOBAL LIMITED	2014/10/8	P.O.Box 957, Offshore Incorporations Centre, Road Town Tortola, BVI	USD 47,640	Investment holding
ENERGY PILOT LIMITED	2009/7/28	P.O.Box 957, Offshore Incorporations Centre, Road Town Tortola, BVI	USD 20,670	Investment holding
Green Lake Capital, LLC.	2009/8/24	1209 Orange Street, Wilmington, Delaware 19801	USD 20,670	Solar power business
Green Lake Exchange, LLC.	2011/08/23	160 Greentree Drive, Suite 101, Dover, Delaware 19904	USD 11,355	Solar power project development
Touch Micro-System Technology Corp.	2004/04/02	566 Gaoshin Road, Yangmei Township, Taoyuan 326 Taiwan, R.O.C.	NTD 21,000	OEM on MEMS foundry service
Chin-Cherng Construction Co.	1973/06/28	5th Floor, 192 Jingye 1st Road, Jhongsan District, Taipei 104, Taiwan, R.O.C.	NTD 2,794,256	Construction business
JOINT SUCCESS ENTERPRISES LIMITED	2004/01/08	P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 77,520	Investments
Walsin (Nanjing) Construction Limited	2005/08/09	No. 236 Jiangdong Road, Jianye District, Nanjing, Jiangsu Province	USD 50,000	Construction, rental and sale of buildings and industrial factories
Nanjing Walsin Property Management Co., Ltd.	2013/01/30	No. 230, Hexi Avenue, Jianye Zone, Nanjing, Jiangsu	RMB 1,000	Property management, business management and housing leasing
Walsin Info-Electric Corp.	1995/6/21	25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	NTD 96,000	Solar Engineering, mechanical and electrical engineering, and Power engineering
MARKET PILOT LIMITED	2010/7/1	P.O.Box 957, Offshore Incorporations Centre, Road Town Tortola, BVI	USD 127,000	Investment holding
XiAn Walsin United Technology Co., Ltd.	2006/4/24	No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of Xian, Shaanxi	USD 99,900	Electronic devices and module
Min Maw Precision Industry Corp.	1970/10/17	25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	NTD 241,500	Solar power systems management, design, and installation
P.T Walsin Lippo Industries	1991/4/29	Jl. MH. Thamrin Blok A1-1, Delta Silicon Industrial Park, Lippo Cikarang, Bekasi 17550, Indonesia	USD 15,000	Steel wires
P.T. Walsin Lippo Kabel	1997/12/29	Lippo Centre LT. 11 Jl. Jend. Gatot Subroto Kav. 35-36, Jakarta Selatan	USD 1,500	Industrial cables

Note1 : Merge into XiAn Walsin Metal Product Co., Ltd. In Process.



(3) Presumed to have control and affiliation Common Shareholders Information: Not applicable

(4)The main Industries of affiliated companies:

1. Wire and cable industry
2. Stainless steel industry
3. Business real estate
4. General investment industry

Above table include the main operation or business items of each affiliated company.

The division of work of affiliated companies:

Each line of business affiliates operate independently, partially some affiliates have the purchases, sales, engineering contracting trading and marketing agency services and other projects with each other.

(5)Directors, Supervisors, and Presidents of the Affiliated Companies(2016.12.31)

Share : USD thousands or RMB thousands : per : %

Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
Walsin Lihwa Holdings Limited	Director	Representative of Walsin Lihwa Corporation : Yu-Cheng Chiao \ Chiao, Yu-Lon \ Wen, Ter-Chen	391,147,848	100.00%
Renowned International Limited	Director	Representative of Walsin Lihwa Holdings Limited : Chiao, Yu-Hwei \ Chung-Wu Cheng \ Lin, Yu-Tsung	16,937,020	83.97%
	Director	Representative of Itochu Corporation : Hiroshi Ichinose	1,396,964	6.93%
	Director	Representative of Marubeni Corporation : Kunihiko Akiyama	1,396,964	6.93%
Nanjing Walsin Metal Co., Ltd	Chairman	Patricia Chiao	RMB 0	0.00%
	Vice Chairman	Bao-Min Xiao	RMB 0	0.00%
	Vice Chairman	Mu-Hsun Yu	RMB 0	0.00%
	General manager	Zhen- Zhong Hu	RMB 0	0.00%
	Director	Representative of Renowned International Limited : Patricia Chiao \ Mu-Hsun Yu \ Ben Lin \ Yu-Tsung Lin \ Witty Liao \ Kunihiko Akiyama \ Hiroshi Ichinose	RMB 572,961	92.29%
	Director	Representative of Nanjing Xingang : Bao-Min Xiao	RMB 32,407	5.22%
	Director	Representative of Nanjing Suyi Industrial Limited Company : Jun Wu	RMB 7,760	1.25%
	Director	Representative of China Netcom Jiangsu Branch : Jian-Quan He	RMB 2,980	0.48%
	Director	Representative of Walsin (China) Investment Co., Ltd. : Jian-Hua Cao	RMB 4,718	0.76%
	Supervisor	Representative of Renowned International Limited : Yu-Tsung Lin	RMB 572,961	92.29%
	Supervisor	Representative of Nanjing Xingang High-Tech Co., Ltd. : Tang-Jun Lu	RMB 32,407	5.22%
	Employee representative	Jun Xu	RMB 0	0.00%

(Next)

(Last)

Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
Walsin (China) Investment Co., Ltd.	Chairman	Jian-Hua Cao	USD 0	0.00%
	General manager	Fred Pan	USD 0	0.00%
	Director	Representative of Walsin Lihwa Holdings Limited : Jian-Hua Cao \ C.C. Chen \ Fred Pan	USD 78,600	100.00%
	Supervisor	Representative of Walsin Lihwa Holdings Limited : Nora Lin	USD 78,600	100.00%
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Chairman	Patricia Chiao	USD 0	0.00%
	Vice Chairman	Cheng Hang	USD 0	0.00%
	General manager	San-Lang Lin	USD 0	0.00%
	Director	Representative of Shanghai Nanxiang Development Zone Industrial Co. Ltd. : Hang Cheng \ Jian-Ming Zhang	USD 671	4.29%
	Director	Representative of Walsin (China) Investment Co., Ltd. : Patricia Chiao \ San-Lang Lin \ Witty Liao \ Ben Lin \ Jin-Renn Leu	USD 14,956	95.71%
	Supervisor	Representative of Walsin (China) Investment Co., Ltd. : Nora Lin	USD 14,956	95.71%
Dongguan Walsin Wire & Cable Co., Ltd.	Chairman	Witty Liao	USD 0	0.00%
	General manager	Chih-Ming Chuang	USD 0	0.00%
	Director	Representative of Walsin (China) Investment Co., Ltd.: Witty Liao \ Chih-Ming Chuang \ Kiwi Lan	USD 26,000	100.00%
	Supervisor	Representative of Walsin (China) Investment Co., Ltd. : Nora Lin	USD 26,000	100.00%
Jiangyin Walsin Steel Cable Co., Limited (JHS)	Chairman	C.C. Chen	USD 0	0.00%
	Vice Chairman	Witty Liao	USD 0	0.00%
	Vice Chairman	Xiang Liu	USD 0	0.00%
	General manager	C.C. Chen	USD 0	0.00%
	Director	Representative of Fasten Group : Xiang Liu \ Yue Zhang	USD 5,000	25.00%
	Director	Representative of Walsin (China) Investment Co., Ltd. : C.C. Chen \ Witty Liao \ Patricia Chiao \ Chung-Wu Cheng \ Gozen Tzeng	USD 15,000	75.00%
	Supervisor	Representative of Walsin (China) Investment Co., Ltd. : Nora Lin	USD 15,000	75.00%
Walsin International Investments Limited	Director	C.C. Chen \ Fred Pan	2	100.00%
Borrego Solar Systems, Inc.	Chairman	Stan Chang	0	0.00%
	General manager	Michael Adam Hall	58,587	3.12%
	Director	Representative of Walsin Lihwa Holdings Limited : Stan Chang \ Justin Wong \ Sophi Pan	1,460,458	77.87%
	Director	Aaron Stephen Hall	160,774	8.57%
	Director	Michael Adam Hall	58,587	3.12%
Walcom Chemicals Industrial Limited	Director	Hao Chi	174,999	35.00%
	Director	Qi-Ying Liang	1	0.00%
	Director	Yong-Taig Chen	0	0.00%

(Next)



(Last)

Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
Nanjing Walsin Expo Exhibition Co., Ltd.	Chairman	Qing-Xuan Zhang	RMB 0	0.00%
	General manager	Xue-Wu Wu	RMB 0	0.00%
	Director	Representative of Walsin Lihwa Holdings Limited : Yu-Lon Chiao \ Xue-Wu Wu \ Min Zhou	RMB 1,800	60.00%
	Director	Representative of Nanjing Hexi Convention and Exhibition Co.,Ltd. : Qing-Xuan Zhang \ Chun-Le Zhao	RMB 1,200	40.00%
	Supervisor	Representative of Walsin Lihwa Holdings Limited : Nora Lin	RMB 1,800	60.00%
Nanjing Taiwan Trade Mart Management Co., Ltd.	Chairman	Tzu-Yi Chiao	USD 0	0.00%
	General manager	Min Zhou	USD 0	0.00%
	Director	Representative of Walsin Lihwa Holdings Limited : Tzu-Yi Chiao \ Xue-Wu Wu \ Min Zhou	USD 1,000	100.00%
	Supervisor	Representative of Walsin Lihwa Holdings Limited : Nora Lin	USD 1,000	100.00%
Concord Industries Limited	Director	Representative of Walsin Lihwa Corporation : Yu-Cheng Chiao \ Yu-Lon Chiao \ Ter-Chen Wen	432,303,187	100.00%
Walsin Specialty Steel Corp.	Director	Representative of Walsin Lihwa Corporation : Yu-Cheng Chiao \ Yu-Lon Chiao \ Ter-Chen Wen	125,200,000	100.00%
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Chairman	C.C. Chen	USD 0	0.00%
	General manager	Horng-Sheng Sheu	USD 0	0.00%
	Director	Representative of Walsin Specialty Steel Corp. : C.C. Chen \ Tain-Rong Chan \ Allen Yang	USD 39,000	100.00%
	Supervisor	Representative of Walsin Specialty Steel Corp : Nora Lin	USD 39,000	100.00%
Changshu Walsin Specialty Steel Co., Ltd.	Chairman	C.C. Chen	USD 0	0.00%
	General manager	Chih-Ta Wang	USD 0	0.00%
	Director	Representative of Walsin Specialty Steel Corp : C.C. Chen \ Shih-Chieh Lin \ Sherry Ho	USD 97,000	100.00%
	Supervisor	Representative of Walsin Specialty Steel Corp : Nora Lin	USD 97,000	100.00%
Yantai Walsin Stainless Steel Co., Ltd.	Chairman	C.C. Chen	USD 0	0.00%
	General manager	Horng-Sheng Sheu	USD 0	0.00%
	Director	Representative of Jiangyin Walsin Specialty Alloy Materials Co., Ltd. : C.C. Chen \ Tain-Rong Chan	USD 116,313	75.00%
	Director	Representative of Concord Industries Limited : Allen Yang	USD 38,753	25.00%
	Supervisor	Representative of Jiangyin Walsin Specialty Alloy Materials Co., Ltd. : Nora Lin	USD 116,313	75.00%

(Next)

(Last)

Entity	Title	Name of the Representation	Shareholding(contribution)		
			Shares	Holding	
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Chairman	Jian-Hua Cao	USD	0	0.00%
	General manager	Fred Pan	USD	0	0.00%
	Director	Representative of Concord Industries Limited : Jian-Hua Cao \ Fred Pan \ Ter-Chen Wen	USD	49,000	100.00%
	Supervisor	Representative of Concord Industries Limited : Nora Lin	USD	49,000	100.00%
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Chairman	C.C. Chen	USD	0	0.00%
	General manager	Horng-Sheng Sheu	USD	0	0.00%
	Director	Representative of director : C.C. Chen \ Horng-Sheng Sheu \ Allen Yang	USD	49,000	100.00%
	Supervisor	Representative of supervisor : Nora Lin	USD	49,000	100.00%
Walsin Precision Technology Sdn. Bhd	Chairman	Wen-Chung Chang		0	0.00%
	General manager	Pang Boon Wah		0	0.00%
	Director	Representative of Concord Industries Limited : Wen-Chung Chang \ Pang Boon Wah \ Sean Ne Teo \ Nora Lin		32,178,385	100.00%
XiAn Walsin Metal Product Co., Ltd.	Chairman	Nora Lin	USD	0	0.00%
	General manager	Nora Lin	USD	0	0.00%
	Director	Representative of Concord Industries Limited : Nora Lin \ Lei Chen \ Allen Yang	USD	10,000	100.00%
	Supervisor	Representative of Concord Industries Limited : Sophi Pan	USD	10,000	100.00%
XiAn LyJing Technology Co., Ltd.	Chairman	Nora Lin	USD	0	0.00%
	General manager	Nora Lin	USD	0	0.00%
	Director	Representative of Concord Industries Limited : Nora Lin \ Allen Yang \ Lei Chen	USD	45,200	100.00%
	Supervisor	Representative of Concord Industries Limited : Sophi Pan	USD	45,200	100.00%
Xian Walsin Opto-electronic Limited	Chairman	Nora Lin	USD	0	0.00%
	General manager	Nora Lin	USD	0	0.00%
	Director	Representative of Concord Industries Limited : Nora Lin \ Allen Yang \ Lei Chen	USD	150	100.00%
	Supervisor	Representative of Concord Industries Limited : Sophi Pan	USD	150	100.00%
Ace Result Global Limited	Director	Representative of Walsin Lihwa Corporation : Ji-Ming Tang \ Nora Lin		47,639,988	100.00%
Energy Pilot Limited	Director	Representative of Walsin Lihwa Corporation : Ji-Ming Tang \ Ter-Chen Wen		20,670,001	100.00%
Green Lake Capital, LLC.	Co-Manager	Jason Tai \ Sophi Pan	USD	20,670	100.00%
Green Lake Exchange, LLC		Corporate shareholders representative of Green Lake Capital, LLC. : Jason Tai	USD	11,355	100.00%
Touch Micro-System Technology Corp.	Liquidator	Sophi Pan		0	0.00%

(Next)



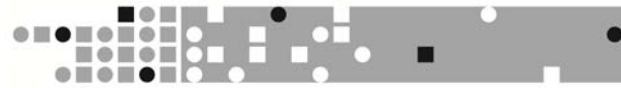
(Last)

Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
Chin-Cherng Construction Co.	Chairman	Wu-Shung Hong	211,163	0.08%
	General manager	Fred Pan	0	0.00%
	Director	Representative of Walsin Lihwa Corporation : Yu-Cheng Chiao 、 Yu-Lon Chiao 、 Fred Pan 、 Ter-Chen Wen	277,257,758	99.22%
	Supervisor	Chin-Sheng Wu	0	0.00%
Joint Success Enterprises Limited	Director	Representative of Chin-Cherng Construction Co. : Ji-Ming Tang 、 Fred Pan	39,500,000	50.95%
Walsin (Nanjing) Construction Limited	Chairman	Jian-Hua Cao	USD 0	0.00%
	General manager	Fred Pan	USD 0	0.00%
	Director	Representative of Joint Success Enterprises Limited : Yu-Lon Chiao 、 Wu-Shung Hong 、 Jian-Hua Cao	USD 50,000	100.00%
	Supervisor	Representative of Joint Success Enterprises Limited : Nora Lin	USD 50,000	100.00%
Nanjing Walsin Property Management Co., Ltd.	Chairman	Fred Pan	RMB 0	0.00%
	General manager	Lin Chen	RMB 0	0.00%
	Director	Representative of Walsin (Nanjing) Construction Limited : Fred Pan 、 Tzu-Yi Chiao 、 Jeng-Chang Lee	RMB 1,000	100.00%
	Supervisor	Representative of Walsin (Nanjing) Construction Limited : Nora Lin	RMB 1,000	100.00%
Walsin Info-Electric Corp.	Chairman	Ter-Chen Wen	0	0.00%
	General manager	Ter-Chen Wen	0	0.00%
	Director	Representative of Walsin Lihwa Corporation : Ter-Chen Wen 、 Sophi Pan 、 Allen Yang	9,491,461	98.87%
	Supervisor	Nora Lin	0	0.00%
Market Pilot Limited	Director	Representative of Walsin Lihwa Corporation : Ji-Ming Tang 、 Ter-Chen Wen	127,000,000	100.00%
XiAn Walsin United Technology Co., Ltd.	Chairman	Nora Lin	USD 0	0.00%
	General manager	Nora Lin	USD 0	0.00%
	Director	Representative of Market Pilot Limited : Nora Lin 、 Allen Yang 、 Lei Chen	USD 99,900	100.00%
	Supervisor	Representative of Market Pilot Limited : Sophi Pan	USD 99,900	100.00%
Min Maw Precision Industry Corp.	Chairman	Ter-Chen Wen	0	0.00%
	General manager	Ter-Chen Wen	0	0.00%
	Director	Representative of Walsin Lihwa Corporation : Ter-Chen Wen 、 Sophi Pan 、 Allen Yang	24,150,000	100.00%
	Supervisor	Representative of Walsin Lihwa Corporation : Nora Lin	24,150,000	100.00%

(Next)

(Last)

Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
P.T. Walsin Lippo Industries	President Commissioner	Representative of P.T. Multi Prima Sejahtera, Tbk, : Rudy Nanggulangi	4,500	30.00%
	Vice President Commissioner	Representative of Walsin Lihwa Corporation : Yu-Lon Chiao	10,500	70.00%
	President Director	Representative of Walsin Lihwa Corporation : Kai-Dai Ou Yang	10,500	70.00%
	Vice President Director	Representative of P.T. Multi Prima Sejahtera, Tbk, : Hery Soegiarto	4,500	30.00%
	Director	Representative of Walsin Lihwa Corporation : Sophi Pan \ David Karman \ Ardinand Roynald P \ Andre Kelsen, Foe	10,500	70.00%
P.T. Walsin Lippo Kabel (Changing registration)	President Commissioner	Representative of P.T. Multi Prima Sejahtera, Tbk, : Rudy Nanggulangi	450,000	30.00%
	Vice President Commissioner	Representative of Walsin Lihwa Corporation : Yu-Lon Chiao	1,050,000	70.00%
	President Director	Representative of Walsin Lihwa Corporation : Kai-Dai Ou Yang	1,050,000	70.00%
	Vice President Director	Representative of P.T. Multi Prima Sejahtera, Tbk, : Hery Soegiarto	450,000	30.00%
	Director	Representative of Walsin Lihwa Corporation : Sophi Pan \ David Karman \ Ardinand Roynald P \ Andre Kelsen, Foe	1,050,000	70.00%



(6) Operating Condition of the Affiliated Companies

Unit : NT\$ thousands

Entity	Capital	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income (loss)	Net Income (loss)	EPS (NT\$)	
Walsin Lihwa Corporation	33,960,002	94,120,130	30,754,188	63,365,942	67,074,039	4,785,519	4,568,125	1.33	
Walsin Lihwa Holdings Limited (Note 1)	12,614,518	29,513,683	7,946,214	21,567,469	67,225,010	1,434,816	1,423,729	N/A	
The Subsidiaries of Walsin Lihwa Holdings Limited	Walsin (China) Investment Co., Ltd.	2,534,850	17,302,696	12,899,568	4,403,128	6,832	(53,961)	328,291	N/A
	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	503,971	1,767,661	750,576	1,017,085	3,306,243	15,229	(15,302)	N/A
	Dongguan Walsin Wire & Cable Co., Ltd.	838,500	7,848,372	5,910,363	1,938,009	16,252,354	32,207	264,622	N/A
	Jiangyin Walsin Steel Cable Co., Limited	645,000	2,219,787	1,183,004	1,036,783	2,446,441	46,144	(34,501)	N/A
	Renowned International Limited	650,539	4,410,779	0	4,410,779	0	(50)	568,171	28.17
	Nanjing Walsin Metal Co., Ltd.	2,618,700	7,807,888	3,033,131	4,774,757	39,812,880	441,492	658,561	N/A
	Walsin International Investments Limited	0	7,302	94,010	(86,708)	0	(131)	(5,920)	N/A
	Nanjing Walsin Expo Exhibition Co., Ltd.	14,158	1,781	956	825	1,445	(1,319)	(1,305)	N/A
	Borrego Solar Systems, Inc.	449,588	3,701,703	2,417,996	1,283,707	8,567,874	676,030	478,442	255.09
	Nanjing Taiwan Trade Mart Management Co., Ltd.	32,250	47,643	761,016	(713,373)	117,571	71,775	58,555	N/A
Walcom Chemicals Industrial Limited	2,079	2	72,861	(72,859)	0	(26)	(26)	N/A	
Concord Industries Limited (Note 2)	13,941,778	16,172,280	7,955,683	8,216,597	11,257,640	(613,229)	(892,595)	N/A	
The Subsidiaries of Concord Industries Limited	XiAn Walsin Metal Product Co., Ltd.	322,500	297,856	1,321,856	(1,024,000)	0	(1,694)	(57,476)	N/A
	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	1,580,250	1,906,698	1,835,226	71,471	5,748	(45,207)	(373,824)	N/A
	Walsin Precision Technology Sdn. Bhd.	273,158	563,585	75,080	488,505	686,650	81,202	115,919	N/A
	Walsin Specialty Steel Corp	4,037,700	538,508	7,052	531,456	0	(8,121)	(948,459)	N/A
	Changshu Walsin Specialty Steel Co., Ltd.	3,128,250	3,582,013	2,540,054	1,041,959	2,606,110	(516,255)	(862,909)	N/A
	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	1,257,750	3,848,819	4,504,604	(655,785)	6,894,558	(9,913)	595,609	N/A
	Yantai Walsin Stainless Steel Co., Ltd.	5,000,846	3,546,187	3,945,143	(398,956)	8,140,510	(47,777)	(312,807)	N/A
	XiAn Ly Jing Technology Co., Ltd.	1,457,700	766,183	60,137	706,046	0	(31,359)	(22,715)	N/A
	Xian Walsin Opto-electronic Limited	4,838	1,840	136,003	(134,163)	0	2,770	66	N/A
Walsin Lihwa (Changzhou) Investment Co., Ltd.	1,580,250	1,498,871	4,985	1,493,886	0	(1,688)	31,636	N/A	
Ace Result Global Limited	1,536,390	732,108	0	732,108	0	(153)	(227,659)	N/A	
P.T Walsin Lippo Kabel	48,375	17,367	18,892	(1,525)	0	(1,897)	(1,897)	N/A	
Energy Pilot Limited	666,608	748,344	0	748,344	0	(3)	132,347	N/A	
The Subsidiaries of Energy Pilot Limited	Green Lake Capital, LLC. (Note 3)	666,608	753,471	5,134	748,337	519,285	186,110	132,349	N/A
	Green Lake Exchange, LLC.	366,202	685,521	9,357	676,164	519,285	193,121	193,035	N/A
Touch Micro-System Technology Corp.		9,680	321	9,359	0	0	(28)	(0.01)	
Walsin Info-Electric Corp.		213,429	79,696	133,732	54,522	2,007	758	0.08	
Market Pilot Limited (Note 4)	4,095,750	523,275	411,639	111,636	3,205	(37,623)	(51,339)	N/A	
The Subsidiaries of Market Pilot Limited	XiAn Walsin United Technology Co., Ltd.	3,221,775	522,900	1,325,974	(803,074)	3,205	(36,715)	(125,528)	N/A
P.T. Walsin Lippo Industries	483,750	1,419,632	552,101	867,530	1,527,153	171,395	128,546	8,569.72	
Chin-Cherng Construction Co (Note 5)	2,794,256	3,521,948	9,852	3,512,096	36,005	9,029	(36,964)	(0.13)	
The Subsidiaries of Chin-Cherng Construction Co.	Joint Success Enterprises Limited	2,631,334	4,849,168	95,154	4,754,014	0	474	(95,535)	N/A
	Walsin (Nanjing) Construction Limited	1,745,684	17,463,202	13,595,741	3,867,461	66,778	(229,264)	(157,886)	N/A
	Nanjing Walsin Property Management Co., Ltd.	4,648	19,017	32,944	(13,927)	98,877	7,317	14,445	N/A
Min Maw Precision Industry Corp.	241,500	1,101,588	804,202	297,386	87,916	67,299	40,869	1.69	

Note 1 : The assets, liabilities and net income of Walsin Lihwa Holdings Limited include the subsidiaries'.

Note 2 : The assets, liabilities and net income of Concord Industries Limited include the subsidiaries'.

Note 3 : The net income of Energy Pilot Limited include the subsidiaries'.

Note 4 : The assets, liabilities and net income of Market Pilot Limited include the subsidiaries'.

Note 5 : The net income of Chin-Cherng Construction Co. include the subsidiaries'.

Note 6 : The currency exchange rate was as follows:

2016/12/31 US\$/NT\$=1 : 32.25 (average rate : US\$/NT\$ = 1 : 32.263)

2016/12/31 RMB/NT\$=1 : 4.64844 (average rate : RMB/NT\$=1 : 4.85171)

2. Progress of private placement of securities during the latest year and up to the date of annual report publication: None
3. The subsidiaries' shareholding or disposal of the company's shares during the latest year and up to the date of annual report publication: None
4. Other supplemental information: None
5. Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act during the most recent year and up to the annual report publication date: None.