

**Taiwan Hon Chuan Enterprise Co., Ltd.
and Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2017 and 2016 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Taiwan Hon Chuan Enterprise Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Taiwan Hon Chuan Enterprise Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of March 31, 2017 and 2016 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

As stated in Note 13 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2017 and 2016, combined total assets of these non-significant subsidiaries were NT\$3,297,649 thousand and NT\$5,803,375 thousand, representing 12% and 20%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$164,107 thousand and NT\$259,458 thousand, representing 1% and 2%, respectively, of the consolidated total liabilities; for the three months ended March 31, 2017 and 2016, combined comprehensive income and loss of these subsidiaries were loss NT\$12,215 thousand and income NT\$85,209 thousand, representing 26% and 43%, respectively, of the consolidated total comprehensive income. As stated in Note 14 to the consolidated financial statements, we did not review the financial statements of equity-method investee as of and for the three months ended March 31, 2017 and 2016. The carrying value of the related investment as of March 31, 2017 and 2016 were NT\$26,058 thousand and NT\$29,304 thousand and the share of comprehensive loss of associated were NT\$897 thousand and NT\$2,776 thousand for the three months ended March 31, 2017 and 2016. The related information were based on unreviewed financial statements of the investees for the same reporting periods.

Based on our reviews, except for the effects of adjustments, if any, as might have been determined to be necessary had the financial statements and of these non-significant subsidiaries as described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

May 11, 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 review such consolidated financial statements are those generally applied in the Republic of China.

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

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 2,370,005	9	\$ 2,414,908	9	\$ 2,160,638	7
Financial assets at fair value through profit or loss - current (Note 7)	38,099	-	83,123	-	3,002	-
Debt investments with no active market - current (Note 10)	29,893	-	31,613	-	39,850	-
Notes receivable from unrelated parties	142,641	-	158,671	1	141,601	1
Trade receivables from unrelated parties (Note 11)	3,249,023	12	2,274,230	8	2,813,684	10
Trade receivables from related parties (Note 28)	3,219	-	3,144	-	1,035	-
Inventories (Note 12)	1,968,564	7	1,745,646	6	1,678,954	6
Other current assets (Notes 16 and 29)	1,062,375	4	1,046,093	4	1,473,122	5
Total current assets	8,863,819	32	7,757,428	28	8,311,886	29
NONCURRENT ASSETS						
Available for sale financial assets - noncurrent (Note 8)	9,125	-	9,231	-	11,940	-
Financial assets measured at cost - noncurrent (Note 9)	40,005	-	40,005	-	40,091	-
Long-term investments at equity-method (Note 14)	26,058	-	28,639	-	29,304	-
Property, plant and equipment (Notes 15 and 29)	17,136,903	62	17,991,011	66	18,384,295	64
Computer software	4,639	-	5,860	-	10,234	-
Goodwill	360,022	1	382,813	2	63,239	-
Deferred tax assets	154,008	1	165,705	1	147,772	1
Prepayments for equipment	818,368	3	647,003	2	1,573,596	5
Other noncurrent assets (Note 16)	358,158	1	363,611	1	402,584	1
Total noncurrent assets	18,907,286	68	19,633,878	72	20,663,055	71
TOTAL	\$ 27,771,105	100	\$ 27,391,306	100	\$ 28,974,941	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 17 and 29)	\$ 6,511,111	23	\$ 6,660,381	24	\$ 7,014,031	24
Short-term bills payable (Note 17)	-	-	300,000	1	-	-
Financial liabilities at fair value through profit or loss - current (Note 7)	2,429	-	-	-	11,166	-
Notes payable to unrelated parties	203,206	1	200,045	1	172,764	1
Trade payables to unrelated parties	901,626	3	622,514	2	748,749	2
Current tax liabilities	197,338	1	108,505	1	106,868	-
Preferred stock liabilities (Note 19)	553,085	2	583,188	2	-	-
Current portion of long-term liabilities (Notes 17, 18 and 29)	242,640	1	258,000	1	829,775	3
Other current liabilities (Notes 20 and 28)	871,148	3	917,266	3	847,815	3
Total current liabilities	9,482,583	34	9,649,899	35	9,731,168	33
NONCURRENT LIABILITIES						
Long-term borrowings (Notes 17 and 29)	5,511,867	20	4,978,194	19	5,361,768	19
Deferred tax liabilities	34,927	-	36,105	-	37,069	-
Preferred stock liabilities (Note 19)	-	-	-	-	567,516	2
Net defined benefit liabilities - noncurrent	34,556	-	36,522	-	34,666	-
Other noncurrent liabilities (Note 20)	12,948	-	14,413	-	14,105	-
Total noncurrent liabilities	5,594,298	20	5,065,234	19	6,015,124	21
Total liabilities	15,076,881	54	14,715,133	54	15,746,292	54
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT						
Common stock	2,928,789	11	2,928,789	11	2,928,789	10
Capital surplus	5,127,397	18	5,127,397	19	5,127,397	18
Retained earnings						
Legal reserve	1,181,738	4	1,181,738	4	1,086,842	4
Special reserve	444,446	2	444,446	2	421,790	1
Unappropriated earnings	3,668,064	13	3,293,916	12	3,033,452	11
Other equity	(1,658,104)	(6)	(1,220,606)	(5)	(457,521)	(2)
Total equity attributable to owners of the parent	11,692,330	42	11,755,680	43	12,140,749	42
NON-CONTROLLING INTERESTS	1,001,894	4	920,493	3	1,087,900	4
Total equity	12,694,224	46	12,676,173	46	13,228,649	46
TOTAL	\$ 27,771,105	100	\$ 27,391,306	100	\$ 28,974,941	100

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

(With Deloitte & Touche audit report dated May 11, 2017)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
SALES (Note 28)	\$ 4,278,713	100	\$ 3,876,679	100
COST OF GOODS SOLD (Notes 12, 23 and 28)	<u>3,462,527</u>	<u>81</u>	<u>3,183,942</u>	<u>82</u>
GROSS PROFIT	<u>816,186</u>	<u>19</u>	<u>692,737</u>	<u>18</u>
OPERATING EXPENSES (Notes 23 and 28)				
Selling and marketing expenses	201,278	5	165,985	4
General and administrative expenses	195,376	4	211,458	6
Research and development expenses	<u>16,290</u>	<u>-</u>	<u>16,358</u>	<u>-</u>
Total operating expenses	<u>412,944</u>	<u>9</u>	<u>393,801</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>403,242</u>	<u>10</u>	<u>298,936</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 19 and 23)	(54,009)	(1)	(58,490)	(2)
Net foreign exchange gains (losses)	(18,466)	(1)	34,845	1
Other gains and losses (Note 23)	<u>215,257</u>	<u>5</u>	<u>(9,604)</u>	<u>-</u>
Total non-operating income and expenses	<u>142,782</u>	<u>3</u>	<u>(33,249)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	546,024	13	265,687	7
INCOME TAX EXPENSE (Note 24)	<u>116,879</u>	<u>3</u>	<u>56,885</u>	<u>2</u>
NET PROFIT FOR THE PERIOD	<u>429,145</u>	<u>10</u>	<u>208,802</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(475,483)	(11)	(12,760)	-
Unrealized gain on available-for-sale financial assets	<u>89</u>	<u>-</u>	<u>643</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(475,394)</u>	<u>(11)</u>	<u>(12,117)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ (46,249)</u>	<u>(1)</u>	<u>\$ 196,685</u>	<u>5</u>

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 374,148	9	\$ 208,319	5
Non-controlling interests	<u>54,997</u>	<u>1</u>	<u>483</u>	<u>-</u>
	<u>\$ 429,145</u>	<u>10</u>	<u>\$ 208,802</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Corporation	\$ (63,350)	(1)	\$ 195,244	5
Non-controlling interests	<u>17,101</u>	<u>-</u>	<u>1,441</u>	<u>-</u>
	<u>\$ (46,249)</u>	<u>(1)</u>	<u>\$ 196,685</u>	<u>5</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 1.28</u>		<u>\$ 0.71</u>	
Diluted	<u>\$ 1.28</u>		<u>\$ 0.70</u>	

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

(With Deloitte & Touche auditors' report dated May 11, 2017)

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)**

	Equity Attributable to Owners of the Parent										
	Share Capital (Note 22)	Capital Surplus (Note 22)	Retained Earnings (Note 22)			Other Equity		Treasury Shares (Note 22)	Total	Non-controlling Interests (Note 13)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available- for-sale Financial Assets				
BALANCE AT JANUARY 1, 2016	\$ 3,098,479	\$ 5,412,868	\$ 1,086,842	\$ 421,790	\$ 3,205,307	\$ (444,173)	\$ (273)	\$ (835,335)	\$ 11,945,505	\$ 1,057,492	\$ 13,002,997
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	28,967	28,967
Cancellation of treasury shares	(169,690)	(285,471)	-	-	(380,174)	-	-	835,335	-	-	-
Net profit for the three months ended March 31, 2016	-	-	-	-	208,319	-	-	-	208,319	483	208,802
Other comprehensive income (loss) for the three months ended March 31, 2016, net of income tax	-	-	-	-	-	(13,718)	643	-	(13,075)	958	(12,117)
Total comprehensive income (loss) for the three months ended March 31, 2016	-	-	-	-	208,319	(13,718)	643	-	195,244	1,441	196,685
BALANCE AT MARCH 31, 2016	\$ 2,928,789	\$ 5,127,397	\$ 1,086,842	\$ 421,790	\$ 3,033,452	\$ (457,891)	\$ 370	\$ -	\$ 12,140,749	\$ 1,087,900	\$ 13,228,649
BALANCE AT JANUARY 1, 2017	\$ 2,928,789	\$ 5,127,397	\$ 1,181,738	\$ 444,446	\$ 3,293,916	\$ (1,218,432)	\$ (2,174)	\$ -	\$ 11,755,680	\$ 920,493	\$ 12,676,173
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	64,300	64,300
Net profit for the three months ended March 31, 2017	-	-	-	-	374,148	-	-	-	374,148	54,997	429,145
Other comprehensive income (loss) for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	(437,587)	89	-	(437,498)	(37,896)	(475,394)
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	374,148	(437,587)	89	-	(63,350)	17,101	(46,249)
BALANCE AT MARCH 31, 2017	\$ 2,928,789	\$ 5,127,397	\$ 1,181,738	\$ 444,446	\$ 3,668,064	\$ (1,656,019)	\$ (2,085)	\$ -	\$ 11,692,330	\$ 1,001,894	\$ 12,694,224

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

(With Deloitte & Touche auditors' report dated May 11, 2017)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 546,024	\$ 265,687
Adjustments for:		
Depreciation and amortization expenses	531,882	532,306
Impairment loss recognized (reversal of impairment loss) on trade receivables	(51)	(14)
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	2,429	8,164
Finance costs	54,009	58,490
Interest income	(4,528)	(2,721)
Loss recognized on associates under equity method	897	2,776
Loss (gain) on disposal of property, plant and equipment	3,532	(677)
Write-down of inventories (reversal of write-down of inventories)	994	(14,278)
Unrealized net loss (gain) on foreign currency exchange	(3,581)	(10,866)
Others	(622)	(194)
Net changes in operating assets and liabilities		
Financial assets held for trading	43,276	19,674
Notes receivable	15,936	16,921
Trade receivables	(1,078,560)	(517,202)
Inventories	(282,970)	79,327
Other current assets	(81,756)	(179,160)
Notes payable	3,406	(28,522)
Trade payables	307,326	300,958
Net defined benefit liabilities	(1,966)	(5,634)
Other current liabilities	(15,204)	9,909
Cash generated from operations	40,473	534,944
Interest received	4,472	2,721
Interest paid	(49,728)	(50,591)
Income tax paid	(24,743)	(7,495)
Net cash generated from (used in) operating activities	(29,526)	479,579
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(63,660)	(59,431)
Proceeds from disposal of property, plant and equipment	4,031	21,240
Increase in refundable deposits	(13,152)	(10,837)
Decrease in other non-current assets	(4,054)	-
Increase in prepayments for equipment	(451,527)	(210,523)
Other investing activities	-	(173)
Net cash used in investing activities	(528,362)	(259,724)

(Continued)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended	
	March 31	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	\$ (169,766)	\$ (873,150)
Proceeds from long-term borrowings	3,526,387	3,300,000
Repayments of long-term borrowings	(2,838,840)	(2,886,000)
Changes in non-controlling interests	<u>64,300</u>	<u>28,967</u>
Net cash generated from (used in) financing activities	<u>582,081</u>	<u>(430,183)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(69,096)</u>	<u>(50,993)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(44,903)	(261,321)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,414,908</u>	<u>2,421,959</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 2,370,005</u>	<u>\$ 2,160,638</u>

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

(With Deloitte & Touche auditors' report dated May 11, 2017)

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audit)

1. ORGANIZATION AND OPERATIONS

Taiwan Hon Chuan Enterprise Co., Ltd. (the "Corporation") was incorporated in 1969. It manufactures and sells various packing materials for the food and beverage industries (such as aluminum closures, plastic caps, metal caps, labels, bioriented polyolefin shrinkable films, low density polyethylene (LDPE), shrinkable films, and polyethylene terephthalate (PET) bottles) and automatic sealer machines. It also manufactures and sells packing materials for electronic parts (such as anti-static sheets or bags), precision instrument cases, and caps for batteries.

The Corporation became a public company in August 1993 under the approval of the Securities and Futures Bureau (SFB) under the Financial Supervisory Commission (FSC). The Corporation's shares have been traded on the Taiwan Stock Exchange since March 2, 2001.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on May 11, 2017.

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

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

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

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

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include 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 amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

See Note 28 for the disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS15 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 shall be 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 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 that impairment loss on financial assets is 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.

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) 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of consolidation

See Note 13, Table 7 and Table 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

c. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2016.

1) Retirement benefits

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

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2016.

6. CASH AND CASH EQUIVALENTS

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand and petty cash	\$ 7,902	\$ 14,204	\$ 6,106
Checking accounts and demand deposits	1,543,587	1,534,186	1,705,080
Cash equivalent (investments with original maturities less than 3 months)			
Time deposits	<u>818,516</u>	<u>866,518</u>	<u>449,452</u>
	<u>\$ 2,370,005</u>	<u>\$ 2,414,908</u>	<u>\$ 2,160,638</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets held for trading</u>			
Non derivative financial assets	\$ 32,070	\$ 32,070	\$ -
Domestic convertible bonds	1,912	2,463	2,190
Domestic stock of publicly quoted entity			
Derivative financial assets	<u>4,117</u>	<u>48,590</u>	<u>812</u>
Foreign exchange forward contracts			
	<u>\$ 38,099</u>	<u>\$ 83,123</u>	<u>\$ 3,002</u>
<u>Financial liabilities held for trading</u>			
Derivative financial assets			
Foreign exchange forward contracts	<u>\$ 2,429</u>	<u>\$ -</u>	<u>\$ 11,166</u>

Outstanding foreign exchange forward contracts were as follows:

	Currency	Maturity Date	Notional Amount
<u>March 31, 2017</u>			
Buy	NTD/USD	2017.06.30	NTD93,062/USD3,000
	CNY/USD	2017.09.22-2018.01.19	CNY69,260/USD10,000
<u>December 31, 2016</u>			
Buy	USD/EUR	2017.02.24	USD1,138/EUR1,000
	CNY/USD	2017.02.27-2017.11.21	CNY221,133/USD33,000
<u>March 31, 2016</u>			
Buy	USD/EUR	2016.06.17-2016.09.30	USD1,395/EUR1,270
	CNY/USD	2016.09.14-2017.03.15	CNY296,373/USD45,000

The Group entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and thus did not qualify for hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT

	March 31, 2017	December 31, 2016	March 31, 2016
Overseas stock of publicly quoted entity	\$ <u>9,125</u>	\$ <u>9,231</u>	\$ <u>11,940</u>

9. FINANCIAL ASSETS MEASURED AT COST - NONCURRENT

	March 31, 2017	December 31, 2016	March 31, 2016
Domestic unlisted common shares	\$ 31,360	\$ 31,360	\$ 31,446
Overseas unlisted preferred shares	<u>8,645</u>	<u>8,645</u>	<u>8,645</u>
	\$ <u>40,005</u>	\$ <u>40,005</u>	\$ <u>40,091</u>

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	March 31, 2017	December 31, 2016	March 31, 2016
Corporate bonds	\$ <u>29,893</u>	\$ <u>31,613</u>	\$ <u>39,850</u>

The Group bought US\$1,127 thousand of 3-year corporate bonds issued by Garden Fresh (HK) Fruit & Vegetable Co., Limited (“Garden Fresh”) with a coupon rate of 0% and effective interest rate of 3.57% in July 2012. The corporate bonds were originally recorded under non-current assets, but were reclassified as current assets because they will mature within one year from balance sheet date.

11. TRADE RECEIVABLES - NET

	March 31, 2017	December 31, 2016	March 31, 2016
Trade receivables from unrelated parties	\$ 3,288,873	\$ 2,315,022	\$ 2,854,153
Less: Allowance for impairment loss	<u>(39,850)</u>	<u>(40,792)</u>	<u>(40,469)</u>
	<u>\$ 3,249,023</u>	<u>\$ 2,274,230</u>	<u>\$ 2,813,684</u>

The average credit period for sales of goods was 30 to 90 days. In determining the recoverability 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 was recognized against trade receivables over aged 91 days based on estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Less than 90 days	\$ 3,230,269	\$ 2,215,040	\$ 2,769,994
91-180 days	16,267	56,732	30,412
More than 181 days	<u>42,337</u>	<u>43,250</u>	<u>53,747</u>
	<u>\$ 3,288,873</u>	<u>\$ 2,315,022</u>	<u>\$ 2,854,153</u>

The above aging schedule was based on the invoice date.

The Group's did not have past due but not impaired account receivable on March 31, 2017, December 31, 2016 and March 31, 2016.

Movements in the allowance for impairment loss recognized on trade receivables were as follows:

	March 31	
	2017	2016
Balance at January 1	\$ 40,792	\$ 40,314
Add: Impairment losses recognized on trade receivables	(51)	(14)
Effect of exchange rate changes	<u>(891)</u>	<u>169</u>
Balance at March 31	<u>\$ 39,850</u>	<u>\$ 40,469</u>

12. INVENTORIES

	March 31, 2017	December 31, 2016	March 31, 2016
Finished goods	\$ 550,101	\$ 567,963	\$ 473,213
Work in process	224,195	224,989	180,175
Raw materials and supplies	1,186,026	929,533	1,016,622
Inventories in transit	<u>8,242</u>	<u>23,161</u>	<u>8,944</u>
	<u>\$ 1,968,564</u>	<u>\$ 1,745,646</u>	<u>\$ 1,678,954</u>

The cost of goods sold for the three months ended March 31, 2017 and 2016 included inventory write-downs of \$994 thousand and reversal of inventory write-downs of \$14,278 thousand, respectively. Previous write-downs were reversed as a result of selling inventory.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	% of Ownership		
		March 31, 2017	December 31, 2016	March 31, 2016
The Corporation	Hon Chuan Holding Limited ("Samoa Hon Chuan")	100	100	100
Samoa Hon Chuan	Hon Chuan (China) Holding Co., Ltd. ("Hon Chuan China")	76.84	76.84	76.84
	HC (Asia) Holding Co., Ltd. ("Hon Chuan Asia")	100	100	100
	Hon Chuan Technologies (Ningbo) Co., Ltd. ("Ningbo Hon Chuan")	100	100	100
	Hon Chuan (Africa) Holding Co., Ltd. ("Hon Chuan Africa")	100	100	-
Hon Chuan China	Kai Gang Industries Limited ("Kai Gang")	100	100	100
	Hon Hsing (Samoa) Holding Limited ("Samoa Hon Hsing")	100	100	100
Hon Chuan Asia	Hon Chuan (Thailand) Co., Ltd. ("Hon Chuan Thailand")	100	100	100
	PT Hon Chuan Indonesia ("Hon Chuan Indonesia")	100	100	100
	Hon Chuan (Myanmar) Co., Ltd. ("Hon Chuan Myanmar")	70	70	70
	Hon Chuan Vietnam Co., Ltd. ("Hon Chuan Vietnam")	100	100	100
	Hon Chuan Malaysia Sdn. Bhd. ("Hon Chuan Malaysia")	100	100	100
	Honly Holding Co., Ltd. ("Samoa Honly")	60	60	60
	Honly International Co., Ltd. ("Honly")	49	49	49
	Honhua Holdings Co., Ltd ("Honhua")	60	-	-
Kai Gang	Hon Chuan Enterprise (Suzhou) Company Limited ("Suzhou Hon Chuan")	100	100	100

(Continued)

Investor	Investee	% of Ownership		
		March 31, 2017	December 31, 2016	March 31, 2016
Kai Gang	Hon Chuan Food Packing (Qingxin) Co., Ltd. (“Qingxin Hon Chuan”)	100	100	100
	Hon Chuan Food Packing (Zhangzhou) Co., Ltd. (“Zhangzhou Hon Chuan”)	100	100	100
	Hon Chuan Food Packing (Chuzhou) Co., Ltd. (“Chuzhou Hon Chuan”)	100	100	100
	Hon Chuan Food Packing (Xiantao) Co., Ltd. (“Xiantao Hon Chuan”)	100	100	100
Samoa Hon Hsing	Suzhou Hongxin Food Packing Co., Ltd. (“Suzhou Hongxin”)	100	100	100
	Hon Chuan Food Packing (Taiyuan) Co., Ltd. (“Taiyuan Hon Chuan”)	100	100	100
	Hon Chuan Enterprise (Changsha) Co., Ltd. (“Changsha Hon Chuan”)	100	100	100
	Hon Chuan Food Packing (Jinan) Co., Ltd. (“Jinan Hon Chuan”)	100	100	100
Hon Chuan Thailand	Hon Chuan FD Packaging Co., Ltd. (“Hon Fu Thailand”)	65	65	65
Samoa Honly	Honly Food & Beverage Co., Ltd. (“Cambodia Honly”)	100	100	100
Suzhou Hongxin	Quanhe Investment (Suzhou) Co., Ltd. (“Quanhe”)	100	100	100
	Hon Chuan Food Packing (Anyang) Co., Ltd. (“Anyang Hon Chuan”)	100	100	100
Hon Chuan Africa	Hon Shi Mozambique Limitada (“Hon Shi Samoa”)	60	60	-
Hon Shi Samoa	Shimada International Limitada (“Shimada”)	100	100	-
	Hon Shi Mozambique Co., Ltd. (“Hon Shi Mozambique”)	100	100	-

(Concluded)

See Table 7 and 8 for the information of main businesses.

The Corporation has the practical ability to direct the relevant activities of Honly; therefore, the Corporation has control over Honly.

Except the financial statements of Ningbo Hon Chuan, Hon Chuan Vietnam, Hon Chuan Malaysia, Hon Chuan Myanmar, Samoa Honly, Honly and Cambodia Honly for the three months ended March 31, 2017 and 2016; Hon Chuan Indonesia for the three months ended March 31, 2016; Samoa Hon Hsing, Shimada and Hon Shi Mozambique for the three months ended March 31, 2017 wasn't reviewed by the independent accountant, the remaining financial statements have been reviewed.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
	March 31, 2017	December 31, 2016	March 31, 2016
Hon Chuan China	23.16%	23.16%	23.16%

See Table 7 and Table 8 for the principal place of business and country of incorporation of the associates.

Summarized financial information in respect of each of the Hon Chuan China and its subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	March 31, 2017	December 31, 2016	March 31, 2016
Current assets	\$ 3,741,903	\$ 3,043,494	\$ 3,510,820
Non-current assets	8,094,744	8,713,704	9,971,325
Current liabilities	(7,084,064)	(7,338,715)	(8,541,228)
Non-current liabilities	<u>(922,302)</u>	<u>(658,833)</u>	<u>(581,041)</u>
Equity	<u>\$ 3,830,281</u>	<u>\$ 3,759,650</u>	<u>\$ 4,359,876</u>
Equity attributable to:			
Owners of Hon Chuan China	\$ 3,252,484	\$ 3,217,776	\$ 3,678,337
Non-controlling interests of Hon Chuan China	<u>577,797</u>	<u>541,874</u>	<u>681,539</u>
	<u>\$ 3,830,281</u>	<u>\$ 3,759,650</u>	<u>\$ 4,359,876</u>
		For the Three Months Ended March 31	
		2017	2016
Revenue		<u>\$ 1,661,971</u>	<u>\$ 1,536,701</u>
Gain (loss) for the year		\$ 251,924	\$ (29,034)
Other comprehensive income for the year		<u>49,967</u>	<u>51,689</u>
Total comprehensive income for the year		<u>\$ 301,891</u>	<u>\$ 22,655</u>
Gain (loss) attributable to:			
Owners of Hon Chuan China		\$ 193,578	\$ (22,310)
Non-controlling interests of Hon Chuan China		<u>58,346</u>	<u>(6,724)</u>
		<u>\$ 251,924</u>	<u>\$ (29,034)</u>

	For the Three Months Ended March 31	
	2017	2016
Total comprehensive income attributable to:		
Owners of Hon Chuan China	\$ 231,973	\$ 17,408
Non-controlling interests of Hon Chuan China	<u>69,918</u>	<u>5,247</u>
	<u>\$ 301,891</u>	<u>\$ 22,655</u>
Net cash flow from:		
Operating activities	\$ (676,884)	\$ (157,808)
Investing activities	199,964	(61,571)
Financing activities	<u>220,110</u>	<u>178,070</u>
Net cash outflow	<u>\$ (256,810)</u>	<u>\$ (41,309)</u>

14. INVESTMENT ACCOUNTED FOR BY THE EQUITY METHOD

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Associates</u>			
Unlisted company			
Paean International Co., Ltd (“Paean Company”)	\$ 26,058	\$ 28,639	\$ -
Shanghai Danmao Trading Co., Ltd. (“Danmao Company”)	<u>-</u>	<u>-</u>	<u>29,304</u>
	<u>\$ 26,058</u>	<u>\$ 28,639</u>	<u>\$ 29,304</u>

As the three months end of the reporting period, the proportion of ownership and voting rights in associates hold by the Group were as follows:

Name of Associates	March 31, 2017	December 31, 2016	March 31, 2016
Paean Company	23.08%	23.08%	-
Danmao Company	-	-	33.33%

Refer to Table 7 and 8 for the nature of activities, principle place of business and country of incorporation of the associates.

Investments accounted for by the equity method and the share of profit or loss were calculated based on the financial statements that have been reviewed.

Danmao Company has been liquidated in July, 2016.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>						
Balance at January 1, 2017	\$ 769,054	\$ 5,749,096	\$ 20,067,683	\$ 6,386,817	\$ 389,328	\$ 33,361,978
Additions	-	1,775	42,568	28,993	3,077	76,413
Disposals	-	-	(26,559)	(34,711)	-	(61,270)
Effect of foreign currency exchange differences	(11,654)	(169,391)	(798,448)	(188,863)	(15,314)	(1,183,670)
Reclassified	-	800	116,418	136,556	2,602	256,376
Balance at March 31, 2017	<u>\$ 757,400</u>	<u>\$ 5,582,280</u>	<u>\$ 19,401,662</u>	<u>\$ 6,328,792</u>	<u>\$ 379,693</u>	<u>\$ 32,449,827</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2017	\$ -	\$ 1,397,860	\$ 10,437,937	\$ 3,535,170	\$ -	\$ 15,370,967
Disposals	-	-	(22,392)	(31,315)	-	(53,707)
Depreciation expense	-	53,858	336,896	135,154	-	525,908
Effect of foreign currency exchange differences	-	(49,156)	(382,755)	(98,333)	-	(530,244)
Balance at March 31, 2017	<u>\$ -</u>	<u>\$ 1,402,562</u>	<u>\$ 10,369,686</u>	<u>\$ 3,540,676</u>	<u>\$ -</u>	<u>\$ 15,312,924</u>
Carrying amount at January 1, 2017	<u>\$ 769,054</u>	<u>\$ 4,351,236</u>	<u>\$ 9,629,746</u>	<u>\$ 2,851,647</u>	<u>\$ 389,328</u>	<u>\$ 17,991,011</u>
Carrying amount at March 31, 2017	<u>\$ 757,400</u>	<u>\$ 4,179,718</u>	<u>\$ 9,031,976</u>	<u>\$ 2,788,116</u>	<u>\$ 379,693</u>	<u>\$ 17,136,903</u>
<u>Cost</u>						
Balance at January 1, 2016	\$ 715,116	\$ 5,269,115	\$ 19,986,640	\$ 5,704,837	\$ 1,261,307	\$ 32,937,015
Additions	-	290	14,617	15,610	37,639	68,156
Disposals	-	-	(99,494)	(13,502)	-	(112,996)
Effect of foreign currency exchange differences	(195)	(21,991)	(173,694)	(37,472)	10,097	(223,255)
Reclassified	60,072	10,784	135,580	25,279	(70,763)	160,952
Balance at March 31, 2016	<u>\$ 774,993</u>	<u>\$ 5,258,198</u>	<u>\$ 19,863,649</u>	<u>\$ 5,694,752</u>	<u>\$ 1,238,280</u>	<u>\$ 32,829,872</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2016	\$ -	\$ 1,253,913	\$ 9,737,729	\$ 3,149,113	\$ -	\$ 14,140,755
Disposals	-	-	(83,846)	(10,949)	-	(94,795)
Depreciation expense	-	51,432	349,207	122,348	-	522,987
Effect of foreign currency exchange differences	-	(11,238)	(89,145)	(22,987)	-	(123,370)
Balance at March 31, 2016	<u>\$ -</u>	<u>\$ 1,294,107</u>	<u>\$ 9,913,945</u>	<u>\$ 3,237,525</u>	<u>\$ -</u>	<u>\$ 14,445,577</u>
Carrying amount at January 1, 2016	<u>\$ 715,116</u>	<u>\$ 4,015,202</u>	<u>\$ 10,248,911</u>	<u>\$ 2,555,724</u>	<u>\$ 1,261,307</u>	<u>\$ 18,796,260</u>
Carrying amount at March 31, 2016	<u>\$ 774,993</u>	<u>\$ 3,964,091</u>	<u>\$ 9,949,704</u>	<u>\$ 2,457,227</u>	<u>\$ 1,238,280</u>	<u>\$ 18,384,295</u>

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

Building	
Main buildings	20-60 years
Electrical power equipment	10-50 years
Other	10-50 years
Machinery equipment	3-20 years
Other assets	2-25 years

Refer to Note 29 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings granted to the Group.

16. OTHER ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Office supplies	\$ 427,643	\$ 432,968	\$ 428,932
Prepayments for lease	316,484	332,988	361,645
Prepaid expenses and prepayment for purchases	338,450	194,855	299,540
Tax refund receivable	36,604	109,328	205,264
Restricted assets (Note 29)	71,430	65,674	169,634
Other receivables	65,378	25,862	118,393
Refundable deposits	49,671	37,039	47,794
Others	<u>114,873</u>	<u>210,990</u>	<u>244,504</u>
	<u>\$ 1,420,533</u>	<u>\$ 1,409,704</u>	<u>\$ 1,875,706</u>
Current	\$ 1,062,375	\$ 1,046,093	\$ 1,473,122
Non-current	<u>358,158</u>	<u>363,611</u>	<u>402,584</u>
	<u>\$ 1,420,533</u>	<u>\$ 1,409,704</u>	<u>\$ 1,875,706</u>

Prepaid lease payments mainly include legitimate land use rights of subsidiaries in mainland China, Hon Chuan Vietnam, Hon Chuan Myanmar and Hon Chuan Indonesia which are located in China, Vietnam, Myanmar and Indonesia.

Refer to Note 29 for the restricted assets by the Group to secure borrowings granted to the Group.

17. BORROWINGS

a. Short-term borrowings

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Unsecured borrowings</u>			
Bank loans for working capital	\$ 5,956,934	\$ 5,841,644	\$ 6,930,996
Loans for purchasing raw materials	54,177	18,737	83,035
<u>Secured borrowings</u>			
Collateral loans (Note 29)	<u>500,000</u>	<u>800,000</u>	<u>-</u>
	<u>\$ 6,511,111</u>	<u>\$ 6,660,381</u>	<u>\$ 7,014,031</u>
<u>Rate of interest per annum (%)</u>			
Bank loans for working capital	0.70-4.53	0.70-4.35	1.03-4.13
Loans for purchasing raw materials	0.17-1.74	1.33-2.11	0.26-1.04
Collateral loans	0.98	0.98	-

- b. Short-term bills payable are commercial paper issued with interest rate of 1.01% on December 31, 2016. These borrowings have not been discounted, because the effect was not material.

c. Long-term borrowings

	March 31, 2017	December 31, 2016	March 31, 2016
Bank loans for working capital	\$ 5,754,507	\$ 5,236,194	\$ 5,619,248
Less: Current portion of long-term loans	<u>(242,640)</u>	<u>(258,000)</u>	<u>(257,480)</u>
	<u>\$ 5,511,867</u>	<u>\$ 4,978,194</u>	<u>\$ 5,361,768</u>
 <u>Rate of interest per annum (%)</u>			
Bank loans for working capital	0.80-2.24	1.05-1.80	1.05-1.83

18. BONDS PAYABLE

	March 31, 2016
Unsecured domestic convertible bonds	\$ 575,500
Less: Bonds discount	<u>(3,205)</u>
	572,295
Less: Current portion	<u>(572,295)</u>
Non-current	<u>\$ -</u>

As of July 15, 2016, the Corporation has redeemed all the bonds.

19. LIABILITY COMPONENT OF PREFERRED STOCKS

	March 31, 2017	December 31, 2016	March 31, 2016
Convertible preferred stock	\$ 561,105	\$ 596,625	\$ 595,423
Less: Liability component of preferred stocks discount	<u>(8,020)</u>	<u>(13,437)</u>	<u>(27,907)</u>
	553,085	583,188	567,516
Less: Current portions	<u>(553,085)</u>	<u>(583,188)</u>	<u>-</u>
Non-current	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 567,516</u>

Hon Chuan China issued participating preferred shares with subscription price of US\$18,500 thousand in August, 2007. As participating and cumulative shares, each preferred share has voting right equivalent to the number of ordinary share into which it is convertible. The preferred shares would convert into ordinary shares automatically before initial public offering (IPO) of Hon Chuan China or 10 years after the preferred shares were issued or, in certain period, should be redeemed by Hon Chuan China.

Dividends on liability component of preferred stock were \$8,989 thousand and \$9,368 thousand for the three months ended March 31, 2016 and 2015, respectively (Note 23).

20. OTHER LIABILITIES

	March 31, 2017	December 31, 2016	March 31, 2016
Payable for salaries	\$ 132,205	\$ 217,556	\$ 137,942
Payable for purchase of equipment	87,607	82,181	107,113
Advance receipts	42,500	36,230	35,819
Payable for bonus to employees	29,688	23,751	25,301
Payable for annual leave	22,646	20,933	17,448
Deferred revenue	12,402	13,833	13,526
Payable for remuneration of directors and supervisors	13,255	10,604	10,676
Others	<u>543,793</u>	<u>526,591</u>	<u>514,095</u>
	<u>\$ 884,096</u>	<u>\$ 931,679</u>	<u>\$ 861,920</u>
Current	\$ 871,148	\$ 917,266	\$ 847,815
Non-current	<u>12,948</u>	<u>14,413</u>	<u>14,105</u>
	<u>\$ 884,096</u>	<u>\$ 931,679</u>	<u>\$ 861,920</u>

21. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Corporation's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2016 and 2015. Employee benefit expenses for the three months ended March 31, 2017 and 2016 were \$391 thousand and \$480 thousand, respectively.

22. EQUITY

a. Share capital

	March 31, 2017	December 31, 2016	March 31, 2016
Number of shares authorized (in thousands)	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
Shares authorized	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>292,879</u>	<u>292,879</u>	<u>292,879</u>
Shares issued	<u>\$ 2,928,789</u>	<u>\$ 2,928,789</u>	<u>\$ 2,928,789</u>

b. Capital surplus

	March 31, 2017	December 31, 2016	March 31, 2016
Arising from issuance of common shares	\$ 4,927,127	\$ 4,927,127	\$ 4,927,127
Arising from employee share options	148,820	148,820	148,820
Arising from share warrants	<u>51,450</u>	<u>51,450</u>	<u>51,450</u>
	<u>\$ 5,127,397</u>	<u>\$ 5,127,397</u>	<u>\$ 5,127,397</u>

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's paid-in capital and once a year).

The capital surplus from long-term investments, employee stock 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 June 22, 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 on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, please refer to c. Employee benefits expense, depreciation and amortization expenses in Note 23.

The dividend policy of the Corporation shall be made according to the Corporation's current and future plan, considering investment environment, fund requirements, overall competition and taking into account the interests of shareholders. The Corporation may appropriate more than 30% of net profits of current year for dividends to shareholders. However, when accumulated unappropriated earnings are less than 10% of capital, the Corporation may decide not to distribute dividend.

The shareholders dividend shall be in the form of cash dividends or stock dividend. More than (or equal to) 50% of the total amount of shareholders' dividend shall be in the form of cash dividends.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

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

The appropriations of earnings for 2016 and 2015 approved by the Corporation's board of directors on March 24, 2017 and the shareholders' meetings on June 22, 2016, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u>	
			<u>(NT\$)</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended</u>	
	<u>2016</u>	<u>2015</u>	<u>December 31</u>	<u>2015</u>
Legal reserve	\$ 117,822	\$ 94,896		
Special reserve	776,160	22,656		
Cash dividends	732,197	585,758	\$2.5	\$ 2

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

d. Special reserves

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Corporation appropriated to the special reserve an amount of \$352,668 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

e. Treasury shares

Purpose of Buy-Back	Shares Canceled (In Thousands of Shares)
Number of shares at January 1, 2016	16,969
Decrease during the year	<u>(16,969)</u>
Number of shares at March 31, 2016	<u><u>-</u></u>

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The Corporation's board of directors proposed February 4, 2016 to be the date for cancellation of treasury shares and also the base date of capital reduction. The registration process has been completed on February 22, 2016.

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Other gains and losses

	<u>For the Three Months Ended</u>	
	<u>2017</u>	<u>2016</u>
Loss on valuation of financial assets	\$ (12,106)	\$ (26,257)
Loss recognized on associates under equity method	(897)	(2,776)
Interest income	4,528	2,721
Gain (loss) on disposal of property, plant and equipment	(3,532)	677
Default income	220,918	-
Miscellaneous income	<u>6,346</u>	<u>16,031</u>
	<u>\$ 215,257</u>	<u>\$ (9,604)</u>

b. Finance costs

	For the Three Months Ended March 31	
	2017	2016
Interest on bank	\$ 45,020	\$ 46,374
Interest on convertible preferred stock (Note 19)	8,989	9,368
Interest on convertible bonds	<u>-</u>	<u>2,748</u>
	<u>\$ 54,009</u>	<u>\$ 58,490</u>

c. Employee benefits expense, depreciation and amortization expenses

	For the Three Months Ended March 31					
	2017			2016		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Payroll expense	\$ 271,310	\$ 125,901	\$ 397,211	\$ 274,471	\$ 116,163	\$ 390,634
Labor and health insurance expense	13,089	6,154	19,243	12,075	5,022	17,097
Pension expense	5,815	14,726	20,541	5,910	16,634	22,544
Other employee benefits expense	9,268	15,573	24,841	7,297	15,290	22,587
Depreciation expenses	487,900	38,008	525,908	491,677	31,310	522,987
Amortization expenses	2,854	3,120	5,974	2,630	6,689	9,319

d. Employees' compensation and remuneration to directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Corporation approved by the shareholders in their meeting on June 22, 2016, the Corporation accrued employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the three Month ended March 31 2017 and 2016, the employees' compensation and the remuneration of directors and supervisors were as follows:

	For the Three Months Ended March 31			
	2017		2016	
	%	Cash	%	Cash
Employees' compensation	1.45%	\$ 5,938	2.13%	\$ 5,060
Remuneration to directors and supervisors	0.65%	2,651	0.90%	2,135

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

The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Corporation's board of directors on March 24, 2017 and March 29, 2016, respectively, were as follows:

	For the Year Ended December 31			
	2016		2015	
	%	Cash	%	Cash
Employees' compensation	1.74%	\$ 23,751	1.80%	\$ 20,241
Remuneration to directors and supervisors	0.78%	10,604	0.76%	8,541

There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016 and 2015.

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

24. TAXES

- a. Major components of tax expense recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2017	2016
Current tax		
In respect of the current year	\$ 109,115	\$ 53,630
In respect of prior periods	<u>7,931</u>	<u>-</u>
	117,046	53,630
Deferred tax		
In respect of the current year	<u>(167)</u>	<u>3,255</u>
Income tax expense recognized in profit or loss	<u>\$ 116,879</u>	<u>\$ 56,885</u>

- b. Integrated income tax

	March 31, 2017	December 31, 2016	March 31, 2016
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	\$ -	\$ -	\$ -
Unappropriated earnings generated on and after January 1, 1998	<u>3,668,064</u>	<u>3,293,916</u>	<u>3,033,452</u>
	<u>\$ 3,668,064</u>	<u>\$ 3,293,916</u>	<u>\$ 3,033,452</u>
Imputation credits accounts	<u>\$ 423,481</u>	<u>\$ 423,966</u>	<u>\$ 397,541</u>

	<u>For the Year Ended December 31</u>	
	2016	2015
	(Expected)	(Actual)
Creditable ratio for distribution of earnings	15.61%	14.94%

c. Income tax assessments

Income tax returns of the Corporation through 2015, except 2014, have been examined and cleared by the tax authorities.

25. EARNINGS PER SHARE

	Net profit attributable to owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the three months ended March 31, 2017</u>			
Basic	\$ 374,148	292,879	<u>\$ 1.28</u>
Dilutive effects - employees' compensation or bonus issue to employees	<u>-</u>	<u>457</u>	
Dilutive	<u>\$ 374,148</u>	<u>293,336</u>	<u>\$ 1.28</u>
<u>For the three months ended March 31, 2016</u>			
Basic	\$ 208,319	292,879	<u>\$ 0.71</u>
Dilutive effects - employees' compensation or bonus issue to employees	-	540	
Domestic convertible bonus	<u>2,280</u>	<u>8,004</u>	
Dilutive	<u>\$ 210,599</u>	<u>301,423</u>	<u>\$ 0.70</u>

Since the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of land and plant with lease terms between 5 and 10 years. The Group does not have a bargain purchase option to acquire the leased land and plant at the expiry of the lease periods.

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

	March 31, 2017	December 31, 2016	March 31, 2016
Not later than 1 year	\$ 37,688	\$ 30,579	\$ 39,676
Later than 1 year and not later than 5 years	115,264	100,701	130,550
Later than 5 years	<u>60,042</u>	<u>61,195</u>	<u>89,092</u>
	<u>\$ 212,994</u>	<u>\$ 192,475</u>	<u>\$ 259,318</u>

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Total
<u>March 31, 2017</u>			
Financial assets at fair value through profit or loss (FVTPL)			
Publicly quoted entity convertible bonds	\$ 32,070	\$ -	\$ 32,070
Foreign exchange forward contracts	-	4,117	4,117
Domestic stock of publicly quoted entity	<u>1,912</u>	<u>-</u>	<u>1,912</u>
	<u>\$ 33,982</u>	<u>\$ 4,117</u>	<u>\$ 38,099</u>
Available-for-sale financial assets			
overseas stock of publicly quoted entity	<u>\$ 9,125</u>	<u>\$ -</u>	<u>\$ 9,125</u>
Financial liabilities at fair value through profit or loss (FVTPL)			
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 2,429</u>	<u>\$ 2,439</u>
<u>December 31, 2016</u>			
Financial assets at fair value through profit or loss (FVTPL)			
Foreign exchange forward contracts	\$ -	\$ 48,590	\$ 48,590
Domestic convertible bonds	32,070	-	32,070
Domestic stock of publicly quoted entity	<u>2,463</u>	<u>-</u>	<u>2,463</u>
	<u>\$ 34,533</u>	<u>\$ 48,590</u>	<u>\$ 83,123</u>
Available-for-sale financial assets			
overseas stock of publicly quoted entity	<u>\$ 9,231</u>	<u>\$ -</u>	<u>\$ 9,231</u>

	Level 1	Level 2	Total
<u>March 31, 2016</u>			
Financial assets at FVTPL			
Domestic stock of publicly quoted entity	\$ 2,190	\$ -	\$ 2,190
Foreign exchange forward contracts	<u>-</u>	<u>812</u>	<u>812</u>
	<u>\$ 2,190</u>	<u>\$ 812</u>	<u>\$ 3,002</u>
Available-for-sale financial assets			
overseas stock of publicly quoted entity	<u>\$ 11,940</u>	<u>\$ -</u>	<u>\$ 11,940</u>
Financial liabilities at fair value through profit or loss (FVTPL)			
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 11,166</u>	<u>\$ 11,166</u>

There were no transfers between Level 1 and 2 in the current and prior periods.

- 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 - foreign currency forward 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.

- b. Categories of financial instruments

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets</u>			
FVTPL	\$ 38,099	\$ 83,123	\$ 3,002
Available-for-sale financial assets	9,125	9,231	11,940
Loans and receivables			
Cash and cash equivalents	2,370,005	2,414,908	2,160,638
Financial assets measured at cost	40,005	40,005	40,091
Debt investments with no active market	29,893	31,613	39,850
Notes receivable and trade receivable	3,394,883	2,436,045	2,956,320

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial liabilities</u>			
FVTPL	\$ 2,429	\$ -	\$ 11,166
Amortized cost			
Short-term borrowings	6,511,111	6,660,381	7,014,031
Short-term bills payable	-	300,000	-
Notes payable and trade payable	1,104,832	822,559	921,513
Bonds payable (including current portion)	-	-	572,295
Long-term borrowing (including current portion)	5,754,507	5,236,194	5,619,248
Preferred stock liabilities	553,085	583,188	567,516

c. Financial risk management objectives

The Group's major financial instruments included equity and debt investments, trade receivable, trade payables, bonds payable, borrowings and preferred stock liabilities. The Group's Corporate Treasury function manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's Corporate Treasury function evaluates quarterly if the use of financial derivatives is governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

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

Foreign currency risk

The Group and several subsidiaries of the Corporation 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. The use of financial derivatives would reduce the influence of foreign exchange risk but could not completely eliminate the risk.

Refer to Note 31 of the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation).

Sensitivity analysis

The Group was mainly exposed to the USD and EUR.

The Group's sensitivity to a 1% increase and decrease in NTD (the functional currency) against the relevant foreign currencies represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items. The sensitivity analysis included external borrowings as well as

loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. Assuming an appreciation of 1% in the levels of the NTD against the USD, the pre-tax profit for the three months ended March 31, 2017 and 2016 would have changed by increasing \$1,218 thousand and \$17,945 thousand, respectively. Assuming an appreciation of 1% in the levels of the NTD against the EUR, the pre-tax profit for the three months ended March 31, 2017 and 2016 would have changed by increasing \$1,850 thousand and decreasing \$353 thousand, respectively.

Interest rate risk

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:

	March 31, 2017	December 31, 2016	March 31, 2016
Fair value interest rate risk			
Financial assets	\$ 29,893	\$ 31,613	\$ 39,850
Financial liabilities	553,085	883,188	1,139,811
Cash flow interest rate risk			
Financial liabilities	12,265,618	11,896,575	12,633,279

Sensitivity analysis

The Group was exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. In order to achieve this result, the Group entered into interest rate swaps to hedge its exposures to changes in fair values of the borrowings.

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.125% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been raised by 0.125% higher and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2017 and 2016 would decrease by \$3,944 thousand and \$936 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 to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- The amount of contingent liabilities in relation to financial guarantee issued by the Group.

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 debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Corporation consider that the Group's credit risk was significantly reduced.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of trade receivables. The Group's concentrations of credit risk regarding top 5 customers were 42%, 45% and 46% in total trade receivables as of March 31, 2017, December 31, 2016 and March 31, 2016, respectively. No other concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2017, December 31, 2016 and March 31, 2016, the Corporation had available unutilized short-term bank loan facilities of \$6,924,537 thousand, \$5,742,063 thousand and \$6,750,137 thousand, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

	Less Than 1 Year	1-5 Years	Total
<u>March 31, 2017</u>			
Non-derivative financial liabilities			
Borrowings	\$ 6,753,751	\$ 5,511,867	\$ 12,265,618
Non-interest bearing liabilities	1,104,524	-	1,104,524
Preferred stock liabilities	<u>553,085</u>	<u>-</u>	<u>553,085</u>
	8,411,360	5,511,867	13,923,227
Derivative financial liabilities			
Foreign exchange forward contracts	<u>2,429</u>	<u>-</u>	<u>2,429</u>
	<u>\$ 8,413,789</u>	<u>\$ 5,511,867</u>	<u>\$ 13,925,656</u>
<u>December 31, 2016</u>			
Non-derivative financial liabilities			
Borrowings	\$ 6,918,381	\$ 4,978,194	\$ 11,896,575
Non-interest bearing liabilities	822,559	-	822,559
Short-term bills payable	300,000	-	300,000
Preferred stock liabilities	<u>583,188</u>	<u>-</u>	<u>583,188</u>
	<u>\$ 8,624,128</u>	<u>\$ 4,978,194</u>	<u>\$ 13,602,322</u>

	Less Than 1 Year	1-5 Years	Total
<u>March 31, 2016</u>			
Non-derivative financial liabilities			
Borrowings	\$ 7,271,511	\$ 5,361,768	\$ 12,633,279
Non-interest bearing liabilities	921,513	-	921,513
Bonds payable	572,295	-	572,295
Preferred stock liabilities	<u>-</u>	<u>567,516</u>	<u>567,516</u>
	8,765,319	5,929,284	14,694,603
Derivative financial liabilities	<u>11,166</u>	<u>-</u>	<u>11,166</u>
Foreign exchange forward contracts	<u>\$ 8,776,485</u>	<u>\$ 5,929,284</u>	<u>\$ 14,705,769</u>

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which were related parties of the Corporation, 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. Related Party Categories / Names

<u>Related Party</u>	<u>Relationship with the Consolidated Company</u>
Food and Drink Public Company Limited	Others
Chiu Vorng Vorng Mary Company Co., LTD.	Others
Ann Huang	Others

b. Sales of goods

	<u>For the Three Months Ended March 31</u>	
	<u>2017</u>	<u>2016</u>
Net sales		
Others	<u>\$ 1,428</u>	<u>\$ 1,587</u>
Rental expenses (recorded under manufacturing or operation expenses)		
Others	<u>\$ 769</u>	<u>\$ 807</u>

The price of sales to related parties and collection terms approximated those for third parties.

The Group has leased warehouse from related parties. The rent is based on the rates of neighboring properties.

	March 31, 2017	December 31, 2016	March 31, 2016
Accounts receivable			
Others	<u>\$ 3,219</u>	<u>\$ 3,144</u>	<u>\$ 1,035</u>

	March 31, 2017	December 31, 2016	March 31, 2016
Other payables (recorded under other current liabilities)			
Others	<u>\$ 35,546</u>	<u>\$ 57,312</u>	<u>\$ 58,642</u>

c. Compensation of key management personnel

	For the Three Months Ended March 31	
	2017	2016
Short-term benefits	\$ 23,797	\$ 22,334
Post-employment benefits	<u>80</u>	<u>95</u>
	<u>\$ 23,877</u>	<u>\$ 22,429</u>

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and the deposit for inviting tenders:

	March 31, 2017	December 31, 2016	March 31, 2016
Property, plant and equipment	\$ 1,156,985	\$ 1,177,070	\$ 1,237,323
Restricted assets (recorded under other current assets)	<u>71,430</u>	<u>65,674</u>	<u>169,634</u>
	<u>\$ 1,228,415</u>	<u>\$ 1,242,744</u>	<u>\$ 1,406,957</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of March 31, 2017, December 31, 2016 and March 31, 2016 were as follows:

- a. As of March 31, 2017, December 31, 2016 and March 31, 2016, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$643,986 thousand, \$614,006 thousand and \$260,769 thousand, respectively.
- b. Unrecognized commitments are as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Acquisition of property, plant and equipment	<u>\$ 325,511</u>	<u>\$ 184,595</u>	<u>\$ 332,625</u>

31. 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:

	March 31, 2017			December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets of monetary items</u>						
USD	\$ 27,358	30.33	\$ 829,768	\$ 24,071	32.25	\$ 776,290
EUR	2,820	32.85	92,637	2,675	33.90	90,683

<u>Financial liabilities of monetary items</u>						
USD	31,641	30.33	959,672	37,317	32.25	1,203,473
EUR	8,579	32.85	281,820	7,942	33.90	269,234

	March 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets of monetary items</u>			
USD	\$ 31,148	32.19	\$ 1,002,498
EUR	1,673	36.33	60,780

<u>Financial liabilities of monetary items</u>			
USD	86,976	32.19	2,799,323
EUR	2,662	36.33	96,710

The following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant foreign exchange gains (losses) were as follows:

	For the Three Months Ended March 31			
	2017		2016	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1	\$ (21,678)	1	\$ (5,487)
MMK	0.0229	443	0.0264	22,439
IDR	0.0024	(651)	0.0025	13,687
RMB	4.5154	4,914	5.0789	8,511
THB	0.8899	(1,769)	0.9338	(5,277)
USD	31.0950	(1,391)	33.1425	84
MZM	0.4441	2,194	-	-
		<u>\$ (17,938)</u>		<u>\$ 33,957</u>

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least \$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 4)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 5)
- 9) Trading in derivative instruments. (Note 7)
- 10) Intercompany relationships and significant intercompany transactions. (Table 6)
- 11) Information on investees. (Table 7)

b. Information on investments in mainland China

- 1) 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, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 6)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 6)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (Table 6)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)

- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (Table 6)

33. SEGMENT INFORMATION

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. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Domestic - Manufacture and sale in Taiwan.
- Asia - Manufactures and sale in Asia other than Taiwan.

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Domestic	Asia	Adjustment and Elimination	Total
<u>For the three months ended March 31, 2017</u>				
Revenues from external customers	\$ 1,601,046	\$ 2,677,667	\$ -	\$ 4,278,713
Inter-segment revenues	<u>13,661</u>	<u>6,191</u>	<u>(19,852)</u>	<u>-</u>
Segment revenues	<u>\$ 1,614,707</u>	<u>\$ 2,683,858</u>	<u>\$ (19,852)</u>	<u>\$ 4,278,713</u>
Segment income	<u>\$ 175,641</u>	<u>\$ 227,601</u>		\$ 403,242
Financial costs				(54,009)
Foreign exchange gain				(18,466)
Other gains and losses				<u>215,257</u>
Profit before tax				<u>\$ 546,024</u>
<u>For the three months ended March 31, 2016</u>				
Revenues from external customers	\$ 1,458,735	\$ 2,417,944	\$ -	\$ 3,876,679
Inter-segment revenues	<u>14,667</u>	<u>6,108</u>	<u>(20,775)</u>	<u>-</u>
Segment revenues	<u>\$ 1,473,402</u>	<u>\$ 2,424,052</u>	<u>\$ (20,775)</u>	<u>\$ 3,876,679</u>
Segment income	<u>\$ 141,026</u>	<u>\$ 157,910</u>		\$ 298,936
Financial costs				(58,490)
Foreign exchange gain				34,845
Other gains and losses				<u>(9,604)</u>
Profit before tax				<u>\$ 265,687</u>

Inter-segment revenues were accounted for according to market price.

Segment profit represented the profit before tax earned by each segment without interest income, gain or loss on disposal of property, plant and equipment, exchange gain or loss, valuation gain or loss on financial instruments, loss recognized on associates under equity method, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO RELATED ENTITIES
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of Dollars, Unless Otherwise Specified)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
1	Samoa Hon Chuan	Hon Chuan China	Receivable from related parties	Yes	\$ 2,455,214 (US\$ 80,950)	\$ 1,836,482 (US\$ 60,550)	\$ 1,836,482 (US\$ 60,550)	2.79%-2.87%	Short-term financing	\$ -	Operating Capital	\$ -	-	\$ -	\$ 3,829,639	\$ 3,2829,639
		Kai Gang	Receivable from related parties	Yes	75,825 (US\$ 2,500)	-	-	2.79%-2.85%	Short-term financing	-	Operating Capital	-	-	-	3,829,639	3,829,639
		Hon Chuan Asia	Receivable from related parties	Yes	342,729 (US\$ 11,300)	157,716 (US\$ 5,200)	157,716 (US\$ 5,200)	2.79%-2.87%	Short-term financing	-	Operating Capital	-	-	-	3,829,639	3,829,639
		Xiantao Hon Chuan	Receivable from related parties	Yes	60,660 (US\$ 2,000)	60,660 (US\$ 2,000)	60,660 (US\$ 2,000)	3.29%-3.37%	Short-term financing	-	Operating Capital	-	-	-	3,829,639	3,829,639
2	Kai Gang	Samoa Hon Chuan	Receivable from related parties	Yes	90,990 (US\$ 3,000)	90,990 (US\$ 3,000)	90,990 (US\$ 3,000)	2.87%	Short-term financing	-	Operating Capital	-	-	-	1,954,034	1,954,034
		Hon Chuan China	Receivable from related parties	Yes	303,300 (US\$ 10,000)	303,300 (US\$ 10,000)	303,300 (US\$ 10,000)	2.79%-2.87%	Short-term financing	-	Operating Capital	-	-	-	1,954,034	1,954,034
		Qingxin Hon Chuan	Receivable from related parties	Yes	166,815 (US\$ 5,500)	-	-	3.29%-3.35%	Short-term financing	-	Operating Capital	-	-	-	1,954,034	1,954,034
3	Samoa Hon Hsing	Hon Chuan China	Receivable from related parties	Yes	287,225 (US\$ 9,470)	287,225 (US\$ 9,470)	287,225 (US\$ 9,470)	2.79%-2.87%	Short-term financing	-	Operating Capital	-	-	-	1,811,763	1,811,763
		Samoa Hon Chuan	Receivable from related parties	Yes	188,046 (US\$ 6,200)	188,046 (US\$ 6,200)	188,046 (US\$ 6,200)	2.79%-2.87%	Short-term financing	-	Operating Capital	-	-	-	1,811,763	1,811,763
4	Hon Chuan Asia	Hon Chuan Indonesia	Receivable from related parties	Yes	72,792 (US\$ 2,400)	72,792 (US\$ 2,400)	72,792 (US\$ 2,400)	3.29%-3.37%	Short-term financing	-	Operating Capital	-	-	-	2,395,637	2,395,637
		Honly	Receivable from related parties	Yes	27,978 (US\$ 922)	27,978 (US\$ 922)	27,978 (US\$ 922)	3.29%-3.37%	Short-term financing	-	Operating Capital	-	-	-	2,395,637	2,395,637
		Hon Chuan Vietnam	Receivable from related parties	Yes	90,990 (US\$ 3,000)	90,990 (US\$ 3,000)	90,990 (US\$ 3,000)	3.29%-3.37%	Short-term financing	-	Operating Capital	-	-	-	2,395,637	2,395,637
5	Suzhou Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	94,516 (RMB 21,500)	94,516 (RMB 21,500)	94,516 (RMB 21,500)	4.35%	Short-term financing	-	Operating Capital	-	-	-	413,069	413,069
		Xiantao Hon Chuan	Receivable from related parties	Yes	39,565 (RMB 9,000)	39,565 (RMB 9,000)	39,565 (RMB 9,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	413,069	413,069
		Suzhou Hongxin	Receivable from related parties	Yes	65,941 (RMB 15,000)	65,941 (RMB 15,000)	65,941 (RMB 15,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	413,069	413,069
6	Changsha Hon Chuan	Qingxin Hon Chuan	Receivable from related parties	Yes	109,902 (RMB 25,000)	109,902 (RMB 25,000)	109,902 (RMB 25,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	374,780	374,780
		Chuzhou Hon Chuan	Receivable from related parties	Yes	147,269 (RMB 33,500)	147,269 (RMB 33,500)	147,269 (RMB 33,500)	4.35%	Short-term financing	-	Operating Capital	-	-	-	374,780	374,780
		Xiantao Hon Chuan	Receivable from related parties	Yes	65,941 (RMB 15,000)	65,941 (RMB 15,000)	65,941 (RMB 15,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	374,780	374,780
		Suzhou Hongxin	Receivable from related parties	Yes	21,980 (RMB 5,000)	21,980 (RMB 5,000)	21,980 (RMB 5,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	374,780	374,780
7	Zangahou Hon Chuan	Qingxin Hon Chuan	Receivable from related parties	Yes	87,922 (RMB 20,000)	87,922 (RMB 20,000)	87,922 (RMB 20,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	423,322	423,322
8	Jinan Hon Chuan	Qingxin Hon Chuan	Receivable from related parties	Yes	30,773 (RMB 7,000)	30,773 (RMB 7,000)	30,773 (RMB 7,000)	4.35%	Short-term financing	-	Operating Capital	-	-	-	487,923	487,923

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
9	Taiyuan Hon Chuan	Xiantao Hon Chuan	Receivable from related parties	Yes	\$ 127,487 (RMB 29,000)	\$ 92,318 (RMB 21,000)	\$ 92,318 (RMB 21,000)	4.35%	Short-term financing	-	Operating Capital	\$ -	-	\$ -	\$ 578,173	\$ 578,173
		Chuzhou Hon Chuan	Receivable from related parties	Yes	17,584 (RMB 4,000)	-	-	4.35%	Short-term financing	-	Operating Capital	-	-	-	578,173	578,173
10	Samoa Honly	Cambodia Honly	Receivable from related parties	Yes	92,507 (US\$ 3,050)	92,507 (US\$ 3,050)	92,507 (US\$ 3,050)	-	Short-term financing	-	Operating Capital	-	-	-	108,602	108,602

Note 1: The financing for operation should not exceed the amount of transaction amounts; the short-term financing should not exceed 40% of the latest net assets of the subsidiaries.

Note 2: The maximum amount is 40% of the latest net assets of the subsidiaries

Note 3: Offshore subsidiaries whose voting share are 100% held, directly or indirectly, by the Company will not be subjected to the restriction on 40% of the latest net assets of the Company.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on March 31, 2017.

Note 5: Significant intercompany accounts and transactions have been eliminated.

(Concluded)

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of Dollars, Unless Otherwise Specified)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 1 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given On behalf of Companies in Mainland China	
		Name	Relationship											
0	The Corporation	Samoa Hon Chuan	(Note 4)	\$ 5,877,840	\$ 2,972,340 (US\$ 98,000)	\$ 2,972,340 (US\$ 98,000)	\$ 1,774,305 (US\$ 58,500)	\$ -	25	\$ 11,755,680	Y	-	-	
		Hon Chuan China	(Note 4)	5,877,840	3,942,900 (US\$ 130,000)	3,791,250 (US\$ 125,000)	3,336,300 (US\$ 110,000)	-	32	11,755,680	Y	-	-	
		Hon Chuan Asia	(Note 4)	5,877,840	1,455,840 (US\$ 48,000)	1,455,840 (US\$ 48,000)	612,217 (US\$ 20,185)	-	12	11,755,680	Y	-	-	
		Qingxin Hon Chuan	(Note 4)	5,877,840	151,650 (US\$ 5,000)	151,650 (US\$ 5,000)	-	-	1	11,755,680	Y	-	Y	
		Taiyuan Hon Chuan	(Note 4)	5,877,840	197,145 (US\$ 6,500)	90,990 (US\$ 3,000)	-	-	1	11,755,680	Y	-	Y	
		Samoa Hon Hsing	(Note 4)	5,877,840	576,270 (US\$ 19,000)	576,270 (US\$ 19,000)	494,379 (US\$ 16,300)	-	5	11,755,680	Y	-	-	
		Kai Gang	(Note 4)	5,877,840	454,950 (US\$ 15,000)	-	-	-	-	-	11,755,680	Y	-	-
		Suzhou Hongxin	(Note 4)	5,877,840	90,990 (US\$ 3,000)	-	-	-	-	-	11,755,680	Y	-	Y
		Jinan Hon Chuan	(Note 4)	5,877,840	303,300 (US\$ 10,000)	-	-	-	-	-	11,755,680	Y	-	Y
		Xiantao Hon Chuan	(Note 4)	5,877,840	318,162 (US\$ 10,490)	136,182 (US\$ 4,490)	2,726 (US\$ 90)	-	1	11,755,680	Y	-	-	Y
		Qingxin Hon Chuan (Note 5)	(Note 4)	5,877,840	181,677 (US\$ 5,990)	181,677 (US\$ 5,990)	-	-	2	11,755,680	Y	-	-	Y
		Zangzhou Hon Chuan (Note 5)												
		Chuzhou Hon Chuan (Note 5)												
		Kai Gang (Note 6)	(Note 4)	5,877,840	303,300 (US\$ 10,000)	303,300 (US\$ 10,000)	164,533 (US\$ 5,425)	-	3	11,755,680	Y	-	-	Y
		Suzhou Hongxin (Note 6)												Y
		Qingxin Hon Chuan (Note 6)												Y
Xiantao Hon Chuan (Note 6)	(Note 4)	5,877,840	303,300 (US\$ 10,000)	303,300 (US\$ 10,000)	93,944 (US\$ 3,097)	-	3	11,755,680	Y	-	-	Y		
Xiantao Hon Chuan (Note 7)												Y		
		Jinan Hon Chuan (Note 7)									Y	-	Y	
		Zangahou Hon Chuan (Note 7)									Y	-	Y	
1	Hon Chuan Thailand	Hon Fu Thailand	(Note 4)	5,877,840	53,154 (THB 60,000)	44,295 (THB 50,000)	17,279 (THB 19,505)	-	-	11,755,680	-	-	-	

Note 1: The maximum is 50% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 2: The maximum is 100% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 3: The maximum amount of the total guarantee for all group entities is 100% of the net assets of the Corporation and subsidiaries.

Note 4: Investees which the Corporation directly and indirectly holds more than 50% percent of the voting shares.

Note 5: Loan facilities share with these three companies.

Note 6: Loan facilities share with these four companies.

Note 7: Loan facilities share with these three companies.

Note 8: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on March 31, 2017.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2017

(In Thousands of Dollars, Unless Otherwise Specified)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	MARCH 31, 2017			
				Shares	Carrying Value (Note 1)	Percentage of Ownership	Fair Value (Note 1)
The Corporation	<u>Capital Stock</u>						
	Globaltec Technology Partner Venture Capital Corp.	-	Financial assets measured at cost - noncurrent	130,478	\$ 1,360	2	\$ 1,360
	Lightel Technologies Inc.	-	Financial assets measured at cost - noncurrent	551,051	8,645	2	11,281
	CDIB CME Fund Ltd.	-	Financial assets measured at cost - noncurrent	3,000,000	30,000	2	30,000
	Great Tree Pharmacy Co., Ltd.	-	Financial instruments at fair value through profit or loss - current	31,500	1,912	0.12	1,912
	<u>Corporate Bonds</u>						
	Adimmune Corporation	-	Financial instruments at fair value through profit or loss - current	300,000	32,070	-	32,070
Samoa Hon Chuan	<u>Corporate Bonds</u>						
	Garden Fresh	-	Debt investments with no active market - current	-	29,893 (US\$ 986)	-	29,893 (US\$ 986)
Hon Chuan Thailand	<u>Capital Stock</u>						
	Ichitan Group Public Company Limited	-	Available-for-sale financial assets - noncurrent	1,000,000	9,125 (THB 10,300)	0.08	9,125 (THB 10,300)

Note 1: The securities held at fair value was based on the adjusted fair value and accumulated impairment; the securities not held at fair value was based on the acquisition cost and accumulated impairment.

Note 2: Information on investees, please see Tables 7 and 8.

Note 3: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on March 31, 2017.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND INVESTEES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of New Taiwan Dollars)

Purchaser or Seller	Related Party	Nature of Relationship with the Purchaser or Seller	Transaction Details				Abnormal Transaction		Notes and Accounts Receivable (Payable)		Note
			Purchase or Sale	Amount (Note)	% to Total	Collection Terms	Unit Price	Collection Terms	Ending Balance	% to Total	
Hon Chuan Asia	Hon Chuan Vietnam	Parent - subsidiary	(Sale)	\$ (104,623)	(57)	T/T 180 days	\$ -	-	\$ 149,690	58	
Hon Chuan Vietnam	Hon Chuan Asia	Parent - subsidiary	Purchase (Note 1)	104,623	-	T/T 180 days	-	-	(149,690)	(99)	

Note 1: Purchase of machinery and equipment.

Note 2: Significant intercompany accounts and transactions have been eliminated.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2017
(In Thousands of Dollars, Unless Otherwise Specified)

Company Name	Related Party	Relationship	Ending Balance (Note 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Samoa Hon Chuan	Hon Chuan China	(Note 1)	\$ 1,836,482 (US\$ 60,550)	-	\$ -	Depend on the operation	\$ 303,300 (US\$ 10,000)	\$ -
	Hon Chuan Asia	(Note 1)	157,716 (US\$ 5,200)	-	-	Depend on the operation	106,155 (US\$ 3,500)	-
Kai Gang	Hon Chuan China	(Note 1)	303,300 (US\$ 10,000)	-	-	Depend on the operation	-	-
Samoa Hon Hsing	Hon Chuan China	(Note 1)	287,225 (US\$ 9,470)	-	-	Depend on the operation	-	-
	Samoa Hon Chuan	(Note 1)	188,046 (US\$ 6,200)	-	-	Depend on the operation	-	-
Changsha Hon Chuan	Chuzhou Hon Chuan	(Note 1)	147,269 (RMB 33,500)	-	-	Depend on the operation	-	-
	Qingxin Hon Chuan	(Note 1)	109,902 (RMB 25,000)	-	-	Depend on the operation	-	-

Note 1: Please see Note 13.

Note 2: Significant intercompany accounts and transactions have been eliminated.

TABLE 6

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
0	The Corporation	Hon Chuan Asia and its subsidiaries	1	Sales	\$ 10,367	T/T 180 days	-
		Hon Chuan Asia and its subsidiaries	1	Purchase	5,237	T/T 180 days	-
		Hon Chuan Asia and its subsidiaries	1	Accounts receivables	11,565	T/T 180 days	-
		Hon Chuan China and its subsidiaries	1	Sales	285	T/T 180 days	-
		Hon Chuan China and its subsidiaries	1	Purchase	953	T/T 180 days	-
		Hon Chuan Africa and its subsidiaries	1	Sales	3,009	T/T 180 days	-
1	Samoa Hon Chuan	Hon Chuan China and its subsidiaries	3	Receivable from related parties	1,897,142	Depend on working capital sufficiency	7
		Hon Chuan China and its subsidiaries	3	Interest revenue	15,572	Depend on working capital sufficiency	-
		Hon Chuan China and its subsidiaries	3	Interest receivable	14,521	Depend on working capital sufficiency	-
		Hon Chuan China and its subsidiaries	3	Payable from related parties	279,036	Depend on working capital sufficiency	1
		Hon Chuan Asia	3	Receivable from related parties	157,716	Depend on working capital sufficiency	1
		Hon Chuan Africa	3	Sales	6,741	T/T 180 days	-
		Hon Chuan Africa	3	Accounts receivable	3,276	T/T 180 days	-
2	Hon Chuan Asia	Among Hon Chuan Asia's subsidiaries	3	Receivable from related parties	191,760	Depend on working capital sufficiency	1
		Among Hon Chuan Asia's subsidiaries	3	Accounts receivable	237,805	T/T 180 days	1
		Among Hon Chuan Asia's subsidiaries	3	Accounts Payable	12,883	T/T 180 days	-
		Among Hon Chuan Asia's subsidiaries	3	Purchase	27,123	T/T 180 days	1
		Among Hon Chuan Asia's subsidiaries	3	Sales	149,221	T/T 180 days	3
3	Hon Chuan Thailand	Among Hon Chuan Asia's subsidiaries	3	Accounts receivable	17,770	T/T 180 days	-
		Among Hon Chuan Asia's subsidiaries	3	Sales	118	T/T 180 days	-
		Among Hon Chuan Asia's subsidiaries	3	Purchase	21,541	T/T 180 days	1
		Among Hon Chuan Asia's subsidiaries	3	Accounts Payable	16,197	T/T 180 days	-
4	Hon Chuan Malaysia	Among Hon Chuan Asia's subsidiaries	3	Sales	2,709	T/T 180 days	-
5	Hon Chuan Vietnam	Among Hon Chuan Asia's subsidiaries	3	Sales	2,407	T/T 180 days	-
6	Samoa Honly	Among Hon Chuan Asia's subsidiaries	3	Accounts receivable	17,090	T/T 180 days	-
		Among Hon Chuan Asia's subsidiaries	3	Receivable from related parties	92,507	Depend on working capital sufficiency	-
		Among Hon Chuan Asia's subsidiaries	3	Other receivable	69,991	Depend on working capital sufficiency	-
		Among Hon Chuan Asia's subsidiaries	3	Purchase	7,594	T/T 180 days	-
7	Samoa Hon Hsing	Among Hon Chuan Africa's subsidiaries	3	Other receivable	50,351	Depend on working capital sufficiency	-
8	Shimada	Among Hon Chuan Africa's subsidiaries	3	Sales	7,172	T/T 180 days	-
		Among Hon Chuan Africa's subsidiaries	3	Purchase	123	T/T 180 days	-

(Continued)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
9	Hon Chuan China	Ningbo Hon Chuan	3	Payable from related parties	\$ 54,512	Depend on working capital sufficiency	-
		Among Hon Chuan China's subsidiaries	3	Payable from related parties	590,525	Depend on working capital sufficiency	2
10	Suzhou Hon Chuan	Among Hon Chuan China's subsidiaries	3	Receivable from related parties	200,022	Depend on working capital sufficiency	1
		Among Hon Chuan China's subsidiaries	3	Accounts receivable	50,340	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Sales	23,612	T/T 180 days	1
		Among Hon Chuan China's subsidiaries	3	Purchase	1,241	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Other receivable	39,578	Depend on working capital sufficiency	-
11	Suzhou Hongxin	Among Hon Chuan China's subsidiaries	3	Purchase	4,468	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Other payable	33,930	Depend on working capital sufficiency	-
		Among Hon Chuan China's subsidiaries	3	Payable from related parties	21,980	Depend on working capital sufficiency	-
12	Jinan Hon Chuan	Among Hon Chuan China's subsidiaries	3	Sales	13,470	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Purchase	3,627	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Receivable from related parties	30,773	Depend on working capital sufficiency	-
		Among Hon Chuan China's subsidiaries	3	Purchase of property, plant and equipment	59,514	Depend on working capital sufficiency	1
		Among Hon Chuan China's subsidiaries	3	Accounts receivable	11,358	T/T 180 days	-
13	Taiyuan Hon Chuan	Among Hon Chuan China's subsidiaries	3	Purchase	1,060	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Receivable from related parties	92,318	Depend on working capital sufficiency	-
14	Changsha Hon Chuan	Among Hon Chuan China's subsidiaries	3	Receivable from related parties	323,112	Depend on working capital sufficiency	1
		Among Hon Chuan China's subsidiaries	3	Purchase	4	T/T 180 days	-
15	Qingxin Hon Chuan	Among Hon Chuan China's subsidiaries	3	Purchase	1,072	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Sales	7,899	T/T 180 days	-
		Among Hon Chuan China's subsidiaries	3	Payable from related parties	87,922	Depend on working capital sufficiency	-

Note 1: Relationship of counterparty; (1) parent company to subsidiary; (2) subsidiary to parent company; (3) subsidiary to subsidiary.

Note 2: Significant intercompany accounts and transactions have been eliminated.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of MARCH 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 5)	Note
				March 31, 2017	December 31, 2016	Shares	%	Carrying Amount (Note 5)			
The Corporation	Samoa Hon Chuan	Samoa	Overseas reinvested holding company and international trade	\$ 9,390,023	\$ 9,194,798	305,160,843	100	\$ 10,198,120	\$ 260,221	\$ 260,221	Subsidiary
Samoa Hon Chuan	Hon Chuan China	Cayman Island	Overseas reinvested holding company	3,401,995 (US\$ 112,166)	3,401,995 (US\$ 112,166)	91,230,576	76.84	3,252,484 (US\$ 107,236)	251,924 (US\$ 8,102)	(Note 1)	Indirect subsidiary
	Hon Chuan Asia	Cayman Island	Overseas reinvested holding company and international trade	5,440,808 (US\$ 179,387)	5,256,401 (US\$ 173,307)	177,672,505	100	6,389,469 (US\$ 210,665)	56,624 (US\$ 1,821)	(Note 1)	Indirect subsidiary
	Hon Chuan Africa	Cayman Island	Overseas reinvested holding company and international trade	395,625 (US\$ 13,044)	331,932 (US\$ 10,944)	13,044,118	100	413,792 (US\$ 13,643)	4,042 (US\$ 130)	(Note 1)	Indirect subsidiary
	Paeon Company	Seychelles	Overseas reinvested holding company	28,450 (US\$ 938)	28,450 (US\$ 938)	-	23.08	26,058 (US\$ 859)	(3,887) (US\$ 125)	(Note 1)	Investments accounted for using equity method
Hon Chuan China	Kai Gang	Hong Kong	Overseas reinvested holding company	4,260,152 (US\$ 140,460)	4,260,152 (US\$ 140,460)	1,097,377,292	100	5,167,170 (US\$ 170,365)	219,562 (US\$ 7,061)	(Note 1)	Indirect subsidiary
	Samoa Hon Hsing	Samoa	Overseas reinvested holding company	3,821,762 (US\$ 126,006)	3,821,762 (US\$ 126,006)	126,006,000	100	4,634,454 (US\$ 152,801)	82,402 (US\$ 2,650)	(Note 1)	Indirect subsidiary
Hon Chuan Asia	Hon Chuan Thailand	Thailand	Manufacture and sale of plastic caps and PET bottles	1,258,634 (US\$ 41,498)	1,258,634 (US\$ 41,498)	137,000,000	100	1,992,347 (US\$ 65,689)	47,886 (US\$ 1,540)	(Note 1)	Indirect subsidiary
	Hon Chuan Indonesia	Indonesia	Manufacture and sale of plastic caps and PET bottles	2,548,812 (US\$ 84,036)	2,548,812 (US\$ 84,036)	83,984,413	100	2,260,313 (US\$ 74,524)	(10,821) (US\$ 348)	(Note 1)	Indirect subsidiary
	Hon Chuan Vietnam	Vietnam	Manufacture and sale of plastic caps and PET bottles	758,250 (US\$ 25,000)	758,250 (US\$ 25,000)	-	100	854,639 (US\$ 28,178)	10,945 (US\$ 352)	(Note 1)	Indirect subsidiary
	Hon Chuan Malaysia	Malaysia	Manufacture and sale of plastic caps and PET bottles	791,583 (US\$ 26,099)	791,583 (US\$ 26,099)	81,259,900	100	630,409 (US\$ 20,785)	(2,643) (US\$ 85)	(Note 1)	Indirect subsidiary
	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps and PET bottles	721,429 (US\$ 23,786)	721,429 (US\$ 23,786)	89,524,394	70	618,793 (US\$ 20,402)	10,634 (US\$ 342)	(Note 1)	Indirect subsidiary
	Samoa Honly	Samoa	Overseas reinvested holding company and international trade	270,544 (US\$ 8,920)	212,917 (US\$ 7,020)	8,920,000	60	206,638 (US\$ 6,813)	(23,725) (US\$ 763)	(Note 1)	Indirect subsidiary
	Honly	Cambodia	Overseas reinvested holding company and international trade	26,751 (US\$ 882)	26,751 (US\$ 882)	490	49	26,751 (US\$ 882)	560 (US\$ 18)	(Note 1)	Indirect subsidiary
	Hon Hua	Samoa	Overseas reinvested holding company and international trade	32,756 (US\$ 1,080)	-	1,080,000	60	32,726 (US\$ 1,079)	(31) (US\$ 1)	(Note 1)	Indirect subsidiary
Hon Chuan Thailand	Hon Fu Thailand	Thailand	Manufacture and sale of plastic caps, labels, pp bottles and PET bottles	112,210 (THB 126,662)	112,210 (THB 126,662)	12,666,225	65	221,227 (THB 249,720)	(345) (THB 388)	(Note 1)	Indirect subsidiary
Samoa Honly	Cambodia Honly	Cambodia	Beverage packaging service	181,980 (US\$ 6,000)	181,980 (US\$ 6,000)	6,000,000	100	(85,531) (US\$ 2,820)	(21,487) (US\$ 691)	(Note 1)	Indirect subsidiary
Hon Chuan Africa	Hon Shi Samoa	Samoa	Overseas reinvested holding company and international trade	395,625 (US\$ 13,044)	331,932 (US\$ 10,944)	3,138,790	60	402,206 (US\$ 13,261)	6,095 (US\$ 196)	(Note 1)	Indirect subsidiary
Hon Shi Samoa	Shimada	Africa	Manufacture and sales of plastic caps PET bottles and LDPE membrane	27,570 (US\$ 909)	27,570 (US\$ 909)	-	100	54,685 (US\$ 1,803)	7,743 (US\$ 249)	(Note 1)	Indirect subsidiary
	Hon Shi Mozambique	Africa	Manufacture and sales of plastic caps	73,459 (US\$ 2,422)	24,931 (US\$ 822)	-	100	76,826 (US\$ 2,533)	(840) (US\$ 27)	(Note 1)	Indirect subsidiary

Note 1: Not applicable.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on March 31, 2017.

Note 3: Information on investments in mainland China, please see Table 8.

Note 4: Paeon Company was based on the financial statements that has not been audited for the same year.

Note 5: Significant intercompany accounts and transactions have been eliminated.

TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2017
(In Thousands of Dollars, Unless Otherwise Specified)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2017	Net Income (Loss) of the Investee (Note 3)	% Ownership of Direct or Indirect Investment (Note 1)	Investment Gain (Loss) (Note 3)	Carrying Amount as of March 31, 2017 (Note 3)	Accumulated Repatriation of Investment Income as of March 31, 2017
					Outward	Inward						
Suzhou Hon Chuan	Manufacture and sale of various plastic caps, labels and aluminum closures	\$ 621,462 (US\$ 20,490)	(Note 1)	\$ 521,100 (US\$ 17,181)	\$ -	\$ -	\$ 521,100 (US\$ 17,181)	\$ 6,281	76.84%	\$ 4,826	\$ 798,216	\$ -
Qingxin Hon Chuan	Manufacture and sale of various plastic caps, labels, PET bottles and beverage packaging services	1,607,490 (US\$ 53,000)	(Note 1)	347,369 (US\$ 11,453)	-	-	347,369 (US\$ 11,453)	7,090	76.84%	5,448	1,358,995	-
Zhangzhou Hon Chuan	Development, manufacture and sales of beverages	1,213,200 (US\$ 40,000)	(Note 1)	123,564 (US\$ 4,074)	-	-	123,564 (US\$ 4,074)	170,525	76.84%	131,031	940,776	-
Suzhou Hongxin	Manufacture and sale of plastic caps, PET bottles and beverage packaging services	1,395,180 (US\$ 46,000)	(Note 1)	753,428 (US\$ 24,841)	-	-	753,428 (US\$ 24,841)	(3,669)	76.84%	(2,819)	738,763	-
Jinan Hon Chuan	Manufacture and sale of plastic caps and PET bottles	879,570 (US\$ 29,000)	(Note 1)	148,738 (US\$ 4,904)	-	-	148,738 (US\$ 4,904)	35,666	76.84%	27,406	963,988	-
Changsha Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage packaging services	561,105 (US\$ 18,500)	(Note 1)	239,395 (US\$ 7,893)	-	-	239,395 (US\$ 7,893)	24,410	76.84%	18,756	738,204	-
Taiyuan Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage packaging services	1,000,890 (US\$ 33,000)	(Note 1)	293,928 (US\$ 9,691)	-	-	293,928 (US\$ 9,691)	24,721	76.84%	18,995	1,129,155	-
Ningbo Hon Chuan	Manufacture and sale of packing materials for electronic components and caps for batteries	106,155 (US\$ 3,500)	(Note 1)	106,155 (US\$ 3,500)	-	-	106,155 (US\$ 3,500)	(342)	100%	(342)	58,203	-
Chuzhou Hon Chuan	Manufacture and sale of various plastic caps and PET bottles	303,300 (US\$ 10,000)	(Note 1)	-	-	-	-	11,381	76.84%	8,745	187,423	-
Xiantao Hon Chuan	Manufacture and sale of various plastic caps and PET batteries	454,950 (US\$ 15,000)	(Note 1)	-	-	-	-	21,300	76.84%	16,367	341,333	-
Quanhe	Equity investment	26,377 (RMB 6,000)	(Note 6)	-	-	-	-	-	76.84%	-	20,229	-
Anyang Hon Chuan	Sale of PE/PET packaging food packaging	65,941 (RMB 15,000)	(Note 6)	-	-	-	-	1,119	76.84%	860	52,391	-

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 2,533,677 (US\$83,537)	\$6,706,964 (US\$221,133)	(Note 4)

Note 1: The Corporation invested in China through third parties.

Note 2: The Corporation invested in China through Suzhou Hon Chuan.

Note 3: The Corporation recognized its equity in the investee's net income on the basis of financial statements reviewed by the CPA member firm of the Corporation's auditors, except those of Ningbo Hon Chuan.

Note 4: The regulation refers to "Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs.

Note 5: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on March 31, 2017.

Note 6: The Corporation invested in China through Suzhou Hongxin. In November 2015, the ownership of Anyang Hon Chuan was increased from 40% to 100%.

Note 7: Significant intercompany accounts and transactions have been eliminated.