

Pou Chen Corporation 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
Pou Chen Corporation

We have reviewed the accompanying consolidated financial statements of Pou Chen Corporation (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of March 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2017 and 2016. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. The Group's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method in the consolidated financial statements and were based on its financial statements, which were reviewed by other auditors. Our opinion, insofar as it relates to the Group's investments in Ruen Chen Investment Holding Co., Ltd., is based solely on the reviewed report of other auditors. As of March 31, 2017 and 2016, the carrying value of the investments was 3.41% (\$9,826,059 thousand) and 3.11% (\$9,004,027 thousand) of the total assets, respectively. For the three months ended March 31, 2017 and 2016, the share of profit of the associate was 0.85% (\$39,552 thousand) and 18.67% (\$1,112,394 thousand) of the income before income tax, respectively.

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 of 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.

Based on our reviews and the review report of the other auditors, we are not aware of any material modifications that should be made to the consolidated financial statements referred 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 and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 15, 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.

POU CHEN CORPORATION 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 (Notes 4 and 6)	\$ 38,047,225	13	\$ 35,635,653	12	\$ 39,670,801	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,357,610	-	1,110,141	-	570,344	-
Available-for-sale financial assets - current (Notes 4 and 8)	14,761,687	5	13,875,320	5	13,546,127	5
Held-to-maturity financial assets - current (Notes 4 and 9)	1,147,056	-	972,124	-	63,765	-
Debt investments with no active market - current (Notes 4 and 10)	830,405	-	793,924	-	1,460,946	1
Notes receivable (Notes 4 and 11)	20,211	-	22,743	-	8,791	-
Notes receivable from related parties (Notes 4, 11 and 36)	11	-	17	-	15	-
Accounts receivable (Notes 4 and 11)	32,303,801	11	38,073,679	13	30,321,899	10
Accounts receivable from related parties (Notes 4, 11 and 36)	80,305	-	54,156	-	94,240	-
Other receivables (Notes 4 and 11)	4,650,799	2	4,328,034	2	3,915,749	1
Inventories - manufacturing and retailing (Notes 4 and 12)	41,794,538	15	40,709,470	14	42,389,129	15
Inventories - construction (Notes 4 and 12)	4,896,911	2	4,895,683	2	5,016,391	2
Prepayments for leases (Note 4)	143,030	-	152,980	-	154,055	-
Non-current assets held for sale (Notes 4 and 13)	1,499,000	1	1,386,879	-	48,953	-
Other current assets (Notes 4 and 14)	10,092,808	4	9,309,768	3	11,653,032	4
Total current assets	151,625,397	53	151,320,571	51	148,914,237	52
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	-	-	328,492	-	643,451	-
Available-for-sale financial assets - non-current (Notes 4 and 8)	992,277	-	908,711	-	913,469	-
Held-to-maturity financial assets - non-current (Notes 4 and 9)	4,687,851	1	5,191,289	2	4,549,354	2
Financial assets measured at cost - non-current (Notes 4 and 15)	563,469	-	592,550	-	631,368	-
Debt investments with no active market - non-current (Notes 4, 10 and 37)	34,372	-	35,205	-	31,553	-
Investments accounted for using equity method (Notes 4 and 17)	37,902,512	13	39,108,525	13	39,773,104	14
Property, plant and equipment (Notes 4 and 18)	68,128,659	24	71,464,806	25	69,165,162	24
Investment properties (Notes 4, 19 and 37)	2,241,586	1	2,309,447	1	2,304,174	1
Goodwill (Notes 4 and 20)	8,572,480	3	9,103,660	3	9,344,352	3
Other intangible assets (Notes 4 and 21)	2,632,195	1	2,850,439	1	3,207,974	1
Deferred tax assets (Notes 4 and 29)	888,760	-	861,151	-	502,457	-
Long-term prepayments for leases (Note 4)	5,188,664	2	5,575,613	2	5,654,876	2
Other non-current assets (Notes 4 and 14)	4,874,298	2	4,239,402	2	3,516,023	1
Total non-current assets	136,707,123	47	142,569,290	49	140,237,317	48
TOTAL	\$ 288,332,520	100	\$ 293,889,861	100	\$ 289,151,554	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 22)	\$ 25,556,453	9	\$ 24,031,120	8	\$ 21,247,900	7
Short-term bills payable (Note 22)	4,084,363	1	2,544,755	1	2,933,791	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	390,775	-	915,676	-	573,414	-
Notes payable (Notes 4 and 23)	27,915	-	19,526	-	15,522	-
Notes payable to related parties (Notes 4, 23 and 36)	15,137	-	26,809	-	24,797	-
Accounts payable (Notes 4 and 23)	14,907,856	5	13,189,428	4	17,628,567	6
Accounts payable to related parties (Notes 4, 23 and 36)	1,365,983	1	1,450,017	1	1,540,800	1
Other payables (Note 24)	24,149,097	8	25,218,684	9	25,015,825	9
Current tax liabilities (Notes 4 and 29)	1,734,321	1	1,574,657	1	2,440,558	1
Liabilities directly associated with non-current assets held for sale (Notes 4 and 13)	1,312,895	-	1,067,765	-	-	-
Current portion of long-term borrowings (Note 22)	-	-	-	-	5,411,946	2
Other current liabilities	5,030,525	2	4,693,927	2	5,095,037	2
Total current liabilities	78,575,320	27	74,732,364	26	81,928,157	29
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 22)	47,919,965	17	50,363,126	17	44,869,424	15
Deferred tax liabilities (Notes 4 and 29)	1,870,527	1	1,774,228	1	1,953,317	1
Long-term payables (Note 24)	153,188	-	159,330	-	174,828	-
Net defined benefit liabilities (Note 4)	3,287,554	1	3,810,791	1	2,865,751	1
Other non-current liabilities	38,146	-	39,318	-	38,456	-
Total non-current liabilities	53,269,380	19	56,146,793	19	49,901,776	17
Total liabilities	131,844,700	46	130,879,157	45	131,829,933	46
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 26)						
Share capital						
Common shares	29,467,872	10	29,467,872	10	29,467,872	10
Capital surplus	4,540,694	2	4,540,163	2	4,615,879	2
Retained earnings						
Legal reserve	11,213,184	4	11,213,184	4	10,260,048	3
Special reserve	11,905,595	4	11,905,595	4	5,608,553	2
Unappropriated earnings	33,841,488	12	32,214,698	11	34,214,265	12
Total retained earnings	56,960,267	20	55,333,477	19	50,082,866	17
Other equity	(15,942,792)	(6)	(13,636,368)	(5)	(10,023,573)	(4)
Total equity attributable to owners of the Company	75,026,041	26	75,705,144	26	74,143,044	25
NON-CONTROLLING INTERESTS	81,461,779	28	87,305,560	29	83,178,577	29
Total equity	156,487,820	54	163,010,704	55	157,321,621	54
TOTAL	\$ 288,332,520	100	\$ 293,889,861	100	\$ 289,151,554	100

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

(With Deloitte & Touche review report dated May 15, 2017)

POU CHEN CORPORATION 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	%
OPERATING REVENUE (Notes 4, 27 and 36)	\$ 65,565,096	100	\$ 67,441,263	100
OPERATING COSTS (Notes 25, 28 and 36)	<u>48,821,083</u>	<u>74</u>	<u>50,663,777</u>	<u>75</u>
GROSS PROFIT	<u>16,744,013</u>	<u>26</u>	<u>16,777,486</u>	<u>25</u>
OPERATING EXPENSES (Notes 25 and 28)				
Selling and marketing expenses	6,663,025	10	6,408,893	10
General and administrative expenses	4,107,289	7	4,814,709	7
Research and development expenses	<u>2,068,716</u>	<u>3</u>	<u>1,923,578</u>	<u>3</u>
Total operating expenses	<u>12,839,030</u>	<u>20</u>	<u>13,147,180</u>	<u>20</u>
INCOME FROM OPERATIONS	<u>3,904,983</u>	<u>6</u>	<u>3,630,306</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 28)	810,651	1	564,053	1
Other gains and losses (Note 28)	(195,566)	-	1,040,781	2
Finance costs (Note 28)	(390,261)	(1)	(296,765)	-
Share of the profit of associates and joint ventures (Notes 4 and 17)	<u>517,694</u>	<u>1</u>	<u>1,021,047</u>	<u>1</u>
Total non-operating income and expenses	<u>742,518</u>	<u>1</u>	<u>2,329,116</u>	<u>4</u>
INCOME BEFORE INCOME TAX	4,647,501	7	5,959,422	9
INCOME TAX EXPENSE (Notes 4 and 29)	<u>(858,664)</u>	<u>(1)</u>	<u>(1,021,374)</u>	<u>(2)</u>
NET INCOME	<u>3,788,837</u>	<u>6</u>	<u>4,938,048</u>	<u>7</u>

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POU CHEN CORPORATION 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	%
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (3,698,007)	(6)	\$ (840,133)	(1)
Unrealized gain on available-for-sale financial assets	1,025,495	2	1,155,769	2
Share of the other comprehensive income of associates and joint ventures	<u>775,690</u>	<u>1</u>	<u>2,017,963</u>	<u>3</u>
Other comprehensive (loss) income for the period, net of income tax	<u>(1,896,822)</u>	<u>(3)</u>	<u>2,333,599</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,892,015</u>	<u>3</u>	<u>\$ 7,271,647</u>	<u>11</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,626,790	3	\$ 3,006,739	4
Non-controlling interests	<u>2,162,047</u>	<u>3</u>	<u>1,931,309</u>	<u>3</u>
	<u>\$ 3,788,837</u>	<u>6</u>	<u>\$ 4,938,048</u>	<u>7</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ (679,634)	(1)	\$ 4,888,760	7
Non-controlling interests	<u>2,571,649</u>	<u>4</u>	<u>2,382,887</u>	<u>4</u>
	<u>\$ 1,892,015</u>	<u>3</u>	<u>\$ 7,271,647</u>	<u>11</u>
EARNINGS PER SHARE (Note 30)				
Basic	<u>\$ 0.55</u>		<u>\$ 1.02</u>	
Diluted	<u>\$ 0.54</u>		<u>\$ 0.99</u>	

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

(With Deloitte & Touche review report dated May 15, 2017)

(Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owner of the Company					Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation Foreign Operation	Unrealized (Loss) Gain on Available-for-sale Financial Assets			
			Legal Reserve	Special Reserve						
BALANCE AT JANUARY 1, 2016	\$ 29,467,872	\$ 4,631,708	\$ 10,260,048	\$ 5,608,553	\$ 31,207,526	\$ 5,020,886	\$ (16,926,480)	\$ 69,270,113	\$ 85,533,554	\$ 154,803,667
Net income for the three months ended March 31, 2016	-	-	-	-	3,006,739	-	-	3,006,739	1,931,309	4,938,048
Other comprehensive (loss) income for the three months ended March 31, 2016	-	-	-	-	-	(1,208,570)	3,090,591	1,882,021	451,578	2,333,599
Total comprehensive income (loss) for the three months ended March 31, 2016	-	-	-	-	3,006,739	(1,208,570)	3,090,591	4,888,760	2,382,887	7,271,647
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 26)	-	(4,343)	-	-	-	-	-	(4,343)	-	(4,343)
Share of changes in equities of subsidiaries (Notes 4 and 26)	-	(11,486)	-	-	-	-	-	(11,486)	-	(11,486)
Change in non-controlling interests	-	-	-	-	-	-	-	-	(4,737,864)	(4,737,864)
Change in equity for the three months ended March 31, 2016	-	(15,829)	-	-	3,006,739	(1,208,570)	3,090,591	4,872,931	(2,354,977)	2,517,954
BALANCE AT MARCH 31, 2016	<u>\$ 29,467,872</u>	<u>\$ 4,615,879</u>	<u>\$ 10,260,048</u>	<u>\$ 5,608,553</u>	<u>\$ 34,214,265</u>	<u>\$ 3,812,316</u>	<u>\$ (13,835,889)</u>	<u>\$ 74,143,044</u>	<u>\$ 83,178,577</u>	<u>\$ 157,321,621</u>
BALANCE AT JANUARY 1, 2017	\$ 29,467,872	\$ 4,540,163	\$ 11,213,184	\$ 11,905,595	\$ 32,214,698	\$ 3,109,173	\$ (16,745,541)	\$ 75,705,144	\$ 87,305,560	\$ 163,010,704
Net income for the three months ended March 31, 2017	-	-	-	-	1,626,790	-	-	1,626,790	2,162,047	3,788,837
Other comprehensive (loss) income for the three months ended March 31, 2017	-	-	-	-	-	(4,097,266)	1,790,842	(2,306,424)	409,602	(1,896,822)
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	1,626,790	(4,097,266)	1,790,842	(679,634)	2,571,649	1,892,015
Share of changes in net assets of associates or joint venture (Notes 4 and 26)	-	531	-	-	-	-	-	531	-	531
Change in non-controlling interests	-	-	-	-	-	-	-	-	(8,415,430)	(8,415,430)
Change in equity for the three months ended March 31, 2017	-	531	-	-	1,626,790	(4,097,266)	1,790,842	(679,103)	(5,843,781)	(6,522,884)
BALANCE AT MARCH 31, 2017	<u>\$ 29,467,872</u>	<u>\$ 4,540,694</u>	<u>\$ 11,213,184</u>	<u>\$ 11,905,595</u>	<u>\$ 33,841,488</u>	<u>\$ (988,093)</u>	<u>\$ (14,954,699)</u>	<u>\$ 75,026,041</u>	<u>\$ 81,461,779</u>	<u>\$ 156,487,820</u>

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

(With Deloitte & Touche review report dated May 15, 2017)

POU CHEN CORPORATION 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	\$ 4,647,501	\$ 5,959,422
Adjustments for:		
Depreciation expenses	2,142,185	2,234,950
Amortization expenses	164,664	98,125
(Reversal) recognized of impairment loss on accounts receivable	(217,015)	18,425
Net gain on fair value change of financial instruments at fair value through profit or loss	(556,841)	(763,828)
Finance costs	390,261	296,765
Interest income	(144,299)	(120,323)
Dividend income	(8,466)	(7,431)
Compensation cost of employee share options	21,642	13,257
Share of profit of associates and joint ventures	(517,694)	(1,021,047)
Net loss (gain) on disposal of property, plant and equipment	108,232	(55,009)
Net gain on disposal of investments	-	(8,537)
Net gain on disposal of associates	(294,964)	(743)
Recognized (reversal) of impairment loss	(29)	2,881
Changes in operating assets and liabilities		
Financial instruments held for trading	110,220	(47,588)
Notes receivable	2,532	3,430
Notes receivable from related parties	6	5
Accounts receivable	5,986,893	3,456,298
Accounts receivable from related parties	(26,149)	(16,134)
Other receivables	(383,443)	(286,959)
Inventories	(1,086,296)	(1,147,178)
Other current assets	(783,040)	(2,362,815)
Other operating assets	(1,831)	(27,569)
Notes payable	8,389	(5,815)
Notes payable to related parties	(11,672)	9,717
Accounts payable	1,718,428	2,198,311
Accounts payable to related parties	(84,034)	(325,483)
Other payables	(4,379,025)	(3,282,604)
Other current liabilities	336,598	712,663
Net defined benefit liabilities	(523,237)	(489,376)
Other operating liabilities	(6,142)	(2,359)
Cash generated from operations	6,613,374	5,033,451
Interest paid	(400,657)	(299,363)
Income tax paid	(660,555)	(719,351)
Net cash generated from operating activities	<u>5,552,162</u>	<u>4,014,737</u>

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POU CHEN CORPORATION 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 INVESTING ACTIVITIES		
Proceeds on sale of financial assets design at FVTPL	\$ 2,743	\$ 2,595
Acquisition of debt investments with no active market	(383,342)	(329,790)
Proceeds on sale of debt investments with no active market	347,694	260,759
Acquisition of held-to-maturity financial assets	-	(3,147,606)
Proceed on sale of held-to-maturity financial assets	13,672	-
Acquisition of financial assets measured at cost	(1,820)	-
Proceed on sale of financial assets measured at cost	-	24,694
Proceeds from disposal of associates and joint ventures	860,068	-
Acquisition of property, plant and equipment	(2,735,261)	(3,180,432)
Proceeds from disposal of property, plant and equipment	215,037	434,520
Increase in refundable deposits	(30,205)	(24,236)
Increase in intangible assets	(22)	-
Acquisition of investment properties	-	(520)
Increase in prepayments for equipment	(602,860)	(523,701)
Acquisition of long-term prepayments for lease	(7,492)	(185,353)
Proceeds from disposal of long-term prepayments for lease	-	21,781
Interest received	205,827	93,646
Dividend received	<u>497,582</u>	<u>208,039</u>
Net cash used in investing activities	<u>(1,618,379)</u>	<u>(6,345,604)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,525,333	5,539,147
Proceeds from short-term bills payable	1,542,500	345,300
Prepayments of long-term borrowings	(2,446,400)	(652,800)
Increase in guarantee deposits	-	33
Decrease in guarantee deposits	(1,172)	-
Change in non-controlling interests	<u>(5,208,349)</u>	<u>(1,996,885)</u>
Net cash (used in) generated from financing activities	<u>(4,588,088)</u>	<u>3,234,795</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>3,285,910</u>	<u>945,962</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,631,605	1,849,890
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>35,679,158</u>	<u>37,820,911</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 38,310,763</u>	<u>\$ 39,670,801</u>

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POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at March 31, 2017 and 2016:

	<u>March 31</u>	
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents in consolidated balance sheets	\$ 38,047,225	\$ 39,670,801
Cash and cash equivalents included in a disposal group held for sale	<u>263,538</u>	<u>-</u>
Cash and cash equivalents in consolidated statements of cash flow	<u>\$ 38,310,763</u>	<u>\$ 39,670,801</u>

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

(With Deloitte & Touche review report dated May 15, 2017)

(Concluded)

POU CHEN CORPORATION 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 Audited)

1. GENERAL INFORMATION

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

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

The consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) are presented in New Taiwan dollars, the functional currency of the Company.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors on May 15, 2017.

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

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

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, except for the following:

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

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

- 2) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

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

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

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

3) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

The amended IAS 38 “Intangible Assets” clarifies there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
 - b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- 5) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed 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.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions and impairment of goodwill are enhanced. Refer to Note 36 for related disclosures.

- 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 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 issued, 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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 9 “Financial Instruments”	January 1, 2018 (Note 3)
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of investment property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Concluded)

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

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

- b) Except for 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.

The impairment of financial assets

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

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

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

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

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

- 3) IFRS 15 “Revenue from Contracts with Customers”

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

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

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

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

4) IFRS 16 “Leases”

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

Under IFRS 16, if the 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. In 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. In the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

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

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

5) Annual Improvements to IFRSs 2014-2016 Cycle

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

The Group shall apply the aforementioned amendments retrospectively.

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

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

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

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

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

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

Except for the above impact, as of the date the consolidated financial statements were issued, 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 16 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 same 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	\$ 36,499	\$ 37,039	\$ 38,841
Checking accounts and demand deposits	26,412,756	21,881,193	28,581,518
Cash equivalent (investments with original maturities of less than three months)			
Time deposits	10,458,575	12,451,531	10,443,287
Repurchase agreements collateralized by bonds	<u>1,139,395</u>	<u>1,265,890</u>	<u>607,155</u>
	<u>\$ 38,047,225</u>	<u>\$ 35,635,653</u>	<u>\$ 39,670,801</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets designated as at FVTPL</u>			
Structured deposit (a)	\$ 310,675	\$ 328,492	\$ 643,451
<u>Financial assets held for trading</u>			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts (b)	119,857	55,324	-
Exchange rate option contracts (c)	10,134	-	12,089
Exchange rate swap contracts (d)	14,035	118,917	66,760
Cross-currency swap contracts (e)	-	12,998	32,512
Interest rate swap contracts (f)	37,680	33,365	-
Non-derivative financial assets			
Domestic open-ended mutual funds	<u>865,229</u>	<u>889,537</u>	<u>458,983</u>
	<u>\$ 1,357,610</u>	<u>\$ 1,438,633</u>	<u>\$ 1,213,795</u>
Current	\$ 1,357,610	\$ 1,110,141	\$ 570,344
Non-current	<u>-</u>	<u>328,492</u>	<u>643,451</u>
	<u>\$ 1,357,610</u>	<u>\$ 1,438,633</u>	<u>\$ 1,213,795</u>

(Continued)

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial liabilities held for trading</u>			
Derivative financial liabilities (not under hedge accounting)			
Forward exchange contracts (b)	\$ 934	\$ -	\$ -
Exchange rate option contracts (c)	130,600	768,646	345,316
Exchange rate swap contracts (d)	219,371	129,784	180,364
Cross-currency swap contracts (e)	26,054	-	8,208
Interest rate swap contracts (f)	<u>13,816</u>	<u>17,246</u>	<u>39,526</u>
	<u>\$ 390,775</u>	<u>\$ 915,676</u>	<u>\$ 573,414</u>
Current	<u>\$ 390,775</u>	<u>\$ 915,676</u>	<u>\$ 573,414</u> (Concluded)

a. Structured deposits

- 1) Wealthplus entered into a five years USD structured time deposit contract with a bank in January 2013. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract, recorded under “financial assets at FVTPL - current”.
- 2) Wealthplus entered into a three years and six months RMB structured time deposit contract with a bank in March 2015. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract, recorded under “financial assets at FVTPL - non-current”. The RMB structured time deposit contract had been cancelled in December 2016.

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

March 31, 2017

Notional Amount

US\$ 988,000,000
US\$ 87,000,000

Forward Exchange Rates

Sell HKD/buy USD at 7.748 to 7.749
Sell USD/buy IDR at 13,335 to 14,389

December 31, 2016

Notional Amount

US\$ 116,000,000

Forward Exchange Rates

Sell USD/buy IDR at 13,725 to 14,389

The Group entered into forward exchange contracts for the three months ended March 31, 2017 and 2016 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

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

March 31, 2017

Notional Amount	Type	Buy/Sale	Premium Amount Received	Fair Value
US\$ 24,000,000	Put	Sell	\$ -	\$ 3,339
US\$ 24,000,000	Put	Sell	-	4,780
US\$ 44,000,000	Put	Sell	-	747
US\$ 44,000,000	Put	Sell	-	1,268
US\$ 8,000,000	Put	Sell	-	(709)
US\$ 12,000,000	Put	Sell	-	(7,451)
US\$ 8,000,000	Put	Sell	-	(3,444)
US\$ 24,000,000	Put	Sell	-	(4,770)
US\$ 2,000,000	Put	Sell	-	(187)
US\$ 6,000,000	Put	Sell	-	(3,810)
US\$ 4,000,000	Put	Sell	-	(165)
US\$ 48,000,000	Put	Sell	14,558	(10,331)
US\$ 48,000,000	Put	Sell	-	(12,316)
US\$ 2,000,000	Put	Sell	-	(246)
US\$ 12,000,000	Put	Sell	-	(2,256)
US\$ 12,000,000	Put	Sell	-	(6,744)
US\$ 56,000,000	Put	Sell	-	(519)
US\$ 44,000,000	Put	Sell	-	(1,424)
US\$ 24,000,000	Put	Sell	-	(16,937)
US\$ 16,000,000	Put	Sell	-	(10,996)
US\$ 16,000,000	Put	Sell	-	(11,700)
US\$ 24,000,000	Put	Sell	-	(17,865)
US\$ 30,000,000	Put	Sell	7,899	<u>(18,730)</u>
				<u>\$ (120,466)</u>

December 31, 2016

Notional Amount	Type	Buy/Sale	Premium Amount Received	Fair Value
US\$ 8,000,000	Put	Sell	\$ -	\$ (11,394)
US\$ 10,000,000	Put	Sell	-	(10,854)
US\$ 20,000,000	Put	Sell	-	(25,885)
US\$ 8,000,000	Put	Sell	-	(11,128)
US\$ 24,000,000	Put	Sell	-	(37,784)
US\$ 24,000,000	Put	Sell	-	(45,287)
US\$ 12,000,000	Put	Sell	-	(22,791)
US\$ 14,000,000	Put	Sell	-	(23,054)
US\$ 28,000,000	Put	Sell	-	(46,155)
US\$ 42,000,000	Put	Sell	-	(57,173)
US\$ 48,000,000	Put	Sell	-	(55,242)

(Continued)

Notional Amount	Type	Buy/Sale	Premium Amount Received	Fair Value
US\$ 48,000,000	Put	Sell	\$ 15,480	\$ (48,207)
US\$ 24,000,000	Put	Sell	-	(4,569)
US\$ 24,000,000	Put	Sell	-	(2,170)
US\$ 82,000,000	Put	Sell	-	(20,505)
US\$ 92,000,000	Put	Sell	-	(23,436)
US\$ 42,000,000	Put	Sell	-	(69,577)
US\$ 28,000,000	Put	Sell	-	(45,731)
US\$ 28,000,000	Put	Sell	-	(46,867)
US\$ 42,000,000	Put	Sell	-	(74,054)
US\$ 48,000,000	Put	Sell	13,438	(79,328)
US\$ 10,000,000	Put	Sell	2,240	(2,170)
US\$ 20,000,000	Put	Sell	5,505	<u>(5,285)</u>
				<u>\$ (768,646)</u>
				(Concluded)

March 31, 2016

Notional Amount	Type	Buy/Sale	Premium Amount (Paid) Received	Fair Value
US\$ 8,000,000	Call	Buy	\$ (7,724)	\$ 2,141
US\$ 8,000,000	Call	Buy	(7,724)	2,039
US\$ 8,000,000	Call	Buy	(7,725)	2,051
US\$ 12,000,000	Put	Sell	-	3
US\$ 20,000,000	Put	Sell	-	2,677
US\$ 32,000,000	Put	Sell	-	1,599
US\$ 40,000,000	Put	Sell	-	1,579
US\$ 48,000,000	Put	Sell	-	(7,525)
US\$ 44,000,000	Put	Sell	-	(17,726)
US\$ 20,000,000	Put	Sell	-	(8,270)
US\$ 72,000,000	Put	Sell	-	(18,061)
US\$ 8,000,000	Put	Sell	-	(618)
US\$ 24,000,000	Put	Sell	-	(3,593)
US\$ 22,000,000	Put	Sell	-	(8,958)
US\$ 8,000,000	Put	Sell	-	(122)
US\$ 12,000,000	Put	Sell	-	(1,660)
US\$ 24,000,000	Put	Sell	-	(3,222)
US\$ 40,000,000	Put	Sell	-	(15,080)
US\$ 44,000,000	Put	Sell	-	(17,241)
US\$ 24,000,000	Put	Sell	-	(1,857)
US\$ 48,000,000	Put	Sell	-	(11,105)
US\$ 40,000,000	Put	Sell	-	(13,717)
US\$ 8,000,000	Put	Sell	-	(941)
US\$ 12,000,000	Put	Sell	-	(3,340)
US\$ 12,000,000	Put	Sell	-	(2,879)
US\$ 20,000,000	Put	Sell	-	(3,742)
				(Continued)

Notional Amount	Type	Buy/Sale	Premium Amount (Paid) Received	Fair Value
US\$ 40,000,000	Put	Sell	\$ -	\$ (204)
US\$ 12,000,000	Put	Sell	-	(4,966)
US\$ 40,000,000	Put	Sell	-	(1,551)
US\$ 96,000,000	Put	Sell	-	(14,543)
US\$ 48,000,000	Put	Sell	-	(2,316)
US\$ 44,000,000	Put	Sell	-	(633)
US\$ 2,000,000	Put	Sell	380	(510)
US\$ 30,000,000	Put	Sell	8,400	(1,824)
US\$ 20,000,000	Put	Sell	6,759	(1,663)
US\$ 96,000,000	Put	Sell	-	(40,043)
US\$ 64,000,000	Put	Sell	-	(26,505)
US\$ 64,000,000	Put	Sell	-	(26,169)
US\$ 96,000,000	Put	Sell	-	(41,248)
US\$ 102,000,000	Put	Sell	28,497	(34,144)
US\$ 102,000,000	Put	Sell	25,078	(9,030)
US\$ 15,000,000	Put	Sell	1,014	(172)
US\$ 5,000,000	Put	Sell	338	<u>(138)</u>
				<u>\$ (333,227)</u>
				(Concluded)

The Group entered into exchange rate option contracts for the three months ended March 31, 2017 and 2016 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

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

March 31, 2017

Notional Amount	Maturity Date	Rate	Fair Value
US\$ 18,800,000	2017.05.02	30.0680	\$ 4,265
US\$ 34,000,000	2017.05.02	30.0680	7,976
US\$ 18,000,000	2017.05.05	30.2180	1,287
US\$ 35,000,000	2017.05.08	30.2990	507
US\$ 26,000,000	2017.04.07	30.7955	(12,173)
US\$ 3,000,000	2017.04.07	30.7955	(1,405)
US\$ 32,200,000	2017.04.07	30.7955	(15,076)
US\$ 26,800,000	2017.04.07	30.7975	(11,881)
US\$ 30,300,000	2017.04.07	30.7980	(12,598)
US\$ 40,000,000	2017.04.07	30.7980	(18,055)
US\$ 25,000,000	2017.04.07	30.7970	(11,552)
US\$ 30,000,000	2017.04.10	30.9080	(15,885)
US\$ 7,300,000	2017.04.11	30.8260	(3,676)
US\$ 23,400,000	2017.04.11	30.8260	(11,783)
US\$ 20,600,000	2017.04.11	30.8260	(9,246)
US\$ 41,000,000	2017.04.11	30.8430	(20,239)
			(Continued)

Notional Amount	Maturity Date	Rate	Fair Value
US\$ 48,000,000	2017.04.17	30.8245	\$ (24,466)
US\$ 6,000,000	2017.04.17	30.8245	(3,058)
US\$ 30,000,000	2017.04.17	30.8245	(15,291)
US\$ 2,000,000	2017.04.17	30.8245	(1,019)
US\$ 21,300,000	2017.04.24	30.3510	(969)
US\$ 10,000,000	2017.04.04	30.3510	(377)
US\$ 35,000,000	2017.05.08	30.2990	(420)
US\$ 32,300,000	2017.05.08	30.2990	(388)
RMB 50,000,000	2017.07.11	4.6993	(17,056)
RMB 45,000,000	2017.06.13	4.3985	(1,228)
RMB 30,000,000	2017.06.13	4.4088	(1,080)
RMB 123,900,000	2017.06.14	4.4297	(7,319)
RMB 53,000,000	2017.06.14	4.4297	<u>(3,131)</u>
			<u>\$ (205,336)</u>
			(Concluded)

December 31, 2016

Notional Amount	Maturity Date	Rate	Fair Value
US\$ 7,300,000	2017.01.09	31.820	\$ 3,289
US\$ 20,600,000	2017.01.09	31.820	10,350
US\$ 23,400,000	2017.01.09	31.870	9,373
US\$ 30,000,000	2017.01.09	31.859	13,902
US\$ 48,000,000	2017.01.17	31.805	21,839
US\$ 6,000,000	2017.01.17	31.805	2,730
US\$ 30,000,000	2017.01.17	31.805	13,420
US\$ 2,000,000	2017.01.17	31.805	895
US\$ 21,300,000	2017.01.23	31.881	7,902
US\$ 10,000,000	2017.01.23	31.881	3,739
US\$ 18,000,000	2017.01.26	32.012	4,108
US\$ 35,000,000	2017.02.06	32.017	5,940
US\$ 35,000,000	2017.02.06	32.017	7,574
US\$ 32,300,000	2017.02.06	32.017	6,989
US\$ 26,000,000	2017.02.07	32.187	1,168
US\$ 3,000,000	2017.02.07	32.187	135
US\$ 32,200,000	2017.02.07	32.187	1,446
US\$ 30,300,000	2017.02.07	32.187	2,932
US\$ 25,000,000	2017.02.07	32.187	1,186
US\$ 26,800,000	2017.02.07	32.187	(55)
US\$ 40,000,000	2017.02.07	32.187	(549)
RMB 45,000,000	2017.03.13	4.8513	(14,802)
RMB 123,900,000	2017.03.14	4.8500	(39,930)
RMB 53,000,000	2017.03.14	4.8500	(17,081)
RMB 50,000,000	2017.07.11	4.6993	(13,493)
RMB 30,000,000	2017.03.13	4.6150	(2,673)
RMB 91,000,000	2017.03.20	6.7800	(20,720)
RMB 40,000,000	2017.03.20	6.7799	(8,991)
RMB 50,208,000	2017.03.20	6.7800	<u>(11,490)</u>
			<u>\$ (10,867)</u>

March 31, 2016

Notional Amount	Maturity Date	Rate	Fair Value
RMB 50,000,000	2016.07.11	4.8257	\$ 5,968
RMB 45,000,000	2017.03.13	4.8513	264
RMB 123,900,000	2017.03.14	4.8500	50
RMB 53,000,000	2017.03.14	4.8500	21
RMB 12,590,000	2016.06.22	6.7092	1,977
RMB 50,208,000	2016.07.19	6.8148	11,262
RMB 91,000,000	2016.07.19	6.8205	20,850
RMB 40,000,000	2016.07.19	6.8180	9,038
RMB 50,208,000	2016.07.19	6.8165	11,342
RMB 12,590,000	2016.04.22	6.6930	2,020
RMB 25,120,000	2016.04.29	6.6906	3,968
RMB 30,000,000	2016.09.12	4.9546	(405)
US\$ 26,000,000	2016.04.25	33.2430	(26,454)
US\$ 3,000,000	2016.04.25	33.2430	(3,052)
US\$ 30,000,000	2016.06.03	33.1335	(30,987)
US\$ 48,000,000	2016.06.06	33.0630	(40,851)
US\$ 6,000,000	2016.06.06	33.0630	(5,107)
US\$ 30,000,000	2016.06.07	32.9332	(20,043)
US\$ 2,000,000	2016.06.07	32.9332	(1,336)
US\$ 21,300,000	2016.06.15	32.7775	(12,131)
US\$ 10,000,000	2016.04.15	32.7998	(5,205)
US\$ 10,300,000	2016.05.31	32.5820	(3,273)
US\$ 10,300,000	2016.05.31	32.5825	(3,278)
RMB 12,560,000	2016.04.11	6.4730	(9)
CHF 25,050,000	2016.04.11	0.99825	<u>(28,233)</u>
			<u>\$ (113,604)</u>

The Group entered into exchange rate swap contracts for the three months ended March 31, 2017 and 2016 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

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

March 31, 2017

Notional Amount	Maturity Date	Rate	Interest %	Fair Value
US\$ 10,000,000	2017.05.22	US\$:NT\$ 30.775	0.65	\$ (3,905)
US\$ 10,000,000	2017.06.09	US\$:NT\$ 30.810	0.55	(4,533)
US\$ 20,000,000	2018.02.06	US\$:NT\$ 31.020	0.75	(15,827)
US\$ 20,000,000	2017.08.21	US\$:RMB 6.9000	4.55	<u>(1,789)</u>
				<u>\$ (26,054)</u>

December 31, 2016

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

March 31, 2016

Notional Amount	Maturity Date	Rate	Interest %	Fair Value
US\$ 20,000,000	2016.05.18	US\$:NT\$ 30.560	1.05	\$ 32,512
US\$ 10,000,000	2016.05.27	US\$:NT\$ 32.520	0.78	(2,695)
US\$ 10,000,000	2016.09.12	US\$:NT\$ 32.761	0.89	<u>(5,513)</u>
				<u>\$ 24,304</u>

The Group entered into cross-currency swap contracts for the three months ended March 31, 2017 and 2016 to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

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

March 31, 2017

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
\$ 375,000	2018.06.01	1.340	0.65933	\$ (1,847)
675,000	2018.06.01	1.310	0.65933	(3,158)
450,000	2018.06.01	1.310	0.65933	(2,121)
375,000	2018.06.01	1.290	0.65933	(1,698)
375,000	2018.06.01	1.278	0.65933	(1,665)
225,000	2018.06.01	1.265	0.65933	(977)
375,000	2018.06.01	1.280	0.65933	(1,695)
150,000	2018.06.01	1.260	0.65933	(655)
US\$ 60,000,000	2020.01.10	1.545	1.01789	8,351
US\$ 50,000,000	2021.03.14	0.840	1.12122	<u>29,329</u>
				<u>\$ 23,864</u>

December 31, 2016

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
\$ 375,000	2018.06.01	1.340	0.65922	\$ (2,323)
675,000	2018.06.01	1.310	0.65922	(3,934)
450,000	2018.06.01	1.310	0.65922	(2,627)
375,000	2018.06.01	1.290	0.65922	(2,137)
375,000	2018.06.01	1.278	0.65922	(2,066)

(Continued)

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
\$ 225,000	2018.06.01	1.265	0.65922	\$ (1,211)
375,000	2018.06.01	1.280	0.65922	(2,127)
150,000	2018.06.01	1.260	0.65922	(821)
US\$ 60,000,000	2020.01.10	1.545	0.93417	7,081
US\$ 50,000,000	2021.03.14	0.840	0.95872	<u>26,284</u>
				<u>\$ 16,119</u> (Concluded)

March 31, 2016

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
\$ 437,500	2016.09.29	1.066	0.73911	\$ (391)
437,500	2016.09.29	1.066	0.73911	(392)
350,000	2016.09.29	1.180	0.73911	(414)
350,000	2016.09.29	1.183	0.73911	(416)
350,000	2016.09.29	1.183	0.73911	(439)
350,000	2016.09.29	1.183	0.73911	(304)
250,000	2016.09.29	0.967	0.73911	(162)
350,000	2016.09.29	0.990	0.73911	(246)
350,000	2016.09.29	0.990	0.73911	(270)
300,000	2016.09.29	0.990	0.73911	(211)
500,000	2018.06.01	1.340	0.73500	(4,892)
900,000	2018.06.01	1.310	0.73500	(8,324)
600,000	2018.06.01	1.310	0.73500	(5,595)
500,000	2018.06.01	1.290	0.73500	(4,518)
500,000	2018.06.01	1.278	0.73500	(4,387)
300,000	2018.06.01	1.265	0.73500	(2,574)
500,000	2018.06.01	1.280	0.73500	(4,322)
200,000	2018.06.01	1.260	0.73500	<u>(1,669)</u>
				<u>\$ (39,526)</u>

The Group entered into interest rate swap contracts for the three months ended March 31, 2017 and 2016 to manage exposures to interest rate fluctuations.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Domestic investments			
Listed shares	\$ 15,231,965	\$ 14,264,621	\$ 14,041,096
Foreign investments			
Listed shares	<u>521,999</u>	<u>519,410</u>	<u>418,500</u>
	<u>\$ 15,753,964</u>	<u>\$ 14,784,031</u>	<u>\$ 14,459,596</u> (Continued)

	March 31, 2017	December 31, 2016	March 31, 2016
Current	\$ 14,761,687	\$ 13,875,320	\$ 13,546,127
Non-current	<u>992,277</u>	<u>908,711</u>	<u>913,469</u>
	<u>\$ 15,753,964</u>	<u>\$ 14,784,031</u>	<u>\$ 14,459,596</u> (Concluded)

9. HELD-TO-MATURITY FINANCIAL ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Domestic investments			
Corporate bonds	\$ 712,894	\$ 749,828	\$ -
Foreign investments			
Corporate bonds	1,800,937	1,918,939	1,930,916
Commercial paper	2,392,032	2,518,046	2,682,203
Structured product	<u>929,044</u>	<u>976,600</u>	<u>-</u>
	<u>\$ 5,834,907</u>	<u>\$ 6,163,413</u>	<u>\$ 4,613,119</u>
Current	\$ 1,147,056	\$ 972,124	\$ 63,765
Non-current	<u>4,687,851</u>	<u>5,191,289</u>	<u>4,549,354</u>
	<u>\$ 5,834,907</u>	<u>\$ 6,163,413</u>	<u>\$ 4,613,119</u>

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	March 31, 2017	December 31, 2016	March 31, 2016
Time deposits with original maturity of more than three months	\$ 830,405	\$ 793,924	\$ 1,460,946
Others	<u>34,372</u>	<u>35,205</u>	<u>31,553</u>
	<u>\$ 864,777</u>	<u>\$ 829,129</u>	<u>\$ 1,492,499</u>
Current	\$ 830,405	\$ 793,924	\$ 1,460,946
Non-current	<u>34,372</u>	<u>35,205</u>	<u>31,553</u>
	<u>\$ 864,777</u>	<u>\$ 829,129</u>	<u>\$ 1,492,499</u>

Refer to Note 37 for information relating to debt investments with no active market pledged as security.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Notes receivable (included related parties)</u>			
Notes receivable - operating	\$ 20,203	\$ 22,514	\$ 8,466
Notes receivable - non-operating	19	246	340
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 20,222</u>	<u>\$ 22,760</u>	<u>\$ 8,806</u>
<u>Accounts receivable (included related parties)</u>			
Accounts receivable	\$ 32,873,597	\$ 38,867,053	\$ 31,403,510
Less: Allowance for doubtful accounts	<u>(489,491)</u>	<u>(739,218)</u>	<u>(987,371)</u>
	<u>\$ 32,384,106</u>	<u>\$ 38,127,835</u>	<u>\$ 30,416,139</u>
<u>Other receivables</u>			
Tax refund receivables	\$ 1,791,399	\$ 1,632,482	\$ 1,459,225
Others	2,860,258	2,696,410	2,458,205
Less: Allowance for doubtful accounts	<u>(858)</u>	<u>(858)</u>	<u>(1,681)</u>
	<u>\$ 4,650,799</u>	<u>\$ 4,328,034</u>	<u>\$ 3,915,749</u>

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

a. Notes receivable

The notes receivable balances at March 31, 2017, December 31, 2016 and March 31, 2016 were not past due.

b. Accounts receivable

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

March 31, 2017

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Up to 30 days	\$ 22,395,018	\$ -	\$ -	\$ -	\$ 22,395,018
31-90 days	8,375,411	-	1,478,709	4,172	9,858,292
More than 90 days	<u>-</u>	<u>-</u>	<u>134,968</u>	<u>485,319</u>	<u>620,287</u>
	<u>\$ 30,770,429</u>	<u>\$ -</u>	<u>\$ 1,613,677</u>	<u>\$ 489,491</u>	<u>\$ 32,873,597</u>

December 31, 2016

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Up to 30 days	\$ 23,294,010	\$ -	\$ -	\$ -	\$ 23,294,010
31-90 days	13,537,407	-	1,078,698	4,889	14,620,994
More than 90 days	-	-	<u>217,720</u>	<u>734,329</u>	<u>952,049</u>
	<u>\$ 36,831,417</u>	<u>\$ -</u>	<u>\$ 1,296,418</u>	<u>\$ 739,218</u>	<u>\$ 38,867,053</u>

March 31, 2016

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Up to 30 days	\$ 22,865,725	\$ -	\$ -	\$ -	\$ 22,865,725
31-90 days	5,941,743	-	1,392,677	212	7,334,632
More than 90 days	-	-	<u>215,994</u>	<u>987,159</u>	<u>1,203,153</u>
	<u>\$ 28,807,468</u>	<u>\$ -</u>	<u>\$ 1,608,671</u>	<u>\$ 987,371</u>	<u>\$ 31,403,510</u>

The above aging schedule was based on the invoice date.

2) Movements of the allowance for accounts receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 739,218	\$ -	\$ 739,218
Less: Reversal impairment losses	(217,015)	-	(217,015)
Less: Amounts written-off during the period as uncollectible	(326)	-	(326)
Effect of exchange rate changes	<u>(32,386)</u>	<u>-</u>	<u>(32,386)</u>
Balance at March 31, 2017	<u>\$ 489,491</u>	<u>\$ -</u>	<u>\$ 489,491</u>
Balance at January 1, 2016	\$ 985,154	\$ -	\$ 985,154
Add: Recognized impairment losses	18,425	-	18,425
Effect of exchange rate changes	<u>(16,208)</u>	<u>-</u>	<u>(16,208)</u>
Balance at March 31, 2016	<u>\$ 987,371</u>	<u>\$ -</u>	<u>\$ 987,371</u>

12. INVENTORIES

	March 31, 2017	December 31, 2016	March 31, 2016
Inventories - manufacturing and retailing	\$ 41,794,538	\$ 40,709,470	\$ 42,389,129
Inventories - construction	<u>4,896,911</u>	<u>4,895,683</u>	<u>5,016,391</u>
	<u>\$ 46,691,449</u>	<u>\$ 45,605,153</u>	<u>\$ 47,405,520</u>

a. Inventories - manufacturing and retailing at the end of the reporting period consisted of the following:

	March 31, 2017	December 31, 2016	March 31, 2016
Raw materials	\$ 8,221,990	\$ 7,728,453	\$ 8,467,414
Work in progress	4,288,573	4,462,189	4,985,979
Finished goods and merchandise	<u>29,283,975</u>	<u>28,518,828</u>	<u>28,935,736</u>
	<u>\$ 41,794,538</u>	<u>\$ 40,709,470</u>	<u>\$ 42,389,129</u>

The cost of manufacturing and retailing inventories recognized as cost of goods sold for the three months ended March 31, 2017 and 2016 was \$48,752,983 thousand and \$50,663,777 thousand, respectively.

b. Inventories - construction at the end of the reporting period consisted of the following:

	March 31, 2017	December 31, 2016	March 31, 2016
Land and buildings held for development	\$ 4,570,048	\$ 4,730,966	\$ 4,821,623
Land and buildings held for sale	53,825	53,825	74,968
Land held for construction site	<u>273,038</u>	<u>110,892</u>	<u>119,800</u>
	<u>\$ 4,896,911</u>	<u>\$ 4,895,683</u>	<u>\$ 5,016,391</u>

The cost of construction inventories recognized as cost of goods sold for the three months ended March 31, 2017 was \$68,100 thousand.

13. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Assets associated with non-current assets held for sale</u>			
Cash and cash equivalents	\$ 263,538	\$ 43,505	\$ -
Accounts receivable and other receivables	500,657	694,085	-
Inventories	611,210	488,007	-
Investments accounted for using equity method	44,069	46,376	48,953
Property, plant and equipment	18,319	18,963	-
Other assets	<u>61,207</u>	<u>95,943</u>	<u>-</u>
	<u>\$ 1,499,000</u>	<u>\$ 1,386,879</u>	<u>\$ 48,953</u>
<u>Liabilities directly associated with non-current assets held for sale</u>			
Accounts payable and other payables	<u>\$ 1,312,895</u>	<u>\$ 1,067,765</u>	<u>\$ -</u>

- a. Pou Sheng resolved to dispose its joint venture in February 2016 and reclassified it to “non-current assets held for sale”. The carrying amount is \$44,069 thousand (US\$1,453 thousand), \$46,376 thousand (US\$1,438 thousand) and \$48,953 thousand (US\$1,521 thousand) at March 31, 2017, December 31, 2016 and March 31, 2016.
- b. Pou Sheng resolved to dispose its subsidiaries during 2016 and reclassified it to “non-current assets held for sale” and liabilities directly associated with “non-current assets held for sale”. The carrying amount is \$142,036 thousand (US\$4,683 thousand) and \$272,738 thousand (US\$8,457 thousand) as of March 31, 2017 and December 31, 2016.

14. OTHER ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Prepayments	\$ 8,841,646	\$ 7,937,123	\$ 10,143,640
Refundable deposits	387,646	357,441	180,137
Defined benefit assets	43,754	43,754	139,285
Prepayments for equipment	4,079,018	3,476,158	2,715,590
Others	<u>1,615,042</u>	<u>1,734,694</u>	<u>1,990,403</u>
	<u>\$ 14,967,106</u>	<u>\$ 13,549,170</u>	<u>\$ 15,169,055</u>
Current	\$ 10,092,808	\$ 9,309,768	\$ 11,653,032
Non-current	<u>4,874,298</u>	<u>4,239,402</u>	<u>3,516,023</u>
	<u>\$ 14,967,106</u>	<u>\$ 13,549,170</u>	<u>\$ 15,169,055</u>

15. FINANCIAL ASSETS MEASURED AT COST

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Domestic investments</u>			
Unlisted shares	<u>\$ 73,238</u>	<u>\$ 73,221</u>	<u>\$ 63,225</u>
<u>Foreign investments</u>			
Unlisted shares	185,108	196,825	200,214
Mutual funds	<u>305,123</u>	<u>322,504</u>	<u>367,929</u>
	<u>490,231</u>	<u>519,329</u>	<u>568,143</u>
	<u>\$ 563,469</u>	<u>\$ 592,550</u>	<u>\$ 631,368</u>
<u>Classified according to financial asset measurement categories</u>			
Available-for-sale financial assets	<u>\$ 563,469</u>	<u>\$ 592,550</u>	<u>\$ 631,368</u>

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

16. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership		
			March 31, 2017	December 31, 2016	March 31, 2016
Wealthplus Holdings Limited (“Wealthplus”)	British Virgin Islands	Investing activities of footwear, electronic and peripheral products	100.00	100.00	100.00
Win Fortune Investments Limited	British Virgin Islands	Investing activities	100.00	100.00	100.00
Windsor Entertainment Co., Ltd.	ROC	Entertainment and resort operations	100.00	100.00	100.00
Pou Shine Investments Co., Ltd.	ROC	Investing activities	100.00	100.00	100.00
Pan Asia Insurance Services Co., Ltd.	ROC	Agency of property and casualty insurance	100.00	100.00	100.00
Pro Arch International Development Enterprise Inc.	ROC	Design and manufacturing of footwear products	100.00	100.00	100.00
Pou Yuen Technology Co., Ltd.	ROC	Rental of real estate	99.81	99.81	99.81
Barits Development Corporation	ROC	Import and export of shoe related materials and investing activities	99.62	99.62	99.62

The information of Wealthplus’s major subsidiaries is as follows:

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership		
			March 31, 2017	December 31, 2016	March 31, 2016
Yue Yuen Industrial (Holdings) Limited	Bermuda	Manufacturing and sale of athletic and casual footwear and sports apparel	48.93	48.93	48.93
Pou Sheng International (Holdings) Limited	Bermuda	Retailing of sporting goods and brand licensing business	30.54	30.54	30.27
Crown Master Investments Limited	British Virgin Islands	Investment holding	100.00	100.00	100.00
Tetor Ventures Ltd.	British Virgin Islands	Investment holding	100.00	100.00	100.00
Star Eagle Consultants Limited	British Virgin Islands	Agency of property and casualty insurance	100.00	100.00	100.00
Pou Yu Biotechnology Co., Ltd.	ROC	Manufacturing of medical appliance and sale of related equipment	69.44	69.44	69.44

The Group holds less than 50% interests in Yue Yuen and Pou Sheng, companies listed on the Hong Kong Stock Exchange (HKEx). The management considered the Group’s absolute amount, relative size and dispersion of voting rights relative to the other shareholders and concluded that the Group has the practical ability to direct the relevant activities of Yue Yuen and Pou Sheng and therefore the Group has control over Yue Yuen and Pou Sheng.

Win Fortune Investments Limited (“Win Fortune”) invested in Yue Yuen (as at March 31, 2017 the ownership percentage was 1.05%). Investing is its primary operation activities.

The information of Pou Yuen Technology Co., Ltd.’s subsidiary is as follows:

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership		
			March 31, 2017	December 31, 2016	March 31, 2016
Vantage Capital Investments Ltd.	British Virgin Islands	Investment holdings	100.00	100.00	100.00

The information of Barits Development Corporation’s subsidiaries is as follows:

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership		
			March 31, 2017	December 31, 2016	March 31, 2016
Song Ming Investments Co., Ltd.	ROC	Investing activities	100.00	100.00	100.00
Pou Chin Development Co., Ltd.	ROC	Agency of land demarcation	100.00	100.00	100.00
Yu Hong Development Co., Ltd.	ROC	Development of real estate	100.00	100.00	100.00
Wang Yi Construction Co., Ltd.	ROC	Construction	89.75	89.75	89.75
Pou Yui Development Co., Ltd.	ROC	Rental and sale of real estate	75.00	75.00	75.00

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
Yue Yuen Industrial (Holdings) Limited	50.02	50.02	50.02
Pou Sheng International (Holdings) Limited	37.59	37.59	38.13

Name of Subsidiary	Profit Allocated to Non-controlling Interests		Accumulated Non-controlling Interests		
	For the Three Months Ended March 31		March 31,	December 31,	March 31,
	2017	2016	2017	2016	2016
Yue Yuen Industrial (Holdings) Limited	\$ 1,926,622	\$ 1,585,712	\$ 70,409,549	\$ 75,958,104	\$ 71,027,510
Pou Sheng International (Holdings) Limited	175,345	288,079	9,992,491	10,319,355	10,831,636

Pou Sheng is a subsidiary of Yue Yuen, and the summarized financial information in respect of Yue Yuen and its subsidiaries (included Pou Sheng) is set out below:

	March 31, 2017	December 31, 2016	March 31, 2016
Current assets	\$ 126,205,025	\$ 128,035,423	\$ 124,720,054
Non-current assets	110,501,865	116,290,696	114,003,337
Current liabilities	(59,949,285)	(54,720,629)	(60,154,841)
Non-current liabilities	<u>(24,869,144)</u>	<u>(26,317,677)</u>	<u>(24,359,603)</u>
Equity	<u>\$ 151,888,461</u>	<u>\$ 163,287,813</u>	<u>\$ 154,208,947</u>
Equity attributable to:			
Owners of the Company	\$ 70,723,257	\$ 76,290,824	\$ 71,363,266
Non-controlling interests of Yue Yuen	70,409,549	75,958,104	71,027,510
Non-controlling interests of Yue Yuen's subsidiaries	<u>10,755,655</u>	<u>11,038,885</u>	<u>11,818,171</u>
	<u>\$ 151,888,461</u>	<u>\$ 163,287,813</u>	<u>\$ 154,208,947</u>
		For the Three Months Ended March 31	
		2017	2016
Operating revenue		<u>\$ 65,324,687</u>	<u>\$ 67,223,218</u>
Net income		\$ 4,116,829	\$ 3,505,443
Other comprehensive income		<u>730,826</u>	<u>781,446</u>
Total comprehensive income		<u>\$ 4,847,655</u>	<u>\$ 4,286,889</u>

(Continued)

	For the Three Months Ended March 31	
	2017	2016
Net income attributable to:		
Owners of the Company	\$ 1,942,505	\$ 1,571,795
Non-controlling interests of Yue Yuen	1,926,622	1,585,712
Non-controlling interests of Yue Yuen's subsidiaries	<u>247,702</u>	<u>347,936</u>
	<u>\$ 4,116,829</u>	<u>\$ 3,505,443</u>
Total comprehensive income attributable to:		
Owners of the Company	\$ 2,250,786	\$ 1,888,221
Non-controlling interests of Yue Yuen	2,235,141	1,902,384
Non-controlling interests of Yue Yuen's subsidiaries	<u>361,728</u>	<u>496,284</u>
	<u>\$ 4,847,655</u>	<u>\$ 4,286,889</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 4,116,549	\$ 3,359,997
Investing activities	(1,823,971)	(3,529,597)
Financing activities	<u>2,053,949</u>	<u>3,373,825</u>
Net cash inflow	<u>\$ 4,346,527</u>	<u>\$ 3,204,225</u>

(Continued)

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2017	December 31, 2016	March 31, 2016
Investments in associates	\$ 26,844,474	\$ 27,252,593	\$ 27,365,686
Investments in joint ventures	<u>11,058,038</u>	<u>11,855,932</u>	<u>12,407,418</u>
	<u>\$ 37,902,512</u>	<u>\$ 39,108,525</u>	<u>\$ 39,773,104</u>

a. Investments in associates

	March 31, 2017	December 31, 2016	March 31, 2016
Material associate			
Ruen Chen Investment Holding Co., Ltd.	\$ 9,826,059	\$ 8,912,633	\$ 9,004,027
Associates that are not individually material	<u>17,018,415</u>	<u>18,339,960</u>	<u>18,361,659</u>
	<u>\$ 26,844,474</u>	<u>\$ 27,252,593</u>	<u>\$ 27,365,686</u>

1) Material associate

Name of Associate	Proportion of Ownership and Voting Rights		
	March 31, 2017	December 31, 2016	March 31, 2016
Ruen Chen Investment Holding Co., Ltd.	20%	20%	20%

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

Ruen Chen Investment Holding Co., Ltd.

Name of Associate	March 31, 2017	December 31, 2016	March 31, 2016
Assets	\$ 3,683,483,823	\$ 3,644,010,238	\$ 3,296,767,721
Liabilities	(3,621,658,650)	(3,587,128,559)	(3,239,096,950)
Non-controlling interests	<u>(12,398,320)</u>	<u>(12,021,953)</u>	<u>(12,354,077)</u>
Owners of Ruen Chen Investment Holding Co., Ltd.	<u>\$ 49,426,853</u>	<u>\$ 44,859,726</u>	<u>\$ 45,316,694</u>
Proportion of the Group	20%	20%	20%
Equity attributable to the Group	\$ 9,885,371	\$ 8,971,945	\$ 9,063,339
Other adjustments	<u>(59,312)</u>	<u>(59,312)</u>	<u>(59,312)</u>
Carrying amount	<u>\$ 9,826,059</u>	<u>\$ 8,912,633</u>	<u>\$ 9,004,027</u>

	For the Three Months Ended March 31	
	2017	2016
Operating revenue	<u>\$ 158,696,054</u>	<u>\$ 176,244,580</u>
Net income	\$ 216,356	\$ 6,136,336
Other comprehensive income	<u>4,727,476</u>	<u>11,188,199</u>
Total comprehensive income	<u>\$ 4,943,832</u>	<u>\$ 17,324,535</u>

2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights (%)		
	March 31, 2017	December 31, 2016	March 31, 2016
Luen Thai Holdings Ltd.	-	9.74	9.74
Eagle Nice (International) Holdings Limited	38.42	38.42	38.42
Evermore Chemical Industry Co., Ltd.	29.05	29.05	29.05
San Fang Chemical Industry Co., Ltd.	44.72	44.72	44.72
Elitegroup Computer Systems Co., Ltd.	19.50	19.50	19.50

(Continued)

Name of Associate	Proportion of Ownership and Voting Rights (%)		
	March 31, 2017	December 31, 2016	March 31, 2016
Ace Top Group Limited	40.00	40.00	40.00
Bigfoot Limited	48.76	48.76	48.76
Enthroned Group Limited	48.76	48.76	48.76
Faith Year Investments Ltd.	30.00	30.00	30.00
Full Pearl International Ltd.	40.04	40.04	40.04
Haicheng Information Technology Co., Ltd.	50.00	50.00	50.00
Hengqin New District of Zhuhai City Baolee Property Management Co., Ltd.	-	40.00	40.00
Just Lucky Investments Limited	38.30	38.30	38.30
Natural Options Limited	38.30	38.30	38.30
Oftenrich Holdings Limited	45.00	45.00	45.00
Original Designs Developments Limited	49.47	49.47	49.47
Pine Wood Industries Limited	37.00	37.00	37.00
Pou Ming Paper Products Manufacturing Co., Ltd.	20.00	20.00	20.00
Prosperlink Limited	38.00	38.00	38.00
Prosperous Industrial (Holdings) Ltd.	30.00	30.00	30.00
Rise Bloom International Limited	38.00	38.00	38.00
Silver Island Trading Ltd.	50.00	50.00	50.00
Supplyline Logistics Ltd.	49.00	49.00	49.00
Tien Pou International Ltd.	40.00	40.00	-
Venture Well Holdings Ltd.	31.55	31.55	31.55
Zhejiang Baohong Sports Goods Company Limited	-	-	49.00
Zhuhai Baosheng Technology Service Co., Ltd.	40.00	40.00	-
Zhuhai Poulik Properties Management Co., Ltd.	40.00	40.00	40.00
Nan Pao Resins Chemical Co., Ltd.	20.09	20.09	21.32
Techview International Technology Inc.	50.00	50.00	50.00

(Concluded)

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

	For the Three Months Ended March 31	
	2017	2016
The Group's share of:		
Net income	\$ 297,479	\$ 326,267
Other comprehensive income	<u>174,747</u>	<u>1,868</u>
Total comprehensive income	<u>\$ 472,226</u>	<u>\$ 328,135</u>

- b) The Group holds less than 20% interest of Elitegroup Computer Systems Co., Ltd. but the Group has the power to appoint three out of the nine directors of Elitegroup Computer Systems Co., Ltd.; therefore, the Group is able to exercise significant influence over Elitegroup Computer Systems Co., Ltd.

- c) Fair values (Level 1) of investments in associates that are not individually material with available published price quotation are summarized as follows:

Name of Associate	March 31, 2017	December 31, 2016	March 31, 2016
Luen Thai Holdings Ltd.	\$ <u> -</u>	\$ <u>1,028,561</u>	\$ <u>543,502</u>
Eagle Nice (International) Holdings Limited	\$ <u>1,633,628</u>	\$ <u>1,748,611</u>	\$ <u>1,776,777</u>
Evermore Chemical Industry Co., Ltd.	\$ <u>372,892</u>	\$ <u>356,400</u>	\$ <u>387,565</u>
San Fang Chemical Industry Co., Ltd.	\$ <u>6,716,213</u>	\$ <u>6,287,101</u>	\$ <u>6,750,808</u>
Elitegroup Computer Systems Co., Ltd.	\$ <u>2,375,211</u>	\$ <u>1,695,802</u>	\$ <u>2,184,976</u>

b. Investments in joint ventures

	March 31, 2017	December 31, 2016	March 31, 2016
Joint ventures that are not individually material	\$ 11,044,816	\$ 11,842,023	\$ 12,209,852
Long-term receivable			
Joint ventures that are not individually material	<u>13,222</u>	<u>13,909</u>	<u>197,566</u>
	<u>\$ 11,058,038</u>	<u>\$ 11,855,932</u>	<u>\$ 12,407,418</u>

- 1) At the end of the reporting period, the proportion of ownership and voting rights in joint ventures that are not individually material held by the Group were as follows:

Name of Joint Ventures	Proportion of Ownership and Voting Rights (%)		
	March 31, 2017	December 31, 2016	March 31, 2016
Artesol Limited	50.00	50.00	50.00
Beijing Baojing Kangtai Trading Co., Ltd.	50.00	50.00	50.00
Best Focus Holdings Ltd.	50.00	50.00	50.00
Blessland Enterprises Limited	50.00	50.00	50.00
Cohen Enterprises Inc.	50.00	50.00	50.00
Din Tsun Holding Co., Ltd.	50.00	50.00	50.00
Great Skill Industrial Limited	50.00	50.00	50.00
Guiyang Baoshang Sports Goods Company Limited	50.00	50.00	50.00
Hangzhou Baohong Sports Goods Company Limited	50.00	50.00	50.00
Hua Jian Industrial Holding Co., Limited	50.00	50.00	50.00
Jilin Lingpao Sports Goods Company Limited	50.00	50.00	50.00
Jilin Xinfangwei Sports Goods Company Limited	50.00	50.00	50.00
Jumbo Power Enterprises Limited	50.00	50.00	50.00
Ka Yuen Rubber Factory Limited	50.00	50.00	50.00
Poulik Properties Management Co., Ltd.	30.00	30.00	30.00
Texas Clothing Holdings Corp.	49.99	49.99	49.99

(Continued)

Name of Joint Ventures	Proportion of Ownership and Voting Rights (%)		
	March 31, 2017	December 31, 2016	March 31, 2016
Twinways Investments Limited	50.00	50.00	50.00
Willpower Industries Limited	44.84	44.84	44.84
Zhong Ao Multiplex Management Limited	46.82	46.82	46.82

(Concluded)

- 2) The summarized financial information below represents amounts shown in the financial statements of joint ventures that are not individually material which were prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes:

	For the Three Months Ended March 31	
	2017	2016
The Group's share of:		
Net income (loss)	\$ 180,663	\$ (417,614)
Other comprehensive income	<u>4,685</u>	<u>152,334</u>
Total comprehensive income (loss)	<u>\$ 185,348</u>	<u>\$ (265,280)</u>

18. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2017	December 31, 2016	March 31, 2016
Land	\$ 2,371,212	\$ 2,370,490	\$ 2,242,369
Buildings and improvements	42,954,485	45,228,033	44,495,620
Machinery and equipment	16,342,583	17,168,828	16,642,078
Transportation equipment	380,000	404,772	400,737
Office equipment	2,252,050	2,302,749	2,201,827
Other equipment	35,977	36,944	29,364
Construction in progress	<u>3,792,352</u>	<u>3,952,990</u>	<u>3,153,167</u>
	<u>\$ 68,128,659</u>	<u>\$ 71,464,806</u>	<u>\$ 69,165,162</u>

- a. Except for depreciation expenses recognized, the Group had no significant disposal nor impairment of property, plant and equipment during the three months ended March 31, 2017 and 2016.
- b. The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

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

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

19. INVESTMENT PROPERTIES

	March 31, 2017	December 31, 2016	March 31, 2016
Investment properties	<u>\$ 2,241,586</u>	<u>\$ 2,309,447</u>	<u>\$ 2,304,174</u>

- a. Except for depreciation expenses recognized, the Group had no significant disposal nor impairment of investment properties during the three months ended March 31, 2017 and 2016.
- b. The investment properties are depreciated on a straight-line method over 30-55 years.
- c. The fair values of the Group's investment properties as of December 31, 2016 and 2015 was \$3,498,353 thousand and \$3,297,811 thousand, respectively. The Group's management team evaluated the fair value of investment properties during the three months ended March 31, 2017 and 2016 had not changed significantly.
- d. Refer to Note 37 for the carrying amount of investments properties pledged by the Group to secure borrowings.

20. GOODWILL

After the Group's goodwill has been tested at December 31, 2016 and 2015. The Group's management team evaluated goodwill as at March 31, 2017 and 2016 had not changed significantly and impaired.

21. OTHER INTANGIBLE ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Patents	\$ 492	\$ 501	\$ 530
Trademarks	120	102	112
Customer relationship	38,277	47,440	73,736
Brandnames	1,766,207	1,890,592	2,022,570
Licensing agreements	243,580	266,933	321,528
Non-compete agreements	<u>583,519</u>	<u>644,871</u>	<u>789,498</u>
	<u>\$ 2,632,195</u>	<u>\$ 2,850,439</u>	<u>\$ 3,207,974</u>

- a. Except for amortization recognized, the Group had no significant disposal nor impairment of other intangible assets during the three months ended March 31, 2017 and 2016.

- b. The above items of other intangible assets are amortized on a straight-line basis over the estimated useful life of the asset:

<u>Items</u>	<u>Estimated Useful Life</u>
Patents	15-20 years
Trademarks	10 years
Customer relationship	8 years
Licensing agreements	10 years
Non-compete agreements	5-20 years

The brandnames are considered by the management of the Group as having indefinite useful life because they are expected to contribute to net cash inflows to the Group indefinitely.

22. BORROWINGS

- a. Short-term borrowings

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Unsecured borrowings</u>			
Credit borrowings	<u>\$ 25,556,453</u>	<u>\$ 24,031,120</u>	<u>\$ 21,247,900</u>

The range of effective interest rate on bank borrowings was 0.75%-15.88%, 0.80%-11.90% and 0.88%-5.70% per annum as of March 31, 2017, December 31, 2016 and March 31, 2016, respectively.

- b. Short-term bills payable

March 31, 2017

	Annual Interest Rate	Amount
Commercial paper	0.42%-0.7%	\$ 4,088,500
Less: Unamortized discount on bills payable		<u>(4,137)</u>
		<u>\$ 4,084,363</u>

December 31, 2016

	Annual Interest Rate	Amount
Commercial paper	0.45%-0.77%	\$ 2,546,000
Less: Unamortized discount on bills payable		<u>(1,245)</u>
		<u>\$ 2,544,755</u>

March 31, 2016

	Annual Interest Rate	Amount
Commercial paper	0.47%-0.93%	\$ 2,936,800
Less: Unamortized discount on bills payable		<u>(3,009)</u>
		<u>\$ 2,933,791</u>

c. Long-term borrowings

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Secured borrowings</u>			
Bank loans	\$ -	\$ 488,000	\$ 488,000
<u>Unsecured borrowings</u>			
Bank loans	<u>47,936,600</u>	<u>49,895,000</u>	<u>49,828,700</u>
	47,936,600	50,383,000	50,316,700
Less: Long-term expenses for syndicated loan	(16,635)	(19,874)	(35,330)
Less: Current portion	<u>-</u>	<u>-</u>	<u>(5,411,946)</u>
	<u>\$ 47,919,965</u>	<u>\$ 50,363,126</u>	<u>\$ 44,869,424</u>

Maturity dates and range of annual interest rates:

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Maturity date</u>			
Long-term borrowings	2018.07.12- 2021.12.21	2018.07.12- 2021.12.21	2017.06.02- 2021.03.29
Current portion of long-term borrowings	-	-	2016.06.10- 2016.12.02
<u>Range of interest rate</u>	1.09%-2.32%	1.09%-2.27%	1.16%-2.33%

Refer to Note 37 for the collateral pledged by the Group in accordance with the contract.

23. NOTES PAYABLE AND ACCOUNTS PAYABLE

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Notes payable (included related parties)</u>			
Operating	\$ 37,973	\$ 45,661	\$ 35,940
Non-operating	<u>5,079</u>	<u>674</u>	<u>4,379</u>
	<u>\$ 43,052</u>	<u>\$ 46,335</u>	<u>\$ 40,319</u>
Accounts payable (included related parties)	<u>\$ 16,273,839</u>	<u>\$ 14,639,445</u>	<u>\$ 19,169,367</u>

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

24. OTHER PAYABLES

	March 31, 2017	December 31, 2016	March 31, 2016
Payable for salaries	\$ 9,481,943	\$ 13,211,352	\$ 10,020,940
Payable for purchase of property, plant and equipment	1,897,743	1,782,976	1,480,231
Compensation due to directors and supervisors	172,944	219,828	168,814
Employee compensation payables	679,555	645,013	657,940
Interest payables	92,156	104,566	85,149
Payable for acquisition of subsidiary and business	68,243	352,783	394,427
Payable for annual leave	1,429,065	1,413,211	1,390,031
Payable for dividends	3,207,081	-	2,740,979
Others	<u>7,273,555</u>	<u>7,648,285</u>	<u>8,252,142</u>
	<u>\$ 24,302,285</u>	<u>\$ 25,378,014</u>	<u>\$ 25,190,653</u>
Current	\$ 24,149,097	\$ 25,218,684	\$ 25,015,825
Non-current	<u>153,188</u>	<u>159,330</u>	<u>174,828</u>
	<u>\$ 24,302,285</u>	<u>\$ 25,378,014</u>	<u>\$ 25,190,653</u>

25. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2016 and 2015, and recognized in the following line items in their respective periods:

	For the Three Months Ended March 31	
	2017	2016
Operating costs	\$ 33,738	\$ 29,778
Selling and marketing expenses	375	1,282
General and administrative expenses	64,339	57,338
Research and development expenses	<u>2,911</u>	<u>3,259</u>
	<u>\$ 101,363</u>	<u>\$ 91,657</u>

26. EQUITY

a. Share capital

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

b. Capital surplus

	March 31, 2017	December 31, 2016	March 31, 2016
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Recognized from issuance of common shares	\$ 848,603	\$ 848,603	\$ 848,603
Recognized from conversion of bonds	1,447,492	1,447,492	1,447,492
Recognized from treasury share transactions	1,824,608	1,824,608	1,824,608
Recognized from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	390,919	390,919	480,416
<u>May be used to offset a deficit only (2)</u>			
Recognized from share of changes in equities of subsidiaries	23,763	23,232	9,451
<u>May not be used for any purpose</u>			
Recognized from share of changes in net assets of associates and joint ventures	<u>5,309</u>	<u>5,309</u>	<u>5,309</u>
	<u>\$ 4,540,694</u>	<u>\$ 4,540,163</u>	<u>\$ 4,615,879</u>

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

c. Retained earnings and dividend policy

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

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

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

For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, refer to employee benefit expense in Note 28 f.

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

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

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

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

The appropriations of earnings for 2016 and 2015 were proposed by the board of directors on April 28, 2017 and approved in the shareholders' meetings on June 15, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2016	For Year 2015	For Year 2016	For Year 2015
Legal reserve	\$ 1,305,705	\$ 953,136	\$ -	\$ -
Special reserve	1,730,774	6,297,042	-	-
Cash dividends	4,420,181	4,420,180	1.50	1.50

d. Other equity item

1) Exchange differences on translation foreign operations

	For the Three Months Ended March 31	
	2017	2016
Balance at January 1	\$ 3,109,173	\$ 5,020,886
Exchange differences arising on translation of foreign operations	(4,030,404)	(1,181,161)
Share of exchange differences of associates and joint ventures accounted for using equity method	<u>(66,862)</u>	<u>(27,409)</u>
Balance at March 31	<u>\$ (988,093)</u>	<u>\$ 3,812,316</u>

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

	For the Three Months Ended March 31	
	2017	2016
Balance at January 1	\$ (16,745,541)	\$ (16,926,480)
Unrealized gain on available-for-sale financial assets	948,290	1,045,219
Unrealized gain on available-for-sale financial assets of associates and joint ventures accounted for using equity method	<u>842,552</u>	<u>2,045,372</u>
Balance at March 31	<u>\$ (14,954,699)</u>	<u>\$ (13,835,889)</u>

e. Non-controlling interests

	For the Three Months Ended March 31	
	2017	2016
Balance at January 1	\$ 87,305,560	\$ 85,533,554
Share of non-controlling interests		
Net income	2,162,047	1,931,309
Exchange differences arising on translation of foreign operations	332,397	341,028
Unrealized gain on available-for-sale financial assets	77,205	110,550
Change in non-controlling interests	<u>(8,415,430)</u>	<u>(4,737,864)</u>
Balance at March 31	<u>\$ 81,461,779</u>	<u>\$ 83,178,577</u>

27. REVENUE

	For the Three Months Ended March 31	
	2017	2016
Sales revenue	\$ 65,405,075	\$ 67,292,908
Revenue from the rendering of services	18,733	7,079
Rental income	7,867	12,564
Revenue from entertainment and resort	<u>133,421</u>	<u>128,712</u>
	<u>\$ 65,565,096</u>	<u>\$ 67,441,263</u>

28. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Three Months Ended March 31	
	2017	2016
Rental income		
Rental income from operating lease		
Investment properties	\$ 8,128	\$ 8,931
Others	<u>77,403</u>	<u>81,505</u>
	<u>85,531</u>	<u>90,436</u>
Interest income		
Cash in bank	71,466	85,488
Repurchase agreements collateralized by bonds	4,324	2,413
Held-to-maturity financial assets	61,112	19,000
Debt investments with no active market	7,384	12,298
Others	<u>13</u>	<u>1,124</u>
	144,299	120,323
Dividend income	8,466	7,431
Others	<u>572,355</u>	<u>345,863</u>
	<u>\$ 810,651</u>	<u>\$ 564,053</u>

b. Other gains and losses

	For the Three Months Ended March 31	
	2017	2016
Net (loss) gain on disposal of property, plant and equipment	\$ (108,232)	\$ 55,009
Net foreign exchange (loss) gain	(902,219)	268,028
Net gain on disposal of associates	294,964	743
Net gain on disposal of financial assets measured at cost	-	8,537
Net gain arising on financial assets designated as at FVTPL	174,495	165,887
Net gain arising on financial liabilities designated as at FVTPL	382,346	597,941
Reversal (recognized) of impairment loss	29	(2,881)
Others	<u>(36,949)</u>	<u>(52,483)</u>
	<u>\$ (195,566)</u>	<u>\$ 1,040,781</u>

c. Finance costs

**For the Three Months Ended
March 31**

	2017	2016
Interest on bank borrowings	\$ 374,367	\$ 279,895
Interest on short-term bills payable	5,219	5,360
Other interest expense	<u>10,675</u>	<u>11,510</u>
	<u>\$ 390,261</u>	<u>\$ 296,765</u>

d. Depreciation and amortization

**For the Three Months Ended
March 31**

	2017	2016
Property, plant and equipment	\$ 2,134,078	\$ 2,227,342
Investment properties	8,107	7,608
Other intangible assets	80,114	54,102
Prepayments for lease	<u>84,550</u>	<u>44,023</u>
	<u>\$ 2,306,849</u>	<u>\$ 2,333,075</u>
 An analysis of depreciation by function		
Operating costs	\$ 1,316,863	\$ 1,556,644
Operating expenses	822,428	676,457
Non-operating expenses	<u>2,894</u>	<u>1,849</u>
	<u>\$ 2,142,185</u>	<u>\$ 2,234,950</u>
 An analysis of amortization by function		
Operating costs	\$ 303	\$ 322
Operating expenses	<u>164,361</u>	<u>97,803</u>
	<u>\$ 164,664</u>	<u>\$ 98,125</u>

e. Direct operating expenses from investment properties

**For the Three Months Ended
March 31**

	2017	2016
Direct operating expenses from investment properties that generated rental income	<u>\$ 11,523</u>	<u>\$ 10,809</u>

f. Employee benefits expense

	For the Three Months Ended March 31	
	2017	2016
Short-term benefits	\$ 15,003,680	\$ 15,872,342
Post-employment benefits		
Defined contribution plans	2,030,928	1,940,306
Defined benefit plans	<u>101,363</u>	<u>91,657</u>
	2,132,291	2,031,963
Share-based payments		
Equity-settled	21,642	13,257
Termination benefits	<u>7,173</u>	<u>1,676</u>
	<u>\$ 17,164,786</u>	<u>\$ 17,919,238</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 11,857,183	\$ 12,755,770
Operating expenses	<u>5,307,603</u>	<u>5,163,468</u>
	<u>\$ 17,164,786</u>	<u>\$ 17,919,238</u>

As of March 31, 2017 and 2016, there were 362,881 and 408,809 employees, respectively, in the Group. The Group accounts for employee benefits expense based on the number of employees.

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

The employees' compensation and remuneration of directors and supervisors for the three months ended March 31, 2017 and 2016, respectively, were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2017	2016
Employees' compensation	1.8%	1.8%
Remuneration of directors and supervisors	0.9%	0.9%

Amount

	For the Three Months Ended March 31	
	2017	2016
Employees' compensation	<u>\$ 32,844</u>	<u>\$ 59,517</u>
Remuneration of directors and supervisors	<u>\$ 16,422</u>	<u>\$ 29,758</u>

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

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors approved/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 of directors and supervisors resolved in the Company's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

29. INCOME TAXES

a. Income tax 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 period	\$ 839,734	\$ 968,145
Deferred tax	<u>18,930</u>	<u>53,229</u>
Income tax expense recognized in profit or loss	<u>\$ 858,664</u>	<u>\$ 1,021,374</u>

b. Integrated income tax

	March 31, 2017	December 31, 2016	March 31, 2016
Unappropriated earnings			
Generated before January 1, 1998	\$ 221,425	\$ 221,425	\$ 221,425
Generated on and after January 1, 1998	<u>33,620,063</u>	<u>31,993,273</u>	<u>33,992,840</u>
	<u>\$ 33,841,488</u>	<u>\$ 32,214,698</u>	<u>\$ 34,214,265</u>
Imputation credits account	<u>\$ 2,562,413</u>	<u>\$ 2,562,413</u>	<u>\$ 2,518,881</u>

	For the Year Ended December 31	
	2016 (Expected)	2015
Creditable ratio for distribution of earning	9.92%	12.58%

c. Income tax assessments

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

30. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the three months ended March 31, 2017 and 2016 were as follows:

	For the Three Months Ended	
	March 31	
	2017	2016
<u>Net income (in thousand dollars)</u>		
Earnings used in the computation of earnings per share	<u>\$ 1,626,790</u>	<u>\$ 3,006,739</u>
<u>Weighted average number of shares outstanding (in thousand shares)</u>		
Weighted average number of common shares in the computation of basic earnings per share	2,946,787	2,946,787
Effect of potentially dilutive common shares:		
Employee share options	83,797	81,281
Employees' compensation	<u>6,857</u>	<u>6,414</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>3,037,441</u>	<u>3,034,482</u>
<u>Earnings per share (in dollars)</u>		
Basic earnings per share	<u>\$0.55</u>	<u>\$1.02</u>
Diluted earnings per share	<u>\$0.54</u>	<u>\$0.99</u>

Since the Company offered to settle the compensation paid to employees by cash or shares, the Company assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

31. SHARE-BASED PAYMENT ARRANGEMENTS

a. Information about Pou Chen's employee share options

Information about outstanding share options during the three months ended March 31, 2017 and 2016 was as follows:

	For the Three Months Ended March 31			
	2017		2016	
Employee Share Options	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	145,791	\$ 17.40	145,791	\$ 18.00
Options exercised	-	-	-	-
Balance at March 31	<u>145,791</u>	17.40	<u>145,791</u>	18.00
Exercisable options at March 31	<u>145,791</u>	17.40	<u>145,791</u>	18.00

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

	March 31, 2017	December 31, 2016	March 31, 2016
Exercise price (NT\$)	\$17.40	\$17.40	\$18.00
Weighted-average remaining contractual life	0.60 years	0.85 years	1.60 years

b. Information about Yue Yuen's employee share options

Information about the granted employee share options during the three months ended March 31, 2017 and 2016 was as follows:

	For the Three Months Ended March 31	
	2017	2016
	Number of Shares (In Thousands)	Number of Shares (In Thousands)
Balance at January 1	1,120	1,440
Options granted	-	34
Options cancelled	(67)	(67)
Options exercised	-	(1,350)
Balance at March 31	<u>1,053</u>	<u>57</u>

Yue Yuen recognized \$12,034 thousand and \$8,584 thousand compensation cost for the three months ended March 31, 2017 and 2016, respectively.

c. Information about Pou Sheng's employee share options

- 1) Information about outstanding share options during the three months ended March 31, 2017 and 2016 was as follows:

Employee Share Options	For the Three Months Ended March 31			
	2017		2016	
	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (HK\$)	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (HK\$)
Balance at January 1	54,549	\$ 1.63	54,612	\$ 1.39
Options granted	<u>(200)</u>	1.43	<u>(1,070)</u>	1.07
Balance at March 31	<u>54,349</u>	1.63	<u>53,542</u>	1.39
Exercisable options at March 31	<u>42,686</u>	1.40	<u>53,542</u>	1.39

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

	March 31, 2017	December 31, 2016	March 31, 2016
Range of exercise price (HK\$)	\$1.05-\$2.494	\$1.05-\$2.494	\$1.05-\$1.62
Weighted-average remaining contractual life	2.23 years	2.47 years	2.40 years

Pou Sheng recognized \$3,825 thousand and \$33 thousand compensation cost for the three months ended March 31, 2017 and 2016, respectively.

- 2) Information about the granted employee share options during the three months ended March 31, 2017 and 2016 was as follows:

	For the Three Months Ended March 31	
	2017	2016
	Number of Shares (In Thousands)	Number of Shares (In Thousands)
Balance at January 1	45,130	27,738
Options granted	6,026	-
Options cancelled	<u>(5,375)</u>	<u>(800)</u>
Balance at March 31	<u>45,781</u>	<u>26,938</u>

Pou Sheng recognized \$5,783 thousand and \$4,640 thousand compensation cost for the three months ended March 31, 2017 and 2016, respectively.

32. OPERATING LEASES ARRANGEMENTS

a. The Group as lessee

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

	March 31, 2017	December 31, 2016	March 31, 2016
Not later than 1 year	\$ 2,430,670	\$ 2,762,737	\$ 2,766,317
Later than 1 year and not later than 5 years	2,934,858	3,870,418	3,934,361
Later than 5 years	<u>1,195,305</u>	<u>1,697,704</u>	<u>1,768,268</u>
	<u>\$ 6,560,833</u>	<u>\$ 8,330,859</u>	<u>\$ 8,468,946</u>

b. The Group as lessor

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

	March 31, 2017	December 31, 2016	March 31, 2016
Not later than 1 year	\$ 473,209	\$ 386,129	\$ 435,914
Later than 1 year and not later than 5 years	691,615	544,509	546,598
Later than 5 years	<u>752,335</u>	<u>681,733</u>	<u>735,009</u>
	<u>\$ 1,917,159</u>	<u>\$ 1,612,371</u>	<u>\$ 1,717,521</u>

33. EXPLANATORY COMMENTS ABOUT THE SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

The Group's industry is not seasonal in nature. Based on historical experience, the sales of the Group do not concentrate on specific season.

34. CAPITAL MANAGEMENT

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

35. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Financial assets and financial liabilities that are not measured at fair value were as follows:

	<u>March 31, 2017</u>		<u>December 31, 2016</u>		<u>March 31, 2016</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial assets</u>						
Held-to-maturity financial assets	\$ 5,834,907	\$ 5,834,907	\$ 6,163,413	\$ 6,163,413	\$ 4,613,119	\$ 4,613,119
Debt investments with no active market	864,777	864,777	829,129	829,129	1,492,499	1,492,499
Other loans and receivables	75,489,998	75,489,998	78,471,723	78,471,723	74,191,632	74,191,632
Financial assets directly associated with non-current assets held for sale	764,195	764,195	737,590	737,590	-	-
<u>Financial liabilities</u>						
Bank borrowings	73,476,418	73,476,418	74,394,246	74,394,246	71,529,270	71,529,270
Short-term bills payable	4,084,363	4,084,363	2,544,755	2,544,755	2,933,791	2,933,791
Financial liabilities measured at amortized cost	40,645,910	40,645,910	40,091,700	40,091,700	44,427,383	44,427,383
Financial liabilities directly associated with non-current assets held for sale	1,312,895	1,312,895	1,067,765	1,067,765	-	-

The above fair value measurements are measured at Level 3 fair value.

b. Fair value of financial instruments that are measured at fair value

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

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

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets</u>			
Financial assets at FVTPL			
Domestic open-ended mutual funds	\$ 865,229	\$ 889,537	\$ 458,983
Available-for-sale financial assets			
Domestic listed securities			
Equity investment	15,231,965	14,264,621	14,041,096
Foreign listed securities			
Equity investment	521,999	519,410	418,500

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

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets</u>			
Financial assets at FVTPL			
Derivative financial instruments	\$ 181,706	\$ 220,604	\$ 111,361
Financial assets designated as at FVTPL	310,675	328,492	643,451

Financial liabilities

Financial liabilities at FVTPL			
Derivative financial instruments	390,775	915,676	573,414

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

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

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

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ 1,046,935	\$ 1,110,141	\$ 570,344
Designated as at FVTPL	310,675	328,492	643,451
Held-to-maturity financial assets	5,834,907	6,163,413	4,613,119
Loans and receivables (Note 1)	77,118,970	80,038,442	75,684,131
Available-for-sale financial assets	15,753,964	14,784,031	14,459,596
Financial assets measured at cost	563,469	592,550	631,368
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	390,775	915,676	573,414
Amortized cost (Note 2)	119,519,586	118,098,466	118,890,444

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable, other receivables, refundable deposits and financial assets directly associated with non-current assets held for sale.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, accounts payable, other payables, long-term borrowings, long-term payables, guarantee deposits and financial liabilities directly associated with non-current assets held for sale.

d. Financial risk management objectives and policies

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

1) Market risk

The Group's activities expose 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.

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and the carrying amount of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 39.

Sensitivity analysis

The Group was mainly exposed to the USD, RMB, HKD, VND and IDR.

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

	For the Three Months Ended March 31	
	2017	2016
USD	\$ (78,009)	\$ (76,383)
RMB	(496,474)	(483,636)
HKD	(203,453)	(242,098)
VND	31,652	34,590
IDR	(9,046)	15,751

b) Interest rate risk

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

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

	March 31, 2017	December 31, 2016	March 31, 2016
Cash flow interest rate risk			
Financial liabilities	\$ 72,060,781	\$ 71,439,001	\$ 70,463,061

Sensitivity analysis

The sensitivity analyses below were based on the Group's floating rate liabilities. The analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. If 1% increase in interest rate would cause the Group to increase its cash-out by \$180,152 thousand and \$176,158 thousand during the three months ended March 31, 2017 and 2016, respectively.

c) Other price risk

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

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity price declined by 1%, the fair value of the investments at March 31, 2017, December 31, 2016 and March 31, 2016 would have decrease by \$277,080 thousand, \$271,331 thousand and \$266,214 thousand, respectively.

2) Credit risk

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

3) Liquidity risk

The 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 Group had available unutilized short-term bank borrowing facilities set out in (c) below.

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

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

March 31, 2017

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 22,794,562	\$ 9,470,100	\$ 7,642,913	\$ 115,426	\$ 57,629
Variable interest rate liabilities	1.72	18,752,071	6,861,216	4,511,669	43,406,007	-
Fixed interest rate liabilities	1.50	-	-	-	5,500,000	-
Financial guarantee contracts	-	5,332,650	-	-	-	-
		<u>\$ 46,879,283</u>	<u>\$ 16,331,316</u>	<u>\$ 12,154,582</u>	<u>\$ 49,021,433</u>	<u>\$ 57,629</u>

December 31, 2016

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 18,594,409	\$ 9,379,612	\$ 11,257,230	\$ 118,743	\$ 61,267
Variable interest rate liabilities	1.71	22,134,002	3,308,868	1,610,357	45,960,956	-
Fixed interest rate liabilities	1.50	-	-	-	5,500,000	-
Financial guarantee contracts	-	3,715,350	-	-	-	-
		<u>\$ 44,443,761</u>	<u>\$ 12,688,480</u>	<u>\$ 12,867,587</u>	<u>\$ 51,579,699</u>	<u>\$ 61,267</u>

March 31, 2016

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing	-	\$ 25,715,850	\$ 10,256,659	\$ 7,705,157	\$ 285,357	\$ 50,394
Variable interest rate liabilities	1.49	16,141,821	9,671,842	4,185,840	42,103,261	-
Fixed interest rate liabilities	1.58	-	-	-	4,000,000	-
Financial guarantee contracts	-	4,050,793	-	-	-	-
		<u>\$ 45,908,464</u>	<u>\$ 19,928,501</u>	<u>\$ 11,890,997</u>	<u>\$ 46,388,618</u>	<u>\$ 50,394</u>

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

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

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

March 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap contracts	\$ -	\$ -	\$ -	\$ 13,816	\$ -
Forward exchange contracts	-	-	934	-	-
Exchange rate option contracts	86,532	41,416	2,652	-	-
Cross-currency swap contracts	1,789	8,438	15,827	-	-
Exchange rate swap contracts	<u>188,750</u>	<u>13,565</u>	<u>17,056</u>	<u>-</u>	<u>-</u>
	<u>\$ 277,071</u>	<u>\$ 63,419</u>	<u>\$ 36,469</u>	<u>\$ 13,816</u>	<u>\$ -</u>

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap contracts	\$ -	\$ -	\$ -	\$ 17,246	\$ -
Exchange rate option contracts	323,011	-	383,653	61,982	-
Exchange rate swap contracts	<u>-</u>	<u>116,291</u>	<u>13,493</u>	<u>-</u>	<u>-</u>
	<u>\$ 323,011</u>	<u>\$ 116,291</u>	<u>\$ 397,146</u>	<u>\$ 79,228</u>	<u>\$ -</u>

March 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap contracts	\$ -	\$ -	\$ 3,245	\$ 36,281	\$ -
Exchange rate option contracts	177,451	510	23,508	143,847	-
Cross-currency swap contracts	-	2,695	5,513	-	-
Exchange rate swap contracts	<u>62,953</u>	<u>117,006</u>	<u>405</u>	<u>-</u>	<u>-</u>
	<u>\$ 240,404</u>	<u>\$ 120,211</u>	<u>\$ 32,671</u>	<u>\$ 180,128</u>	<u>\$ -</u>

c) Financing facilities

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured bank facility:			
Amount used	\$ 77,747,440	\$ 76,643,124	\$ 74,187,406
Amount unused	<u>19,779,508</u>	<u>19,879,552</u>	<u>22,470,895</u>
	<u>\$ 97,526,948</u>	<u>\$ 96,522,676</u>	<u>\$ 96,658,301</u>
Secured bank facility:			
Amount used	\$ -	\$ 488,000	\$ 488,000
Amount unused	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 488,000</u>	<u>\$ 488,000</u>

36. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and categories

<u>Name</u>	<u>Related Party Categories</u>
Oftenrich Holdings Limited	Associates
Eastlion Industrial Limited	Associates
San Fang Chemical Industry Co., Ltd.	Associates
Cohen Enterprises Inc.	Joint ventures
Jumbo Power Enterprises Limited	Joint ventures
Ka Yuen Rubber Factory Limited	Joint ventures
Twinways Investments Limited	Joint ventures
Guiyang Baoshang Sports Goods Company Limited	Joint ventures

b. Operating revenue

<u>Line Items</u>	<u>Related Party Categories/Name</u>	<u>For the Three Months Ended March 31</u>	
		<u>2017</u>	<u>2016</u>
Sales	Associates		
	Oftenrich Holdings Limited	\$ 39,646	\$ 28,039
	Others	<u>7</u>	<u>-</u>
		<u>39,653</u>	<u>28,039</u>
	Joint ventures		
	Cohen Enterprises Inc.	92,663	126,739
	Jumbo Power Enterprises Limited	38,465	31,154
	Others	<u>19,988</u>	<u>36,636</u>
		<u>151,116</u>	<u>194,529</u>
		<u>\$ 190,769</u>	<u>\$ 222,568</u>

The sales prices and receivable terms to related parties were no significant differences with non-related parties.

c. Purchases

Line Items	Related Party Categories/Name	For the Three Months Ended March 31	
		2017	2016
Purchases	Associates		
	Eastlion Industrial Limited	\$ 202,149	\$ 199,819
	San Fang Chemical Industry Co., Ltd.	124,922	195,634
	Others	<u>165,651</u>	<u>144,954</u>
		<u>492,722</u>	<u>540,407</u>
	Joint ventures		
	Ka Yuen Rubber Factory Limited	472,582	583,913
	Twinways Investments Limited	351,747	374,880
	Others	<u>230,929</u>	<u>196,273</u>
		<u>1,055,258</u>	<u>1,155,066</u>
		<u>\$ 1,547,980</u>	<u>\$ 1,695,473</u>

The purchases prices and payment terms from related parties were no significant differences with non-related parties.

d. Receivables from related parties

Line Items	Related Party Categories/Name	March 31, 2017	December 31, 2016	March 31, 2016
Notes receivable, accounts receivable	Associates			
	Oftenrich Holdings Limited	\$ 24,017	\$ 7,574	\$ 23,550
	Others	<u>253</u>	<u>446</u>	<u>348</u>
		<u>24,270</u>	<u>8,020</u>	<u>23,898</u>
	Joint ventures			
	Jumbo Power Enterprises Limited	37,085	15,960	26,414
	Guiyang Baoshang Sports Goods Company Limited	7,968	14,537	22,501
	Ka Yuen Rubber Factory Limited	624	6,393	2,467
	Cohen Enterprises Inc.	1,860	-	12,405
	Others	<u>8,509</u>	<u>9,263</u>	<u>6,570</u>
		<u>56,046</u>	<u>46,153</u>	<u>70,357</u>
		<u>\$ 80,316</u>	<u>\$ 54,173</u>	<u>\$ 94,255</u>

No bad debt expense had been recognized for the three months ended March 31, 2017 and 2016 for the amounts owed by related parties.

e. Payables to related parties

Line Items	Related Party Categories/Name	March 31, 2017	December 31, 2016	March 31, 2016
Notes payable, accounts payable	Associates			
	San Fang Chemical Industry Co., Ltd.	\$ 81,375	\$ 64,772	\$ 156,594
	Eastlion Industrial Limited	120,229	151,405	124,515
	Others	<u>112,129</u>	<u>122,111</u>	<u>106,156</u>
		<u>313,733</u>	<u>338,288</u>	<u>387,265</u>
	Joint ventures			
	Ka Yuen Rubber Factory Limited	508,564	553,430	671,697
	Twinways Investments Limited	336,105	354,781	359,683
	Others	<u>222,718</u>	<u>230,327</u>	<u>146,952</u>
		<u>1,067,387</u>	<u>1,138,538</u>	<u>1,178,332</u>
	<u>\$ 1,381,120</u>	<u>\$ 1,476,826</u>	<u>\$ 1,565,597</u>	

f. Compensation of key management personnel

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

	For the Three Months Ended March 31	
	2017	2016
Short-term employee benefits	<u>\$ 43,892</u>	<u>\$ 55,582</u>

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

37. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and issuing gift coupons:

	March 31, 2017	December 31, 2016	March 31, 2016
Debt investmntnets with no active market	\$ 34,372	\$ 35,205	\$ 31,553
Investment properties	<u>-</u>	<u>657,296</u>	<u>657,296</u>
	<u>\$ 34,372</u>	<u>\$ 692,501</u>	<u>\$ 688,849</u>

38. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

- a. Outstanding letters of credit of the Group at the end of reporting period were as follows:

(Unit: In Thousands of Foreign Currencies)

Currencies	March 31, 2017	December 31, 2016	March 31, 2016
USD	\$ 2,859	\$ 2,562	\$ 3,766
EUR	304	473	112
IDR	13,182,945	13,618,125	16,223,774

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

39. 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

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 119,791	30.330	\$ 3,633,258
NTD	313,278	1	313,278
RMB	2,391,388	4.407	10,538,849
HKD	1,074,424	3.904	4,194,550
VND	202,740,495	0.00121	245,316
IDR	200,568,240	0.00233	467,324
			(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Non-monetary items			
NTD	\$ 1,002,290	1	\$ 1,002,290
RMB	1,083,801	4.407	4,776,311
HKD	66,846	3.904	260,965

Financial liabilities

Monetary items			
USD	68,329	30.330	2,072,423
NTD	851,366	1	851,366
RMB	134,704	4.407	593,639
HKD	31,068	3.904	121,290
VND	730,276,033	0.00121	883,634
IDR	125,186,266	0.00233	291,684
			(Concluded)

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 95,042	32.250	\$ 3,065,111
NTD	320,400	1	320,400
RMB	2,157,779	4.617	9,962,470
HKD	57,550	4.158	239,295
VND	173,390,697	0.00129	223,674
IDR	178,755,144	0.00243	434,375
Non-monetary items			
USD	4,090	32.250	131,915
NTD	918,707	1	918,707
RMB	1,090,648	4.617	5,035,522
HKD	62,464	4.158	259,724

Financial liabilities

Monetary items			
USD	42,231	32.250	1,361,968
NTD	813,081	1	813,081
RMB	167,902	4.617	775,201
HKD	29,949	4.158	124,531
VND	780,350,388	0.00129	1,006,652
IDR	571,515,226	0.00243	1,388,782

March 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 92,149	32.185	\$ 2,965,805
NTD	125,361	1	125,361
RMB	2,124,548	4.972	10,563,249
HKD	1,212,699	4.150	5,032,702
VND	337,112,879	0.00132	444,989
IDR	243,307,819	0.00243	591,238
CHF	25,002	33.365	834,176
Non-monetary items			
NTD	913,469	1	913,469
RMB	702,154	4.972	3,491,108
HKD	50,420	4.150	209,245
<u>Financial liabilities</u>			
Monetary items			
USD	44,663	32.185	1,437,497
NTD	711,409	1	711,409
RMB	182,230	4.972	906,045
HKD	43,135	4.150	179,013
VND	831,250,758	0.00132	1,097,251
IDR	374,564,609	0.00243	910,192

For the three months ended March 31, 2017 and 2016, net foreign exchange (losses) gains were \$(902,219) thousand and \$268,028 thousand, respectively. It is impractical to disclose net foreign exchange (losses) gains by each significant foreign currency due to the variety of the functional currencies of the Group entities.

40. SEGMENT INFORMATION

a. Information about reportable segments

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 were as follows:

- 1) Manufacturing of shoes and apparel;
- 2) Retailing of sporting goods and brand licensing business;
- 3) Others.

b. Segment revenues and results

The Group's revenue and results by reportable segment were as follows:

For the three months ended March 31, 2017

	Manufacturing of Shoes and Apparel	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Revenues from external customers	<u>\$ 44,244,775</u>	<u>\$ 21,033,280</u>	<u>\$ 287,041</u>	<u>\$ 65,565,096</u>
Segment income	<u>\$ 6,318,313</u>	<u>\$ 1,550,086</u>	<u>\$ 143,873</u>	\$ 8,012,272
Administrative cost, remuneration to directors and supervisors				(4,107,289)
Rental income				85,531
Interest income				144,299
Dividend income				8,466
Other income				572,355
Net loss on disposal of property, plant and equipment				(108,232)
Net foreign exchange loss				(902,219)
Net gain on disposal of associates				294,964
Net gain arising on financial assets designated as at FVTPL				174,495
Net gain arising on financial liabilities designated as at FVTPL				382,346
Reversal of impairment loss				29
Other loss				(36,949)
Finance costs				(390,261)
Share of the profit of associates and joint ventures				<u>517,694</u>
Income before income tax				<u>\$ 4,647,501</u>

For the three months ended March 31, 2016

	Manufacturing of Shoes and Apparel	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Revenues from external customers	<u>\$ 46,700,068</u>	<u>\$ 20,545,578</u>	<u>\$ 195,617</u>	<u>\$ 67,441,263</u>
Segment income	<u>\$ 6,327,881</u>	<u>\$ 1,986,525</u>	<u>\$ 130,609</u>	\$ 8,445,015
Administrative cost, remuneration to directors and supervisors				(4,814,709)
Rental income				90,436
Interest income				120,323
Dividend income				7,431
Other income				345,863
Net gain on disposal of property, plant and equipment				55,009
Net foreign exchange gain				268,028
Net gain on disposal of associates				743

(Continued)

	Manufacturing of Shoes and Apparel	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Net gain on disposal of financial assets measured at cost				\$ 8,537
Net gain arising on financial assets designated as at FVTPL				165,887
Net gain arising on financial liabilities designated as at FVTPL				597,941
Impairment loss				(2,881)
Other loss				(52,483)
Finance costs				(296,765)
Share of the profit of associates and joint ventures				<u>1,021,047</u>
Income before income tax				<u>\$ 5,959,422</u> (Concluded)

- 1) Sales between segments were made at market price.
- 2) Segment profit represented the profit before income tax earned by each segment without allocation of administration costs, remuneration to directors and supervisors, rental income, interest income, dividend income, other income, net loss or gain on disposal of property, plant and equipment, net foreign exchange (loss) gain, net gain on disposal of associates, net gain on disposal of financial assets measured at cost, gain on financial instruments, impairment loss or reversal of impairment loss, other loss, finance costs and share of the profit of associates and joint ventures. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.