

Pou Chen Corporation and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2018 and 2017 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Pou Chen Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Pou Chen Corporation (the "Company") and its subsidiaries (collectively, the "Group") as of June 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months June 30, 2018 and 2017 and for the six months ended June 30, 2018 and 2017, the related consolidated statements of changes in equity and cash flows for the six months then ended and the related notes, including a summary of significant accounting policies.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standard No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews and the reports of other auditors (refer to the Other Matter section of our report), nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2018 and 2017, its consolidated financial performance for the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017, and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

The Group's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for using the equity method, which were based on financial statements reviewed by other auditors. Our conclusion, insofar as it relates to the Group's investments in Ruen Chen Investment Holding Co., Ltd., is based solely on the review reports of other auditors. As of June 30, 2018 and 2017, the carrying amount of such investments were \$20,586,423 thousand and \$12,793,835 thousand, which constituted 6.51% and 4.39% of the Group's consolidated total assets, respectively. For the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017, the Group's share of the profit of the associate was \$1,375,377 thousand, \$551,650 thousand, \$2,439,434 thousand and \$591,202 thousand, which constituted 27.37%, 8.90%, 25.19% and 5.45% of the income before income tax, respectively.

The engagement partners on the reviews resulting in this independent auditor's review report are Kenny Hong and Ker-Chang Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 14, 2018

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)

ASSETS	June 30, 2018 (Reviewed)		December 31, 2017 (Audited)		June 30, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	\$ 36,864,039	12	\$ 34,108,353	11	\$ 33,111,414	11
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,193,751	-	1,096,915	-	1,461,576	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	15,723,210	5	-	-	-	-
Available-for-sale financial assets - current (Notes 4 and 10)	-	-	14,590,513	5	15,065,986	5
Held-to-maturity financial assets - current (Notes 4 and 11)	-	-	1,359,820	1	868,215	-
Financial assets at amortized cost - current (Notes 4 and 9)	2,478,790	1	-	-	-	-
Debt investments with no active market - current (Notes 4 and 12)	-	-	372,848	-	548,979	-
Notes receivable (Notes 4 and 13)	1,002	-	54,953	-	23,314	-
Notes receivable from related parties (Notes 4, 13 and 40)	-	-	64	-	10	-
Accounts receivable (Notes 4 and 13)	35,924,727	11	36,805,201	12	36,349,413	12
Accounts receivable from related parties (Notes 4, 13 and 40)	117,080	-	61,539	-	73,115	-
Other receivables (Notes 4 and 13)	5,121,819	2	3,665,966	1	5,186,522	2
Inventories - manufacturing and retailing (Note 14)	50,515,938	16	47,776,580	16	42,421,632	15
Inventories - construction (Note 14)	4,777,895	1	4,777,895	2	4,926,545	2
Prepayments for leases	141,013	-	138,455	-	148,608	-
Non-current assets held for sale (Note 15)	277,765	-	23,659	-	44,870	-
Other current assets (Note 16)	11,520,669	4	9,834,604	3	9,580,700	3
Total current assets	164,657,698	52	154,667,365	51	149,810,899	51
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	765,448	-	582,701	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	962,875	-	-	-	-	-
Available-for-sale financial assets - non-current (Notes 4 and 10)	-	-	1,146,061	-	1,091,090	-
Held-to-maturity financial assets - non-current (Notes 4 and 11)	-	-	4,286,504	1	4,604,464	2
Financial assets at amortized cost - non-current (Notes 4, 9 and 41)	1,305,182	-	-	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 17)	-	-	495,121	-	544,701	-
Debt investments with no active market - non-current (Notes 4, 12 and 41)	-	-	40,029	-	35,615	-
Investments accounted for using equity method (Note 19)	43,867,441	14	40,826,193	14	37,855,251	13
Property, plant and equipment (Note 20)	76,520,627	24	71,517,038	24	70,564,498	24
Investment properties (Notes 4 and 21)	2,288,781	1	2,247,431	1	2,400,195	1
Goodwill (Note 22)	8,872,380	3	8,691,600	3	8,731,076	3
Other intangible assets (Note 23)	3,512,148	1	3,703,027	1	3,993,468	1
Deferred tax assets (Notes 4 and 31)	1,551,995	1	1,418,577	1	1,427,806	1
Long-term prepayments for leases	5,899,415	2	5,575,528	2	5,182,573	2
Other non-current assets (Note 16)	5,965,047	2	6,707,255	2	5,238,935	2
Total non-current assets	151,511,339	48	147,237,065	49	141,669,672	49
TOTAL	\$ 316,169,037	100	\$ 301,904,430	100	\$ 291,480,571	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 24)	\$ 40,598,462	13	\$ 33,448,199	11	\$ 25,568,029	9
Short-term bills payable (Note 24)	3,585,624	1	2,966,334	1	3,540,200	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	699,504	-	232,577	-	80,755	-
Notes payable (Note 25)	24,192	-	51,547	-	19,934	-
Notes payable to related parties (Notes 25 and 40)	9,276	-	11,250	-	14,569	-
Accounts payable (Note 25)	11,759,450	4	12,730,775	4	10,941,376	4
Accounts payable to related parties (Notes 25 and 40)	1,167,065	-	1,126,538	-	1,242,358	-
Other payables (Note 26)	28,372,829	9	26,027,401	9	26,097,107	9
Current tax liabilities (Notes 4 and 31)	2,099,050	1	2,497,360	1	1,839,377	1
Current portion of long-term borrowings (Note 24)	2,437,500	1	750,000	-	-	-
Other current liabilities	4,864,408	1	4,619,043	2	5,347,355	2
Total current liabilities	95,617,360	30	84,461,024	28	74,691,060	26
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 24)	54,613,410	17	54,461,632	18	50,295,278	17
Deferred tax liabilities (Notes 4 and 31)	1,233,989	1	1,121,029	1	2,528,186	1
Long-term payables (Note 26)	150,667	-	151,364	-	153,475	-
Net defined benefit liabilities (Note 4)	3,659,689	1	3,284,204	1	3,325,880	1
Other non-current liabilities	64,172	-	45,231	-	38,801	-
Total non-current liabilities	59,721,927	19	59,063,460	20	56,341,620	19
Total liabilities	155,339,287	49	143,524,484	48	131,032,680	45
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 28)						
Share capital						
Common shares	29,467,872	9	29,467,872	10	29,467,872	10
Capital surplus	4,600,095	2	4,615,341	1	4,493,044	2
Retained earnings						
Legal reserve	13,811,050	4	12,518,889	4	12,518,889	4
Special reserve	13,917,230	4	13,636,368	5	13,636,368	5
Unappropriated earnings	33,114,853	11	37,294,138	12	29,176,519	10
Total retained earnings	60,843,133	19	63,449,395	21	55,331,776	19
Other equity	(8,037,326)	(2)	(13,917,230)	(5)	(13,008,207)	(5)
Total equity attributable to owners of the Company	86,873,774	28	83,615,378	27	76,284,485	26
NON-CONTROLLING INTERESTS	73,955,976	23	74,764,568	25	84,163,406	29
Total equity	160,829,750	51	158,379,946	52	160,447,891	55
TOTAL	\$ 316,169,037	100	\$ 301,904,430	100	\$ 291,480,571	100

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

(With Deloitte & Touche review report dated August 14, 2018)

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 June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 29 and 40)	\$ 74,153,143	100	\$ 71,256,720	100	\$ 141,417,049	100	\$ 136,821,816	100
OPERATING COSTS (Notes 27, 30 and 40)	<u>55,450,654</u>	<u>75</u>	<u>52,579,973</u>	<u>74</u>	<u>105,400,384</u>	<u>74</u>	<u>101,401,056</u>	<u>74</u>
GROSS PROFIT	<u>18,702,489</u>	<u>25</u>	<u>18,676,747</u>	<u>26</u>	<u>36,016,665</u>	<u>26</u>	<u>35,420,760</u>	<u>26</u>
OPERATING EXPENSES (Notes 27 and 30)								
Selling and marketing expenses	8,779,271	12	7,698,352	11	17,244,160	12	14,361,377	11
General and administrative expenses	5,202,422	7	4,839,980	7	9,455,241	7	9,334,696	7
Research and development expenses	<u>1,524,388</u>	<u>2</u>	<u>1,647,027</u>	<u>2</u>	<u>3,000,337</u>	<u>2</u>	<u>3,328,316</u>	<u>2</u>
Total operating expenses	<u>15,506,081</u>	<u>21</u>	<u>14,185,359</u>	<u>20</u>	<u>29,699,738</u>	<u>21</u>	<u>27,024,389</u>	<u>20</u>
INCOME FROM OPERATIONS	<u>3,196,408</u>	<u>4</u>	<u>4,491,388</u>	<u>6</u>	<u>6,316,927</u>	<u>5</u>	<u>8,396,371</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 30)	669,092	1	971,095	2	1,279,384	1	1,781,746	1
Other gains and losses (Note 30)	304,559	1	245,242	-	330,804	-	49,676	-
Net gain on derecognition of financial assets at amortized cost	5,477	-	-	-	5,477	-	-	-
Finance costs (Note 30)	(674,281)	(1)	(464,439)	-	(1,258,267)	(1)	(854,700)	-
Share of the profit of associates and joint ventures (Note 19)	<u>1,524,599</u>	<u>2</u>	<u>957,306</u>	<u>1</u>	<u>3,008,476</u>	<u>2</u>	<u>1,475,000</u>	<u>1</u>
Total non-operating income and expenses	<u>1,829,446</u>	<u>3</u>	<u>1,709,204</u>	<u>3</u>	<u>3,365,874</u>	<u>2</u>	<u>2,451,722</u>	<u>2</u>
INCOME BEFORE INCOME TAX	5,025,854	7	6,200,592	9	9,682,801	7	10,848,093	8
INCOME TAX EXPENSE (Notes 4 and 31)	<u>(1,094,181)</u>	<u>(2)</u>	<u>(1,125,269)</u>	<u>(2)</u>	<u>(2,016,732)</u>	<u>(1)</u>	<u>(1,983,933)</u>	<u>(2)</u>
NET INCOME	<u>3,931,673</u>	<u>5</u>	<u>5,075,323</u>	<u>7</u>	<u>7,666,069</u>	<u>6</u>	<u>8,864,160</u>	<u>6</u>
OTHER COMPREHENSIVE (LOSS) INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Remeasurement of defined benefit plans	(31,039)	-	-	-	(31,039)	-	-	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	793,255	1	-	-	1,008,611	-	-	-
Share of the other comprehensive income of associates and joint ventures	(327,810)	-	-	-	(209,709)	-	-	-

(Continued)

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 June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	\$ 3,040,486	4	\$ 638,729	1	\$ 2,805,587	2	\$ (3,059,278)	(2)
Unrealized gain on available-for-sale financial assets	-	-	396,363	1	-	-	1,421,858	1
Share of the other comprehensive (loss) income of associates and joint ventures	<u>(2,113,477)</u>	<u>(3)</u>	<u>2,219,267</u>	<u>3</u>	<u>(11,905,208)</u>	<u>(8)</u>	<u>2,994,957</u>	<u>2</u>
Other comprehensive income (loss) for the period, net of income tax	<u>1,361,415</u>	<u>2</u>	<u>3,254,359</u>	<u>5</u>	<u>(8,331,758)</u>	<u>(6)</u>	<u>1,357,537</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 5,293,088</u>	<u>7</u>	<u>\$ 8,329,682</u>	<u>12</u>	<u>\$ (665,689)</u>	<u>-</u>	<u>\$ 10,221,697</u>	<u>7</u>
NET INCOME								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 2,824,233	4	\$ 2,659,444	4	\$ 4,869,182	4	\$ 4,286,234	3
Non-controlling interests	<u>1,107,440</u>	<u>1</u>	<u>2,415,879</u>	<u>3</u>	<u>2,796,887</u>	<u>2</u>	<u>4,577,926</u>	<u>3</u>
	<u>\$ 3,931,673</u>	<u>5</u>	<u>\$ 5,075,323</u>	<u>7</u>	<u>\$ 7,666,069</u>	<u>6</u>	<u>\$ 8,864,160</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 3,843,901	5	\$ 5,594,029	8	\$ (4,542,328)	(3)	\$ 4,914,395	3
Non-controlling interests	<u>1,449,187</u>	<u>2</u>	<u>2,735,653</u>	<u>4</u>	<u>3,876,639</u>	<u>3</u>	<u>5,307,302</u>	<u>4</u>
	<u>\$ 5,293,088</u>	<u>7</u>	<u>\$ 8,329,682</u>	<u>12</u>	<u>\$ (665,689)</u>	<u>-</u>	<u>\$ 10,221,697</u>	<u>7</u>
EARNINGS PER SHARE								
(Note 32)								
Basic	<u>\$ 0.96</u>		<u>\$ 0.90</u>		<u>\$ 1.65</u>		<u>\$ 1.45</u>	
Diluted	<u>\$ 0.96</u>		<u>\$ 0.87</u>		<u>\$ 1.65</u>		<u>\$ 1.41</u>	

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

(With Deloitte & Touche review report dated August 14, 2018)

(Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company					Other Equity						Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income		Total			
			Legal Reserve	Special Reserve				Others	Total				
BALANCE AT JANUARY 1, 2017	\$ 29,467,872	\$ 4,540,163	\$ 11,213,184	\$ 11,905,595	\$ 32,214,698	\$ 3,109,173	\$ (16,745,893)	\$ -	\$ 352	\$ 75,705,144	\$ 87,305,560	\$ 163,010,704	
Appropriation of 2016 earnings (Note 28)	-	-	1,305,705	-	(1,305,705)	-	-	-	-	-	-	-	
Legal reserve	-	-	1,305,705	-	(1,305,705)	-	-	-	-	-	-	-	
Special reserve	-	-	-	1,730,773	(1,730,773)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(4,420,181)	-	-	-	-	(4,420,181)	-	(4,420,181)	
	-	-	1,305,705	1,730,773	(7,456,659)	-	-	-	-	(4,420,181)	-	(4,420,181)	
Net income for the six months ended June 30, 2017	-	-	-	-	4,286,234	-	-	-	-	4,286,234	4,577,926	8,864,160	
Other comprehensive (loss) income for the six months ended June 30, 2017	-	-	-	-	-	(3,734,714)	4,362,719	-	156	628,161	729,376	1,357,537	
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	4,286,234	(3,734,714)	4,362,719	-	156	4,914,395	5,307,302	10,221,697	
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 28)	-	(47,650)	-	-	-	-	-	-	-	(47,650)	-	(47,650)	
Share of changes in equity of subsidiaries (Notes 4 and 28)	-	531	-	-	-	-	-	-	-	531	-	531	
Share of changes in net assets of associates (Note 4)	-	-	-	-	132,246	-	-	-	-	132,246	-	132,246	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8,449,456)	(8,449,456)	
Changes in equity for the six months ended June 30, 2017	-	(47,119)	1,305,705	1,730,773	(3,038,179)	(3,734,714)	4,362,719	-	156	579,341	(3,142,154)	(2,562,813)	
BALANCE AT JUNE 30, 2017	\$ 29,467,872	\$ 4,493,044	\$ 12,518,889	\$ 13,636,368	\$ 29,176,519	\$ (625,541)	\$ (12,383,174)	\$ -	\$ 508	\$ 76,284,485	\$ 84,163,406	\$ 160,447,891	
BALANCE AT JANUARY 1, 2018	\$ 29,467,872	\$ 4,615,341	\$ 12,518,889	\$ 13,636,368	\$ 37,294,138	\$ (1,790,529)	\$ (12,127,139)	\$ -	\$ 438	\$ 83,615,378	\$ 74,764,568	\$ 158,379,946	
Effect of retrospective application and retrospective restatement	-	-	-	-	292,111	-	12,127,139	1,860,011	(506,875)	13,772,386	-	13,772,386	
BALANCE AT JANUARY 1, 2018 AS RESTATED	29,467,872	4,615,341	12,518,889	13,636,368	37,586,249	(1,790,529)	-	1,860,011	(506,437)	97,387,764	74,764,568	172,152,332	
Appropriation of 2017 earnings (Note 28)	-	-	1,292,161	-	(1,292,161)	-	-	-	-	-	-	-	
Legal reserve	-	-	1,292,161	-	(1,292,161)	-	-	-	-	-	-	-	
Special reserve	-	-	-	280,862	(280,862)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(5,893,574)	-	-	-	-	(5,893,574)	-	(5,893,574)	
	-	-	1,292,161	280,862	(7,466,597)	-	-	-	-	(5,893,574)	-	(5,893,574)	
Net income for the six months ended June 30, 2018	-	-	-	-	4,869,182	-	-	-	-	4,869,182	2,796,887	7,666,069	
Other comprehensive (loss) income for the six months ended June 30, 2018	-	-	-	-	(12,316)	1,445,282	-	(9,684,858)	(1,159,618)	(9,411,510)	1,079,752	(8,331,758)	
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	4,856,866	1,445,282	-	(9,684,858)	(1,159,618)	(4,542,328)	3,876,639	(665,689)	
Share of changes in equity of subsidiaries (Note 28)	-	(15,653)	-	-	(62,842)	-	-	-	-	(78,495)	-	(78,495)	
Changes in capital surplus from investments in associates accounted for using equity method	-	407	-	-	(1,798,823)	-	-	1,798,823	-	407	-	407	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,685,231)	(4,685,231)	
Changes in equity for the six months ended June 30, 2018	-	(15,246)	1,292,161	280,862	(4,471,396)	1,445,282	-	(7,886,035)	(1,159,618)	(10,513,990)	(808,592)	(11,322,582)	
BALANCE AT JUNE 30, 2018	\$ 29,467,872	\$ 4,600,095	\$ 13,811,050	\$ 13,917,230	\$ 33,114,853	\$ (345,247)	\$ -	\$ (6,026,024)	\$ (1,666,055)	\$ 86,873,774	\$ 73,955,976	\$ 160,829,750	

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

(With Deloitte & Touche review report dated August 14, 2018)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 9,682,801	\$ 10,848,093
Adjustments for:		
Depreciation expenses	4,765,214	4,288,205
Amortization expenses	358,201	338,867
Expected credit loss (reversed) on accounts receivable/impairment loss (reversed) on accounts receivable	12,873	(170,653)
Net gain on fair value changes of financial instruments at fair value through profit or loss	(356,950)	(1,164,607)
Finance costs	1,258,267	854,700
Net gain on derecognition of financial assets at amortized cost	(5,477)	-
Interest income	(299,885)	(297,509)
Dividend income	(9,671)	(19,458)
Compensation cost of employee share options	47,188	59,160
Share of profit of associates and joint ventures	(3,008,476)	(1,475,000)
Net loss on disposal of property, plant and equipment	155,669	367,675
Net gain on disposal of investments	-	(11,472)
Net gain on disposal of subsidiaries, associates and joint ventures	(233,579)	(237,921)
Reversal of impairment loss	(58)	(58)
Changes in operating assets and liabilities		
Financial instruments held for trading	-	301,077
Financial assets mandatorily at fair value through profit or loss	1,438,870	-
Notes receivable	53,951	(571)
Notes receivable from related parties	64	7
Accounts receivable	867,601	1,894,919
Accounts receivable from related parties	(55,541)	(18,959)
Other receivables	(1,543,517)	(945,362)
Inventories	(2,739,358)	(1,743,024)
Other current assets	(1,686,065)	(270,932)
Other operating assets	(67,926)	(101,448)
Notes payable	(27,355)	408
Notes payable to related parties	(1,974)	(12,240)
Accounts payable	(971,325)	(2,248,052)
Accounts payable to related parties	40,527	(207,659)
Other payables	(4,098,656)	(3,919,508)
Other current liabilities	245,365	653,428
Net defined benefit liabilities	344,446	(484,911)
Other operating liabilities	(697)	(5,855)
Cash generated from operations	4,164,527	6,271,340
Interest paid	(1,219,279)	(849,185)
Income tax paid	(2,441,392)	(1,935,061)
Net cash generated from operating activities	<u>503,856</u>	<u>3,487,094</u>

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of financial assets at amortized cost	\$ (1,483,446)	\$ -
Proceeds from sale of financial assets at amortized cost	3,705,465	-
Proceeds from sale of financial assets at fair value through profit or loss	-	5,666
Acquisition of debt investments with no active market	-	(680,064)
Proceeds from sale of debt investments with no active market	-	924,599
Acquisition of held-to-maturity financial assets	-	(404,837)
Proceeds from sale of held-to-maturity financial assets	-	855,664
Acquisition of financial assets measured at cost	-	(3,341)
Proceeds from sale of financial assets measured at cost	-	33,264
Acquisition of associates and joint ventures	-	(80,000)
Proceeds from disposal of associates and joint ventures	483,574	860,068
Net cash inflow on acquisition of subsidiaries	-	119,459
Net cash inflow on disposal of subsidiaries	429,527	91,119
Acquisition of property, plant and equipment	(8,409,877)	(6,761,220)
Proceeds from disposal of property, plant and equipment	812,192	376,566
Increase in refundable deposits	(14,997)	(65,716)
Increase in intangible assets	(43,314)	(22)
Acquisition of investment properties	-	(46,506)
Increase in other non-current assets	(176,781)	-
Increase in prepayments for equipment	-	(832,370)
Acquisition of long-term prepayments for leases	(31,465)	(7,522)
Proceeds from disposal of long-term prepayments for leases	73,239	6,325
Interest received	389,705	385,773
Dividends received	820,155	978,215
Net cash used in investing activities	<u>(3,446,023)</u>	<u>(4,244,880)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	7,150,263	1,536,909
Proceeds from short-term bills payable	620,500	995,000
Proceeds from long-term borrowings	1,805,680	-
Prepayments of long-term borrowings	-	(73,100)
Increase in guarantee deposits	18,941	-
Decrease in guarantee deposits	-	(517)
Change in non-controlling interests	<u>(4,685,231)</u>	<u>(8,449,456)</u>
Net cash generated from (used in) financing activities	<u>4,910,153</u>	<u>(5,991,164)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>787,700</u>	<u>4,181,206</u>

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2018	2017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 2,755,686	\$ (2,567,744)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>34,108,353</u>	<u>35,679,158</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 36,864,039</u>	<u>\$ 33,111,414</u>

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

(With Deloitte & Touche review report dated August 14, 2018)

(Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017 (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 the manufacture and sale of various kinds of shoes and the import and export of related products and materials. The Company also invests significantly in the shoe and electronics industries to diversify its business operations. The Company invests in Yue Yuen Industrial (Holdings) Limited (“Yue Yuen”) and other footwear-related companies through Wealthplus Holdings Limited (“Wealthplus”). Yue Yuen and Pou Sheng International (Holdings) Limited (“Pou Sheng”), a subsidiary of Yue Yuen, are listed on the Hong Kong Exchange and Clearing Limited (“HKEx”).

In January 1990, the Company started to trade its shares 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 August 14, 2018.

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

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

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

- 1) Annual Improvements to IFRSs 2014-2016 Cycle

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

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

2) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for the classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following tables show the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group’s financial assets as at January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 34,108,353	\$ 34,108,353	
Derivatives	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	84,093	84,093	
Structured deposits	Designated as at FVTPL	Mandatorily at FVTPL	882,574	882,574	a)
	Held-to-maturity	Amortized cost	962,298	962,298	b)
Equity securities	Available-for-sale	Mandatorily at FVTPL	577,878	577,878	c)
	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	15,398,303	15,501,254	d)
Mutual funds	Held-for-trading	Mandatorily at FVTPL	712,949	712,949	
	Available-for-sale	Mandatorily at FVTPL	255,514	316,698	
Debt securities	Held-to-maturity	Amortized cost	4,684,026	4,684,026	e)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	372,848	372,848	
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	40,587,723	40,587,723	f)
Refundable deposits	Loans and receivables	Amortized cost	531,329	531,329	f)
Financial assets pledged as collateral or for security	Loans and receivables	Amortized cost	40,029	40,029	f)

Financial Assets	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifications	Remeasurements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018
FVTPL	\$ 1,679,616	\$ -	\$ -	\$ 1,679,616	\$ -	\$ -
Add: Reclassification from available-for-sale (IAS 39)	-	577,878	-	577,878	51,203	(51,203)
Remeasurement of financial assets measured at cost (IAS 39)	255,514	-	61,184	316,698	61,184	-
	<u>1,935,130</u>	<u>577,878</u>	<u>61,184</u>	<u>2,574,192</u>	<u>112,387</u>	<u>(51,203)</u>

(Continued)

Financial Assets	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifications	Remeasurements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018
FVTOCI - equity instruments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Add: Reclassification from available-for-sale (IAS 39)	-	15,158,696	-	15,158,696	-	-
Remeasurement of financial assets measured at cost (IAS 39)	-	239,607	102,951	342,558	461,599	(358,648)
	-	<u>15,398,303</u>	<u>102,951</u>	<u>15,501,254</u>	<u>461,599</u>	<u>(358,648)</u>
Amortized cost	-	-	-	-	-	-
Add: Reclassification from held-to-maturity (IAS 39)	-	5,646,324	-	5,646,324	-	-
Add: Reclassification from loans and receivables (IAS 39)	-	75,640,282	-	75,640,282	-	-
	-	<u>81,286,606</u>	-	<u>81,286,606</u>	-	-
	<u>\$ 1,935,130</u>	<u>\$ 97,262,787</u>	<u>\$ 164,135</u>	<u>\$ 99,362,052</u>	<u>\$ 573,986</u>	<u>\$ (409,851)</u>
Investments accounted for using equity method	<u>\$ 40,826,193</u>	<u>\$ -</u>	<u>\$ 13,608,251</u>	<u>\$ 54,434,444</u>	<u>\$ (281,875)</u>	<u>\$ 13,890,126</u>

(Concluded)

Remarks:

- Structured deposits were designated as at FVTPL under IAS 39 because these investments were part of hybrid instruments. All of these investments have been classified as mandatorily measured at FVTPL under IFRS 9 since the structured deposits contain host contracts that are assets within the scope of IFRS 9.
- Structured deposits previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 have been measured at amortized cost with an assessment of expected credit losses under IFRS 9 because, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows on the basis of the facts and circumstances that existed as at January 1, 2018.
- Equity securities investments classified as available-for-sale under IAS 39 (recorded under “financial assets measured at cost - non-current”) were elected to be classified as at FVTPL under IFRS 9. As a result, the related other equity - unrealized gain or loss on available-for-sale financial assets of \$51,203 thousand was reclassified to retained earnings.

Investments in unlisted shares previously measured at cost under IAS 39 are measured at FVTPL under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$61,184 thousand was recognized in both financial assets at FVTPL and retained earnings on January 1, 2018.

- Equity securities investments classified as available-for-sale under IAS 39 (recorded under “financial assets measured at cost - non-current”) were not held for trading; thus, the Group elected to designate those investment as at FVTOCI under IFRS 9. As a result, the related other equity - unrealized gain or loss on available-for-sale financial assets of \$3,413,223 thousand was reclassified to other equity - unrealized gain or loss on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$102,951 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain or loss on financial assets at FVTOCI on January 1, 2018.

For the certain investments classified as measured at cost under IAS 39, there was an impairment loss which the Group recognized and accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$461,599 thousand in other equity - unrealized gain or loss on financial assets at FVTOCI and an increase of \$461,599 thousand in retained earnings on January 1, 2018.

- e) Investments previously classified as held-to-maturity financial assets and debt investments with no active market measured at amortized cost under IAS 39 were classified as at amortized cost under IFRS 9 because the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows on the basis of the facts and circumstances that existed as at January 1, 2018.
- f) Notes receivable, accounts receivable, other receivables, refundable deposits and financial assets pledged as collateral or for security that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.
- g) As a result of the retrospective application of IFRS 9 by associates accounted for using the equity method, there was an increase in investments accounted for using the equity method of \$13,608,251 thousand, an increase in other equity - unrealized gain or loss on financial assets at FVTOCI of \$29,430,488 thousand, a decrease in other equity - unrealized gain or loss on available-for-sale financial assets of \$15,540,362 thousand and a decrease in retained earnings of \$281,875 thousand on January 1, 2018.

Classification and measurement of financial liabilities

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial liabilities and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group’s financial liabilities as at January 1, 2018.

Financial Liabilities	Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Derivatives	Held-for-trading	Mandatorily at FVTPL	\$ 232,577	\$ 232,577

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

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

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

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

When the amendments are applied retrospectively starting from January 1, 2018, the application will not have a significant effect on the accounting of the Group in assessing deferred tax assets.

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

The amendments clarify that the Group should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of a 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 evidence of a change in use is not limited to those illustrated in IAS 40.

There is no significant effect of the amendments to reflect the conditions that exist as of January 1, 2018.

6) 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 applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Revised or Amended Standards or Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)

(Continued)

New, Revised or Amended Standards or Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
	(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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

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

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into on or after January 1, 2019 in order to determine whether those contracts are leases. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on the basis similar to the accounting for operating leases under IAS 17. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Before the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China and Vietnam are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in the retained earnings on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor, and it will account for those leases with the application of IFRS 16 starting from January 1, 2019.

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application on January 1, 2019.

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

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

Upon initial application of the above amendments, the Group will recognize the cumulative effect of retrospective application in the retained earnings on January 1, 2019.

4) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement to IFRSs 2015-2017 Cycle. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

5) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the 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.

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

New, Revised or Amended Standards or Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
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 17 “Insurance Contracts”	January 1, 2021

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

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

The amendments stipulate that, when the Group 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 the Group 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 the Group 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 Group’s interest as an unrelated investor in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of consolidation

The basis of consolidation has been followed in these consolidated financial statements as was applied in the preparation of the consolidated financial statements for the year ended December 31, 2017.

See Note 18 for detailed information on subsidiaries, including the percentages of ownership and main businesses.

c. Other significant accounting policies

Except for the related accounting policies for investment properties, financial instruments, revenue recognition and 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, 2017. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2017.

1) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

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

For a transfer of a property from the classification of investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a transfer of a property from the classification of property, plant and equipment to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount at the end of owner-occupation.

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

2) Assets related to contract costs

When a sales contract is obtained, the commission paid to employees who obtained the sale of properties and the sale service fees paid to agents under exclusive sale agreements are recognized as assets (incremental costs of obtaining a contract) to the extent that the costs are expected to be recovered and are recognized in profit or loss when the property is transferred to the customers. However, the Group elects not to capitalize the incremental costs of obtaining a contract if the amortization period of the assets that the Group otherwise would have recognized is expected to be one year or less.

3) Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

4) Financial instruments

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

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

a) Financial assets

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

i. Measurement category

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, investments in debt instruments at FVTOCI and investments in equity instruments at FVTOCI.

i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 39.

ii) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and accounts receivable at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables.

i) Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 39.

ii) Held-to-maturity investments

Foreign bonds and bills, which are above specific credit ratings and which the Group has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

iii) Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

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

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

iv) Loans and receivables

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable), investments in debt instruments that are measured at FVTOCI, lease receivables, and contract assets.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable and lease receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

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

For financial assets at amortized cost, such as accounts receivable, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or

loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss, and uncollectible accounts receivable are written off against the allowance account.

iii. Derecognition of financial assets

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

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

b) Equity instruments

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

c) Financial liabilities

i. Subsequent measurement

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

i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such a financial liability is held for trading. Such financial liabilities are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 39.

ii) Financial guarantee contracts

2018

Financial guarantee contracts issued by the Group and not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit losses or the amount initially recognized less cumulative amortization recognized.

2017

Financial guarantee contracts issued by the Group and not designated as at FVTPL, are subsequently measured at the higher of the best estimate of the obligation under the contract and the amount initially recognized less cumulative amortization recognized.

ii. Derecognition of financial liabilities

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

d) Derivative financial instruments

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

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

Before 2017, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. From 2018, derivatives embedded in hybrid contracts, which contain financial asset hosts within the scope of IFRS 9, are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

5) Revenue recognition

2018

The Group identifies a contract with a customer, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

The Group's revenue from the sale of goods comes from footwear sales. Sales of products are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. For sales of merchandise through the Group's own retail outlets, revenue is recognized when the customer purchases the goods at the retail outlet.

2017

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

a) Sale of goods

Sales of goods are recognized when goods are delivered and legal ownership has passed.

b) Rendering of services

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

c) Dividend and interest income

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

6) 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.

7) 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. The effect of a change in tax rate resulting from a change in tax law is recognized based on the accounting which is consistent with the accounting for the transaction itself, which gives rise to a tax consequence, and is recognized in profit or loss, or other comprehensive income, or directly in equity in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, the summary critical accounting judgments and key sources of estimation uncertainty can be referenced from the consolidated financial statements for the year ended December 31, 2017.

Fair Value Measurements and Valuation Processes

When Level 1 inputs of financial assets measured at fair value are not available, the Group's engaged valuers determine appropriate inputs by referring to the analyses of the financial position and the operation results of the investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets and valuation multiples of comparable entities. If the actual changes of inputs in the future differ from expectations, the fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of the fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Note 39.

6. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand	\$ 32,741	\$ 32,791	\$ 47,071
Checking accounts and demand deposits	32,292,510	26,736,680	24,306,394
Cash equivalents (investments with original maturities of less than three months)			
Time deposits	3,836,828	6,737,778	7,759,941
Repurchase agreements collateralized by bonds	<u>701,960</u>	<u>601,104</u>	<u>998,008</u>
	<u>\$ 36,864,039</u>	<u>\$ 34,108,353</u>	<u>\$ 33,111,414</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Financial assets designated as at FVTPL</u>			
Structured deposits (a)	\$ -	\$ 882,574	\$ 310,114
<u>Financial assets held for trading</u>			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts (b)	-	47,108	58,457
Exchange rate option contracts (c)	-	7,280	5,882
Exchange rate swap contracts (d)	-	-	204,088
Cross-currency swap contracts (e)	-	-	6,554
Interest rate swap contracts (f)	-	29,705	29,671
Non-derivative financial assets			
Domestic open-ended mutual funds	<u>-</u>	<u>712,949</u>	<u>846,810</u>
	<u>\$ -</u>	<u>\$ 1,679,616</u>	<u>\$ 1,461,576</u>
			(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Financial assets mandatorily at FVTPL</u>			
Hybrid financial assets			
Structured deposits (a)	\$ 589,949	\$ -	\$ -
Derivative financial assets (not under hedge accounting)			
Exchange rate option contracts (c)	3,915	-	-
Exchange rate swap contracts (d)	378,786	-	-
Cross-currency swap contracts (e)	37,267	-	-
Interest rate swap contracts (f)	26,441	-	-
Non-derivative financial assets			
Domestic open-ended mutual funds	468,415	-	-
Foreign open-ended mutual funds	365,630	-	-
Foreign listed shares	<u>88,796</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,959,199</u>	<u>\$ -</u>	<u>\$ -</u>
Current	\$ 1,193,751	\$ 1,096,915	\$ 1,461,576
Non-current	<u>765,448</u>	<u>582,701</u>	<u>-</u>
	<u>\$ 1,959,199</u>	<u>\$ 1,679,616</u>	<u>\$ 1,461,576</u>

Financial liabilities held for trading

Derivative financial liabilities (not under hedge accounting)			
Forward exchange contracts (b)	\$ 183,580	\$ -	\$ 196
Exchange rate option contracts (c)	515,924	-	20,106
Exchange rate swap contracts (d)	-	197,154	10,868
Cross-currency swap contracts (e)	-	32,314	40,381
Interest rate swap contracts (f)	<u>-</u>	<u>3,109</u>	<u>9,204</u>
	<u>\$ 699,504</u>	<u>\$ 232,577</u>	<u>\$ 80,755</u>
Current	<u>\$ 699,504</u>	<u>\$ 232,577</u>	<u>\$ 80,755</u>

(Concluded)

a. Structured deposits

- 1) Wealthplus entered into a 5-year, 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. The contract was designated as at FVTPL under IAS 39. But under IFRS 9, the entire contract is assessed and classified mandatorily as at FVTPL since it contained a host that is an asset within the scope of IFRS 9. The structured time deposit was recorded under “financial assets at FVTPL - current”, which was due in March 2018.
- 2) Yue Yuen entered into a 5-year, USD structured time deposit contract with a bank in October 2017. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. The contract was designated as at FVTPL under IAS 39. But under IFRS 9, the entire contract is assessed and classified mandatorily as at FVTPL since it contained a host that is an asset within the scope of IFRS 9. As of June 30, 2018 and December 31, 2017, the structured time deposit was recorded under “financial assets at FVTPL - non-current”.

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

June 30, 2018

**Notional Amount
(In Thousands)**

US\$ 137,400

Forward Exchange Rates

Sell US\$/buy IDR at 13,925 to 14,075

December 31, 2017

**Notional Amount
(In Thousands)**

US\$ 144,800

Forward Exchange Rates

Sell US\$/buy IDR at 13,680 to 13,925

June 30, 2017

**Notional Amount
(In Thousands)**

HK\$ 329,000

US\$ 110,000

Forward Exchange Rates

Sell HK\$/buy US\$ at 7.749

Sell US\$/buy IDR at 13,367 to 14,389

The Group entered into forward exchange contracts for the six months ended June 30, 2018 and 2017 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:

June 30, 2018

**Notional Amount
(In Thousands)**

US\$ 10,000

US\$ 10,000

US\$ 102,000

US\$ 90,000

US\$ 60,000

US\$ 75,000

US\$ 45,000

US\$ 60,000

US\$ 45,000

US\$ 85,000

US\$ 85,000

Type

Put

Put

Put

Put

Put

Put

Put

Put

Put

Put

Put

Buy/Sale

Sell

Sell

Sell

Sell

Sell

Sell

Sell

Sell

Sell

Sell

Sell

Maturity

2018.07

2018.07

2018.07-2019.06

2018.07-2019.09

2018.07-2019.09

2018.07-2019.09

2018.07-2019.09

2018.07-2019.09

2018.07-2019.09

2018.07-2019.11

2018.07-2019.11

Rate

US\$:NT\$30.2000

US\$:NT\$30.6000

US\$:NT\$30.0000

US\$:RMB6.5750

US\$:RMB6.5750

US\$:RMB6.5550

US\$:RMB6.5550

US\$:RMB6.5550

US\$:RMB6.5550

US\$:RMB6.5500

US\$:RMB6.5500

(Continued)

Notional Amount (In Thousands)	Type	Buy/Sale	Maturity	Rate
US\$ 85,000	Put	Sell	2018.07-2019.11	US\$:RMB6.5500
US\$ 44,000	Put	Sell	2018.07-2020.04	US\$:RMB6.1300
US\$ 132,000	Put	Sell	2018.07-2020.04	US\$:HK\$7.7500
US\$ 48,000	Put	Sell	2018.10-2020.04	US\$:HK\$7.7475
US\$ 48,000	Put	Sell	2018.10-2020.04	US\$:HK\$7.7475
US\$ 48,000	Put	Sell	2018.10-2020.04	US\$:HK\$7.7475
US\$ 24,000	Put	Sell	2019.07-2020.06	US\$:RMB7.0800

(Concluded)

December 31, 2017

Notional Amount (In Thousands)	Type	Buy/Sale	Maturity	Rate
US\$ 44,000	Put	Sell	2018.01-2018.11	US\$:RMB6.9000
US\$ 44,000	Put	Sell	2018.01-2018.11	US\$:RMB6.9000

June 30, 2017

Notional Amount (In Thousands)	Type	Buy/Sale	Maturity	Rate
US\$ 2,000	Put	Sell	2017.07	US\$:RMB6.7500
US\$ 6,000	Put	Sell	2017.07	US\$:RMB6.8000
US\$ 6,000	Put	Sell	2017.07	US\$:RMB6.3485
US\$ 4,000	Put	Sell	2017.07	US\$:RMB6.3485
US\$ 4,000	Put	Sell	2017.07	US\$:RMB6.3485
US\$ 6,000	Put	Sell	2017.07	US\$:RMB6.3900
US\$ 12,000	Put	Sell	2017.07-2017.08	US\$:RMB6.5200
US\$ 22,000	Put	Sell	2017.07-2018.05	US\$:RMB7.2000
US\$ 22,000	Put	Sell	2017.07-2018.05	US\$:RMB7.5000
US\$ 92,000	Put	Sell	2017.07-2018.05	US\$:NT\$31.0750
US\$ 38,000	Put	Sell	2017.07-2019.01	US\$:RMB6.7300
US\$ 38,000	Put	Sell	2017.07-2019.01	US\$:HK\$7.6980
US\$ 48,000	Put	Sell	2017.12-2018.11	US\$:RMB6.9000
US\$ 48,000	Put	Sell	2017.12-2018.11	US\$:RMB6.9000

The Group entered into exchange rate option contracts for the six months ended June 30, 2018 and 2017 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:

June 30, 2018

Notional Amount (In Thousands)	Maturity Date	Rate
US\$ 32,200	2018.07	US\$:NT\$ 29.5675
US\$ 32,000	2018.07	US\$:NT\$ 29.5675
US\$ 400	2018.07	US\$:NT\$ 29.5675
US\$ 67,800	2018.07	US\$:NT\$ 29.5675
US\$ 4,000	2018.07	US\$:NT\$ 29.8450
US\$ 21,300	2018.08	US\$:NT\$ 29.5020
US\$ 34,000	2018.08	US\$:NT\$ 29.5020
US\$ 26,000	2018.08	US\$:NT\$ 29.5020
US\$ 20,600	2018.08	US\$:NT\$ 29.6130
US\$ 60,000	2018.08	US\$:NT\$ 29.6130
US\$ 60,000	2018.08	US\$:NT\$ 29.7130
US\$ 31,000	2018.08	US\$:NT\$ 29.7130
US\$ 30,300	2018.08	US\$:NT\$ 29.7130
US\$ 30,000	2018.08	US\$:NT\$ 29.7130
US\$ 40,000	2018.08	US\$:NT\$ 29.7130

December 31, 2017

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

June 30, 2017

Notional Amount (In Thousands)		Maturity Date	Rate	
US\$	18,000	2017.07	US\$:NT\$	30.0340
US\$	25,000	2017.07	US\$:NT\$	30.0215
US\$	30,300	2017.07	US\$:NT\$	30.0220
US\$	35,000	2017.07	US\$:NT\$	30.0220
US\$	26,800	2017.07	US\$:NT\$	30.0220
US\$	40,000	2017.07	US\$:NT\$	30.0220
US\$	35,000	2017.07	US\$:NT\$	30.0220
US\$	32,300	2017.07	US\$:NT\$	30.0220
US\$	26,000	2017.07	US\$:NT\$	30.0220
US\$	3,000	2017.07	US\$:NT\$	30.0220
US\$	32,200	2017.07	US\$:NT\$	30.0220
US\$	32,000	2017.07	US\$:NT\$	30.0220
US\$	30,000	2017.07	US\$:NT\$	30.0540
US\$	7,300	2017.07	US\$:NT\$	30.0540
US\$	23,400	2017.07	US\$:NT\$	30.0540
US\$	20,600	2017.07	US\$:NT\$	30.0540
US\$	41,000	2017.07	US\$:NT\$	30.0530
US\$	48,000	2017.07	US\$:NT\$	30.1510
US\$	6,000	2017.07	US\$:NT\$	30.1510
US\$	30,000	2017.07	US\$:NT\$	30.1510
US\$	2,000	2017.07	US\$:NT\$	30.1510
US\$	21,300	2017.07	US\$:NT\$	30.3620
US\$	10,000	2017.07	US\$:NT\$	30.3620
US\$	23,500	2017.07	US\$:NT\$	30.3620
US\$	15,400	2017.08	US\$:NT\$	30.3240
US\$	34,000	2017.08	US\$:NT\$	30.3230
RMB	50,000	2017.07	RMB:NT\$	4.6993

The Group entered into exchange rate swap contracts for the six months ended June 30, 2018 and 2017 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:

June 30, 2018

Notional Amount (In Thousands)		Maturity Date	Rate		Interest %
US\$	20,000	2018.07	US\$:RMB	6.357	2.00
US\$	20,000	2018.12	US\$:NT\$	29.440	0.51

December 31, 2017

Notional Amount (In Thousands)		Maturity Date	Rate		Interest %
US\$	20,000	2018.02	US\$:NT\$	31.020	0.75
US\$	10,000	2018.02	US\$:NT\$	30.165	0.42
US\$	10,000	2018.03	US\$:NT\$	30.010	0.40

June 30, 2017

Notional Amount (In Thousands)	Maturity Date	Rate	Interest %
US\$ 10,000	2017.08	US\$:NT\$ 30.180	0.60
US\$ 10,000	2017.09	US\$:NT\$ 30.064	0.60
US\$ 20,000	2018.02	US\$:NT\$ 31.020	0.75
US\$ 20,000	2017.08	US\$:RMB 6.9000	4.55
US\$ 10,000	2017.08	US\$:RMB 6.8855	4.50

The Group entered into cross-currency swap contracts for the six months ended June 30, 2018 and 2017 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:

June 30, 2018

Notional Amount (In Thousands)	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)
US\$ 50,000	2021.03	0.84	1.50

December 31, 2017

Notional Amount (In Thousands)	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)
\$ 125,000	2018.06	1.340	0.65833
225,000	2018.06	1.310	0.65833
150,000	2018.06	1.310	0.65833
125,000	2018.06	1.290	0.65833
125,000	2018.06	1.278	0.65833
75,000	2018.06	1.265	0.65833
125,000	2018.06	1.280	0.65833
50,000	2018.06	1.260	0.65833
US\$ 50,000	2021.03	0.840	1.50000

June 30, 2017

Notional Amount (In Thousands)	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)
\$ 250	2018.06	1.340	0.65844
450	2018.06	1.310	0.65844
300	2018.06	1.310	0.65844
250	2018.06	1.290	0.65844
250	2018.06	1.278	0.65844
150	2018.06	1.265	0.65844
250	2018.06	1.280	0.65844
100	2018.06	1.260	0.65844
US\$ 60,000	2020.01	1.545	1.15567
US\$ 50,000	2021.03	0.840	1.50000

The Group entered into interest rate swap contracts for the six months ended June 30, 2018 and 2017 to manage exposures to interest rate fluctuations.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	June 30, 2018
Domestic investments	
Listed shares	\$ 16,334,532
Unlisted shares	79,277
Foreign investments	
Unlisted shares	<u>272,276</u>
	<u>\$ 16,686,085</u>
Current	\$ 15,723,210
Non-current	<u>962,875</u>
	<u>\$ 16,686,085</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale (included in financial assets measured at cost - non-current) under IAS 39. Refer to Notes 3, 10 and 17 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	June 30, 2018
Domestic investments	
Bonds (a)	\$ 327,362
Time deposits with original maturities of more than three months (b)	226,727
Foreign investments	
Bonds (a)	2,119,221
Commercial paper (a)	293,975
Structured products (a)	<u>816,687</u>
	<u>\$ 3,783,972</u>
Current	\$ 2,478,790
Non-current	<u>1,305,182</u>
	<u>\$ 3,783,972</u>

- a. The bonds, commercial paper and structured products were classified as held-to-maturity financial assets under IAS 39. Refer to Notes 3 and 11 for reclassification and comparative information for 2017.

- b. The time deposits with original maturities of more than three months were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 12 for reclassification and comparative information for 2017.
- c. Refer to Note 41 for information relating to investments in financial assets at amortized cost pledged as security.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017	June 30, 2017
Domestic investments		
Listed shares	\$ 15,158,696	\$ 15,711,829
Foreign investments		
Listed shares	<u>577,878</u>	<u>445,247</u>
	<u>\$ 15,736,574</u>	<u>\$ 16,157,076</u>
Current	\$ 14,590,513	\$ 15,065,986
Non-current	<u>1,146,061</u>	<u>1,091,090</u>
	<u>\$ 15,736,574</u>	<u>\$ 16,157,076</u>

11. HELD-TO-MATURITY FINANCIAL ASSETS - 2017

	December 31, 2017	June 30, 2017
Domestic investments		
Bonds	\$ 737,359	\$ 724,307
Foreign investments		
Bonds	1,477,320	1,367,613
Commercial paper	2,469,347	2,433,508
Structured products	<u>962,298</u>	<u>947,251</u>
	<u>\$ 5,646,324</u>	<u>\$ 5,472,679</u>
Current	\$ 1,359,820	\$ 868,215
Non-current	<u>4,286,504</u>	<u>4,604,464</u>
	<u>\$ 5,646,324</u>	<u>\$ 5,472,679</u>

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017	June 30, 2017
Time deposits with original maturities of more than three months	\$ 372,848	\$ 548,979
Others	<u>40,029</u>	<u>35,615</u>
	<u>\$ 412,877</u>	<u>\$ 584,594</u>
Current	\$ 372,848	\$ 548,979
Non-current	<u>40,029</u>	<u>35,615</u>
	<u>\$ 412,877</u>	<u>\$ 584,594</u>

Refer to Note 41 for information relating to debt investments with no active market pledged as security.

13. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Notes receivable (including related parties)</u>			
Notes receivable - operating	\$ 650	\$ 2,162	\$ 22,338
Notes receivable - non-operating	352	52,855	986
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,002</u>	<u>\$ 55,017</u>	<u>\$ 23,324</u>
<u>Accounts receivable (including related parties)</u>			
At amortized cost			
Gross carrying amount	\$ 36,577,898	\$ 37,418,873	\$ 36,956,963
Less: Allowance for impairment loss	<u>(536,091)</u>	<u>(552,133)</u>	<u>(534,435)</u>
	<u>\$ 36,041,807</u>	<u>\$ 36,866,740</u>	<u>\$ 36,422,528</u>
<u>Other receivables</u>			
Tax refund receivables	\$ 1,617,286	\$ 1,742,347	\$ 1,908,923
Others	3,505,392	1,924,478	3,278,457
Less: Allowance for impairment loss	<u>(859)</u>	<u>(859)</u>	<u>(858)</u>
	<u>\$ 5,121,819</u>	<u>\$ 3,665,966</u>	<u>\$ 5,186,522</u>

a. Notes receivable

The notes receivable balances at June 30, 2018, December 31, 2017 and June 30, 2017 were not past due.

b. Accounts receivable

2018

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 impairment loss was recognized based on the expected loss rate of individual customers by reference to the past default record of the debtor and an analysis of the debtor's current financial position.

The Group writes off an account receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of the relevant receivable's recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

For some accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts.

1) The aging of receivables based on the invoice date was as follows:

	June 30, 2018
Up to 30 days	\$ 24,975,641
31-90 days	10,509,779
More than 90 days	<u>1,092,478</u>
	<u>\$ 36,577,898</u>

2) The movements of the loss allowance of accounts receivable were as follows:

	For the Six Months Ended June 30, 2018
Balance at January 1, 2018 per IAS 39	\$ 552,133
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	552,133
Add: Impairment losses recognized on receivables	12,873
Less: Net remeasurement of loss allowance	(37,131)
Foreign exchange gains and losses	<u>8,216</u>
Balance at June 30, 2018	<u>\$ 536,091</u>

2017

The Group applied the same credit policy in 2018 and 2017. An allowance for doubtful accounts was recognized based on past due amounts at the end of the reporting period and past default experience.

For some accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts.

- 1) The aging analysis of accounts receivable as at December 31, 2017 and June 30, 2017 was as follows:

December 31, 2017

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Up to 30 days	\$ 23,312,993	\$ -	\$ -	\$ -	\$ 23,312,993
31-90 days	12,768,797	-	738,227	1,369	13,508,393
More than 90 days	-	-	46,723	550,764	597,487
	<u>\$ 36,081,790</u>	<u>\$ -</u>	<u>\$ 784,950</u>	<u>\$ 552,133</u>	<u>\$ 37,418,873</u>

June 30, 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	\$ 24,433,334	\$ -	\$ -	\$ -	\$ 24,433,334
31-90 days	10,759,131	-	997,624	32,367	11,789,122
More than 90 days	-	-	232,439	502,068	734,507
	<u>\$ 35,192,465</u>	<u>\$ -</u>	<u>\$ 1,230,063</u>	<u>\$ 534,435</u>	<u>\$ 36,956,963</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	(170,653)	-	(170,653)
Less: Amounts written-off during the period as uncollectible	(3,343)	-	(3,343)
Effect of exchange rate changes	<u>(30,787)</u>	<u>-</u>	<u>(30,787)</u>
Balance at June 30, 2017	<u>\$ 534,435</u>	<u>\$ -</u>	<u>\$ 534,435</u>

14. INVENTORIES

	June 30, 2018	December 31, 2017	June 30, 2017
Inventories - manufacturing and retail	\$ 50,515,938	\$ 47,776,580	\$ 42,421,632
Inventories - construction	<u>4,777,895</u>	<u>4,777,895</u>	<u>4,926,545</u>
	<u>\$ 55,293,833</u>	<u>\$ 52,554,475</u>	<u>\$ 47,348,177</u>

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

	June 30, 2018	December 31, 2017	June 30, 2017
Raw materials	\$ 8,730,869	\$ 7,647,272	\$ 8,221,272
Work in progress	5,451,810	5,068,405	4,719,296
Finished goods and merchandise	<u>36,333,259</u>	<u>35,060,903</u>	<u>29,481,064</u>
	<u>\$ 50,515,938</u>	<u>\$ 47,776,580</u>	<u>\$ 42,421,632</u>

- 1) The cost of manufacturing and retail inventories recognized as cost of goods sold for the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017 was \$55,450,654 thousand, \$52,579,973 thousand, \$105,400,384 thousand and \$101,401,056 thousand, respectively.
- 2) The cost of manufacturing and retail inventories recognized as cost of goods sold for the six months ended June 30, 2018 and 2017 included inventory write-downs of \$6,740 thousand and \$170,231 thousand, respectively.

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

	June 30, 2018	December 31, 2017	June 30, 2017
Land and buildings held for development	\$ 4,612,454	\$ 4,612,454	\$ 4,761,828
Land and buildings held for sale	54,549	54,549	53,825
Land held for construction site	<u>110,892</u>	<u>110,892</u>	<u>110,892</u>
	<u>\$ 4,777,895</u>	<u>\$ 4,777,895</u>	<u>\$ 4,926,545</u>

15. NON-CURRENT ASSETS HELD FOR SALE

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Assets associated with non-current assets held for sale</u>			
Investments accounted for using equity method	\$ 277,765	\$ -	\$ 44,870
Property, plant and equipment	<u>-</u>	<u>23,659</u>	<u>-</u>
	<u>\$ 277,765</u>	<u>\$ 23,659</u>	<u>\$ 44,870</u>

- a. Yue Yuen resolved to dispose of its share of its joint ventures during the six months ended June 30, 2018 and reclassified the assets as “non-current assets held for sale”. The carrying amount of the assets was \$277,765 thousand (US\$9,119 thousand) as of June 30, 2018.
- b. Yue Yuen resolved to dispose of assets of its subsidiaries during 2017 and reclassified the assets as “non-current assets held for sale”. The carrying amount of the assets was \$23,659 thousand (US\$795 thousand) as of December 31, 2017. This transaction was completed in March 2018.
- c. Pou Sheng resolved to dispose of its joint venture in February 2016 and reclassified it as “non-current assets held for sale”. The carrying amount was \$44,870 thousand (US\$1,475 thousand) as of June 30, 2017.

16. OTHER ASSETS

	June 30, 2018	December 31, 2017	June 30, 2017
Prepayments	\$ 9,652,041	\$ 8,144,841	\$ 8,071,912
Refundable deposits	546,326	531,329	423,157
Defined benefit assets	43,754	43,754	43,754
Prepayments for equipment	4,791,262	5,616,393	4,308,528
Others	<u>2,452,333</u>	<u>2,205,542</u>	<u>1,972,284</u>
	<u>\$ 17,485,716</u>	<u>\$ 16,541,859</u>	<u>\$ 14,819,635</u>
Current	\$ 11,520,669	\$ 9,834,604	\$ 9,580,700
Non-current	<u>5,965,047</u>	<u>6,707,255</u>	<u>5,238,935</u>
	<u>\$ 17,485,716</u>	<u>\$ 16,541,859</u>	<u>\$ 14,819,635</u>

17. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017	June 30, 2017
<u>Domestic investments</u>		
Unlisted shares	<u>\$ 73,167</u>	<u>\$ 73,224</u>
<u>Foreign investments</u>		
Unlisted shares	166,440	185,657
Mutual funds	<u>255,514</u>	<u>285,820</u>
	<u>421,954</u>	<u>471,477</u>
	<u>\$ 495,121</u>	<u>\$ 544,701</u>
<u>Classified according to financial asset measurement categories</u>		
Available-for-sale financial assets	<u>\$ 495,121</u>	<u>\$ 544,701</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.

18. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership (%)		
			June 30, 2018	December 31, 2017	June 30, 2017
Wealthplus Holdings Limited (“Wealthplus”)	British Virgin Islands	Investing in footwear, electronics 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 manufacture 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 (%)		
			June 30, 2018	December 31, 2017	June 30, 2017
Yue Yuen Industrial (Holdings) Limited	Bermuda	Manufacture and sale of athletic and casual footwear and sports apparel	49.34	48.94	48.93
Pou Sheng International (Holdings) Limited	Bermuda	Retail of sporting goods and brand licensing business	30.77	30.55	30.54
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	Manufacture of medical appliance and sale of related equipment	69.44	69.44	69.44

Win Fortune Investments Limited (“Win Fortune”) invested in Yue Yuen (as at June 30, 2018 the ownership percentage was 1.06%). 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 (%)		
			June 30, 2018	December 31, 2017	June 30, 2017
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 (%)		
			June 30, 2018	December 31, 2017	June 30, 2017
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 Yii 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 (%)		
	June 30, 2018	December 31, 2017	June 30, 2017
Yue Yuen Industrial (Holdings) Limited	49.60	50.01	50.02
Pou Sheng International (Holdings) Limited	37.63	37.59	37.59

Name of Subsidiary	Profit Allocated to Non-controlling Interests				Accumulated Non-controlling Interests		
	For the Three Months Ended June 30		For the Six Months Ended June 30		June 30, 2018	December 31, 2017	June 30, 2017
	2018	2017	2018	2017			
Yue Yuen Industrial (Holdings) Limited	\$ 815,841	\$ 2,029,967	\$ 2,214,565	\$ 3,956,589	\$ 61,681,036	\$ 63,128,345	\$ 72,771,411
Pou Sheng International (Holdings) Limited	291,130	321,803	533,968	497,148	11,470,931	10,921,682	10,318,221

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:

	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	\$ 134,441,033	\$ 130,449,506	\$ 124,018,226
Non-current assets	117,132,216	114,198,106	112,282,959
Current liabilities	(70,290,884)	(64,831,535)	(51,605,503)
Non-current liabilities	<u>(44,554,086)</u>	<u>(41,830,150)</u>	<u>(27,734,097)</u>
Equity	<u>\$ 136,728,279</u>	<u>\$ 137,985,927</u>	<u>\$ 156,961,585</u>
Equity attributable to:			
Owners of the Company	\$ 63,037,170	\$ 63,473,013	\$ 73,084,380
Non-controlling interests of Yue Yuen	61,681,036	63,128,345	72,771,411
Non-controlling interests of Yue Yuen's subsidiaries	<u>12,010,073</u>	<u>11,384,569</u>	<u>11,105,794</u>
	<u>\$ 136,728,279</u>	<u>\$ 137,985,927</u>	<u>\$ 156,961,585</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating revenue	<u>\$ 73,897,937</u>	<u>\$ 71,021,815</u>	<u>\$ 140,918,493</u>	<u>\$ 136,346,502</u>
Net income	\$ 1,916,797	\$ 4,448,577	\$ 4,999,896	\$ 8,565,406
Other comprehensive (loss) income	<u>(2,362,031)</u>	<u>468,212</u>	<u>(1,359,561)</u>	<u>1,199,038</u>
Total comprehensive (loss) income	<u>\$ (445,234)</u>	<u>\$ 4,916,789</u>	<u>\$ 3,640,335</u>	<u>\$ 9,764,444</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Net income attributable to:				
Owners of the Company	\$ 809,558	\$ 2,023,497	\$ 2,205,445	\$ 3,966,002
Non-controlling interests of Yue Yuen	815,841	2,029,967	2,214,565	3,956,589
Non-controlling interests of Yue Yuen's subsidiaries	<u>291,398</u>	<u>395,113</u>	<u>579,886</u>	<u>642,815</u>
	<u>\$ 1,916,797</u>	<u>\$ 4,448,577</u>	<u>\$ 4,999,896</u>	<u>\$ 8,565,406</u>
Total comprehensive (loss) income attributable to:				
Owners of the Company	\$ (47,595)	\$ 2,176,200	\$ 1,607,812	\$ 4,426,986
Non-controlling interests of Yue Yuen	(39,100)	2,182,789	1,619,212	4,417,930
Non-controlling interests of Yue Yuen's subsidiaries	<u>(358,539)</u>	<u>557,800</u>	<u>413,311</u>	<u>919,528</u>
	<u>\$ (445,234)</u>	<u>\$ 4,916,789</u>	<u>\$ 3,640,335</u>	<u>\$ 9,764,444</u>
Net cash inflow (outflow) from:				
Operating activities			\$ 5,388,529	\$ 4,178,519
Investing activities			(4,934,217)	(4,965,603)
Financing activities			<u>(1,095,552)</u>	<u>(303,296)</u>
Net cash outflow			<u>\$ (641,240)</u>	<u>\$ (1,090,380)</u>
Dividends paid to:				
Non-controlling interests of Yue Yuen			<u>\$ 3,399,438</u>	<u>\$ 3,193,291</u>
Non-controlling interests of Yue Yuen's subsidiaries			<u>\$ 151,401</u>	<u>\$ 225,952</u>

(Concluded)

19. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2018	December 31, 2017	June 30, 2017
Investments in associates	\$ 36,417,441	\$ 33,380,099	\$ 29,517,192
Investments in joint ventures	<u>7,450,000</u>	<u>7,446,094</u>	<u>8,338,059</u>
	<u>\$ 43,867,441</u>	<u>\$ 40,826,193</u>	<u>\$ 37,855,251</u>

a. Investments in associates

	June 30, 2018	December 31, 2017	June 30, 2017
Material associate			
Ruen Chen Investment Holding Co., Ltd.	\$ 20,586,423	\$ 16,659,984	\$ 12,793,835
Associates that are not individually material	<u>15,831,018</u>	<u>16,720,115</u>	<u>16,723,357</u>
	<u>\$ 36,417,441</u>	<u>\$ 33,380,099</u>	<u>\$ 29,517,192</u>

1) Material associate

Name of Associate	Proportion of Ownership and Voting Rights		
	June 30, 2018	December 31, 2017	June 30, 2017
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	June 30, 2018	December 31, 2017	June 30, 2017
Assets	\$ 4,333,682,129	\$ 4,035,948,083	\$ 3,833,421,338
Liabilities	(4,212,974,767)	(3,936,746,594)	(3,755,359,227)
Non-controlling interests	<u>(17,478,688)</u>	<u>(15,605,007)</u>	<u>(13,796,377)</u>
Owners of Ruen Chen Investment Holding Co., Ltd.	<u>\$ 103,228,674</u>	<u>\$ 83,596,482</u>	<u>\$ 64,265,734</u>
Proportion of the Group's interest	20%	20%	20%
Equity attributable to the Group	\$ 20,645,735	\$ 16,719,296	\$ 12,853,147
Other adjustments	<u>(59,312)</u>	<u>(59,312)</u>	<u>(59,312)</u>
Carrying amount	<u>\$ 20,586,423</u>	<u>\$ 16,659,984</u>	<u>\$ 12,793,835</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating revenue	<u>\$ 160,552,460</u>	<u>\$ 161,866,721</u>	<u>\$ 336,515,029</u>	<u>\$ 320,562,775</u>
Net income	\$ 7,076,318	\$ 3,045,912	\$ 12,955,819	\$ 3,262,268
Other comprehensive (loss) income	<u>(14,344,906)</u>	<u>12,061,401</u>	<u>(69,232,197)</u>	<u>16,788,877</u>
Total comprehensive (loss) income	<u>\$ (7,268,588)</u>	<u>\$ 15,107,313</u>	<u>\$ (56,276,378)</u>	<u>\$ 20,051,145</u>

2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights (%)		
	June 30, 2018	December 31, 2017	June 30, 2017
Eagle Nice (International) Holdings Limited	38.42	38.42	38.42
Evermore Chemical Industry Co., Ltd.	-	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
Ace Top Group Limited	-	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
Full Pearl International Ltd.	40.04	40.04	40.04
Haicheng Information Technology Co., Ltd.	50.00	50.00	50.00
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
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	40.00
Venture Well Holdings Ltd.	31.55	31.55	31.55
Zhuhai Baosheng Technology Service Co., Ltd.	-	-	40.00
Zhuhai Poulik Properties Management Co., Ltd.	-	40.00	40.00
Nan Pao Resins Chemical Co., Ltd.	19.52	19.52	19.52
Techview International Technology Inc.	50.00	50.00	50.00

- a) The Group holds less than 20% interest of Elitegroup Computer Systems Co., Ltd. but the Group has the power to appoint two 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.
- b) The Group participated in the acquisition of Evermore Chemical Industry Co., Ltd. (“Evermore”) proposed by Aica Kogyo Co., Ltd. in November 2017. This transaction was completed in January 2018, and the Group disposed of 20,786 thousand shares with the amount of \$415,720 thousand. After the transaction, the proportion of ownership and voting rights of the Group decreased from 29.05% to 8.13%, and the Group lost significant influence over Evermore.

The Group retained the remaining 8.13% interest as financial assets at FVTOCI whose fair value at the date of disposal was \$138,594 thousand. This transaction resulted in the recognition of a gain in profit or loss, calculated as follows:

Proceeds of disposal	\$ 415,720
Plus: Fair value of retained investment (8.13%)	138,594
Less: Carrying amount of investment on the date of loss of significant influence	(452,316)
Plus: Share of other comprehensive income of the associate	27,057
Exchange rate changes	<u>(3,006)</u>
Gain recognized	<u>\$ 126,049</u>

For the six months ended June 30, 2018, the gain recognized from the disposal was \$126,049 thousand.

- c) 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		For the Six Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
The Group's share of:				
Net income	\$ 151,532	\$ 423,108	\$ 225,907	\$ 720,587
Other comprehensive (loss) income	<u>(154,327)</u>	<u>(6,946)</u>	<u>(223,462)</u>	<u>167,801</u>
Total comprehensive (loss) income	<u>\$ (2,795)</u>	<u>\$ 416,162</u>	<u>\$ 2,445</u>	<u>\$ 888,388</u>

- d) 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	June 30, 2018	December 31, 2017	June 30, 2017
Eagle Nice (International) Holdings Limited	<u>\$ 2,861,990</u>	<u>\$ 2,509,314</u>	<u>\$ 2,027,636</u>
Evermore Chemical Industry Co., Ltd.	<u>\$ -</u>	<u>\$ 552,391</u>	<u>\$ 368,094</u>
San Fang Chemical Industry Co., Ltd.	<u>\$ 5,342,728</u>	<u>\$ 5,995,225</u>	<u>\$ 6,458,700</u>
Elitegroup Computer Systems Co., Ltd.	<u>\$ 1,907,778</u>	<u>\$ 2,157,800</u>	<u>\$ 2,233,894</u>

- b. Investments in joint ventures

	June 30, 2018	December 31, 2017	June 30, 2017
Joint ventures that are not individually material	\$ 7,436,229	\$ 7,432,475	\$ 8,324,595
Long-term receivables			
Joint ventures that are not individually material	<u>13,771</u>	<u>13,619</u>	<u>13,464</u>
	<u>\$ 7,450,000</u>	<u>\$ 7,446,094</u>	<u>\$ 8,338,059</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 (%)		
	June 30, 2018	December 31, 2017	June 30, 2017
Artesol Limited	-	-	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
Great Skill Industrial Limited	50.00	50.00	50.00
Guiyang Baoshang Sports Goods Company Limited	-	-	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
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
TOP Units Developments Limited	49.00	49.00	-
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

- 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		For the Six Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
The Group's share of:				
Net (loss) income	\$ (2,310)	\$ (17,452)	\$ 343,135	\$ 163,211
Other comprehensive (loss) income	<u>(228,992)</u>	<u>65,726</u>	<u>(46,306)</u>	<u>70,411</u>
Total comprehensive (loss) income	<u>\$ (231,302)</u>	<u>\$ 48,274</u>	<u>\$ 296,829</u>	<u>\$ 233,622</u>

20. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2018	December 31, 2017	June 30, 2017
Land	\$ 2,239,640	\$ 2,277,824	\$ 2,276,989
Buildings and improvements	46,804,103	43,968,107	43,199,684
Machinery and equipment	19,583,984	17,973,720	17,329,196
Transportation equipment	399,089	399,063	392,986
Office equipment	2,928,022	2,833,636	2,611,657
Other equipment	54,454	37,426	39,656
Construction in progress	<u>4,511,335</u>	<u>4,027,262</u>	<u>4,714,330</u>
	<u>\$ 76,520,627</u>	<u>\$ 71,517,038</u>	<u>\$ 70,564,498</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 June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017.
- b. The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the respective asset:

<u>Items</u>	<u>Estimated Useful Life</u>
Buildings and improvements	
Main buildings	50-55 years
Elevators	15 years
Machinery and equipment	5-12 years
Transportation equipment	5 years
Office equipment	3-7 years
Other equipment	3-10 years

- c. The Group has land located in Changhwa County with a carrying amount 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.

21. INVESTMENT PROPERTIES

	June 30, 2018	December 31, 2017	June 30, 2017
Investment properties	<u>\$ 2,288,781</u>	<u>\$ 2,247,431</u>	<u>\$ 2,400,195</u>

- a. Except for depreciation expenses recognized, the Group had no significant disposal nor impairment of investment properties during the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017.
- 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, 2017 and 2016 was \$3,594,750 thousand and \$3,498,353 thousand, respectively. The Group's management team evaluated that the fair value of investment properties during the six months ended June 30, 2018 and 2017 had not changed significantly.

22. GOODWILL

After the Group's goodwill was tested as at December 31, 2017 and 2016, the Group's management team evaluated that goodwill as at June 30, 2018 and 2017 had not changed significantly and was not impaired.

23. OTHER INTANGIBLE ASSETS

	June 30, 2018	December 31, 2017	June 30, 2017
Trademarks	\$ 1,405,413	\$ 1,363,653	\$ 1,391,615
Customer relationships	102,437	81,780	97,527
Brand names	1,355,470	1,532,045	1,703,915
Licensing agreements	194,883	215,760	236,303
Non-compete agreements	<u>453,945</u>	<u>509,789</u>	<u>564,108</u>
	<u>\$ 3,512,148</u>	<u>\$ 3,703,027</u>	<u>\$ 3,993,468</u>

- a. Except for amortization recognized, the Group had no significant disposal nor impairment of other intangible assets during the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017.
- b. The above items of other intangible assets are amortized on a straight-line basis over the estimated useful life of the respective asset:

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

24. BORROWINGS

- a. Short-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Unsecured borrowings</u>			
Credit borrowings	<u>\$ 40,598,462</u>	<u>\$ 33,448,199</u>	<u>\$ 25,568,029</u>

The range of effective interest rate on bank borrowings was 0.74%-5.77%, 0.67%-15.88% and 0.78%-15.88% per annum as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

b. Short-term bills payable

June 30, 2018

	Annual Interest Rate	Amount
Commercial paper	0.5%-0.76%	\$ 3,588,500
Less: Unamortized discount on bills payable		<u>(2,876)</u>
		<u>\$ 3,585,624</u>

December 31, 2017

	Annual Interest Rate	Amount
Commercial papers	0.5%-0.75%	\$ 2,968,000
Less: Unamortized discount on bills payable		<u>(1,666)</u>
		<u>\$ 2,966,334</u>

June 30, 2017

	Annual Interest Rate	Amount
Commercial paper	0.39%-0.75%	\$ 3,541,000
Less: Unamortized discount on bills payable		<u>(800)</u>
		<u>\$ 3,540,200</u>

c. Long-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Unsecured borrowings</u>			
Bank loans	\$ 57,344,880	\$ 55,539,200	\$ 50,309,900
Less: Long-term expenses for syndicated loans	(293,970)	(327,568)	(14,622)
Less: Current portion	<u>(2,437,500)</u>	<u>(750,000)</u>	<u>-</u>
	<u>\$ 54,613,410</u>	<u>\$ 54,461,632</u>	<u>\$ 50,295,278</u>

Maturity dates and range of annual interest rates:

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Maturity date</u>			
Long-term borrowings	2019.07.15- 2023.03.29	2019.03.27- 2022.08.18	2018.07.12- 2021.12.21
Current portion of long-term borrowings	2018.09.27- 2019.04.01	2018.09.27	-
<u>Range of interest rate</u>	1.01%-3.39%	1.09%-2.79%	1.09%-2.51%

25. NOTES PAYABLE AND ACCOUNTS PAYABLE

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Notes payable (included related parties)</u>			
Operating	\$ 29,374	\$ 57,529	\$ 26,431
Non-operating	<u>4,094</u>	<u>5,268</u>	<u>8,072</u>
	<u>\$ 33,468</u>	<u>\$ 62,797</u>	<u>\$ 34,503</u>
Accounts payable (included related parties)	<u>\$ 12,926,515</u>	<u>\$ 13,857,313</u>	<u>\$ 12,183,734</u>

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

26. OTHER PAYABLES

	June 30, 2018	December 31, 2017	June 30, 2017
Payable for salaries	\$ 8,356,881	\$ 12,685,110	\$ 9,562,252
Payable for purchase of property, plant and equipment	2,494,260	1,965,672	2,143,104
Compensation due to directors	208,188	186,995	204,466
Employee compensation payables	801,135	698,669	741,979
Interest payables	146,946	125,024	122,188
Payable for annual leave	1,541,316	1,512,948	1,431,517
Payable for dividends	5,899,077	-	4,425,492
Others	<u>9,075,693</u>	<u>9,004,347</u>	<u>7,619,584</u>
	<u>\$ 28,523,496</u>	<u>\$ 26,178,765</u>	<u>\$ 26,250,582</u>
Current	\$ 28,372,829	\$ 26,027,401	\$ 26,097,107
Non-current	<u>150,667</u>	<u>151,364</u>	<u>153,475</u>
	<u>\$ 28,523,496</u>	<u>\$ 26,178,765</u>	<u>\$ 26,250,582</u>

27. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were calculated using the respective annual, actuarially determined pension cost discount rate as of December 31, 2017 and 2016 and recognized in the following line items in their respective periods:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating costs	\$ 43,831	\$ 32,860	\$ 94,677	\$ 66,598
Selling and marketing expenses	340	341	684	716
General and administrative expenses	64,584	61,560	102,490	125,899
Research and development expenses	<u>2,309</u>	<u>2,683</u>	<u>4,590</u>	<u>5,594</u>
	<u>\$ 111,064</u>	<u>\$ 97,444</u>	<u>\$ 202,441</u>	<u>\$ 198,807</u>

28. EQUITY

a. Share capital

	June 30, 2018	December 31, 2017	June 30, 2017
Number of shares authorized (in thousands)	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>
Amount of 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>
Amount of shares issued	<u>\$ 29,467,872</u>	<u>\$ 29,467,872</u>	<u>\$ 29,467,872</u>

b. Capital surplus

	June 30, 2018	December 31, 2017	June 30, 2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Recognized from issuance of common shares	\$ 848,603	\$ 848,603	\$ 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	343,269	343,269	343,269
<u>May be used to offset a deficit only (2)</u>			
Recognized from the share of changes in equity of subsidiaries	-	15,653	23,763

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
<u>May not be used for any purpose</u>			
Recognized from the share of changes in net assets of associates and joint ventures	<u>136,123</u>	<u>135,716</u>	<u>5,309</u>
	<u>\$ 4,600,095</u>	<u>\$ 4,615,341</u>	<u>\$ 4,493,044</u> (Concluded)

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

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

For information about the accrual basis of the employees' compensation and remuneration to directors and the actual appropriations, refer to employee benefit expense in Note 30 g.

In accordance with the "Articles", profit may be distributed after taking into consideration the future development plan, financial condition, business and operational status, and so on. The distribution of profit 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 profit.

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.

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

The appropriations of earnings for 2017 and 2016, which were approved in the shareholders' meetings on June 15, 2018 and 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2017	For Year 2016	For Year 2017	For Year 2016
Legal reserve	\$ 1,292,161	\$ 1,305,705	\$ -	\$ -
Special reserve	280,862	1,730,774	-	-
Cash dividends	5,893,574	4,420,181	2.00	1.50

d. Other equity item

1) Exchange differences on translating foreign operations

	For the Six Months Ended June 30	
	2018	2017
Balance at January 1	\$ (1,790,529)	\$ 3,109,173
Exchange differences on translating foreign operations	1,438,659	(3,683,056)
Share of exchange differences of associates and joint ventures accounted for using equity method	<u>6,623</u>	<u>(51,658)</u>
Balance at June 30	<u>\$ (345,247)</u>	<u>\$ (625,541)</u>

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

	For the Six Months Ended June 30	
	2018	2017
Balance at January 1	\$ (12,127,139)	\$ (16,745,893)
Adjustment on initial application of IFRS 9	12,127,139	-
Unrealized gain on available-for-sale financial assets	-	1,316,260
Unrealized gain on available-for-sale financial assets of associates and joint ventures accounted for using equity method	<u>-</u>	<u>3,046,459</u>
Balance at June 30	<u>\$ -</u>	<u>\$ (12,383,174)</u>

3) Unrealized gain or loss on financial assets at FVTOCI

	For the Six Months Ended June 30, 2018
Balance at January 1	\$ -
Adjustment on initial application of IFRS 9	<u>1,860,011</u>
Balance at January 1 per IFRS 9	1,860,011
Unrealized gain from equity instruments	1,280,392
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	1,798,823
Share of loss from associates and joint ventures accounted for using equity method	<u>(10,965,250)</u>
Balance at June 30	<u>\$ (6,026,024)</u>

4) Others

	For the Six Months Ended June 30	
	2018	2017
Balance at January 1	\$ 438	\$ 352
Adjustment on initial application of IFRS 9	<u>(506,875)</u>	<u>-</u>
Balance at January 1 per IFRS 9	(506,437)	352
Share of loss from associates and joint ventures accounted for using equity method	<u>(1,159,618)</u>	<u>156</u>
Balance at June 30	<u>\$ (1,666,055)</u>	<u>\$ 508</u>

e. Non-controlling interests

	For the Six Months Ended June 30	
	2018	2017
Balance at January 1	\$ 74,764,568	\$ 87,305,560
Share of non-controlling interests		
Net income	2,796,887	4,577,926
Exchange differences on translating foreign operations	1,366,928	623,778
Unrealized gain on available-for-sale financial assets	-	105,598
Unrealized loss on financial assets at FVTOCI	(271,781)	-
Remeasurement of defined benefit plans	(15,395)	-
Changes in non-controlling interests	<u>(4,685,231)</u>	<u>(8,449,456)</u>
Balance at June 30	<u>\$ 73,955,976</u>	<u>\$ 84,163,406</u>

29. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Sales revenue	\$ 73,966,995	\$ 71,103,140	\$ 141,071,693	\$ 136,508,215
Revenue from the rendering of services	52,520	25,632	65,749	44,365
Rental income	8,625	7,669	16,072	15,536
Revenue from entertainment and resorts	<u>125,003</u>	<u>120,279</u>	<u>263,535</u>	<u>253,700</u>
	<u>\$ 74,153,143</u>	<u>\$ 71,256,720</u>	<u>\$ 141,417,049</u>	<u>\$ 136,821,816</u>

30. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Rental income				
Rental income from operating leases				
Investment properties	\$ 11,686	\$ 8,128	\$ 23,360	\$ 16,256
Others	<u>122,385</u>	<u>84,897</u>	<u>228,044</u>	<u>162,300</u>
	<u>134,071</u>	<u>93,025</u>	<u>251,404</u>	<u>178,556</u>
Interest income				
Cash in bank	103,623	86,337	185,310	157,803
Repurchase agreements collateralized by bonds	3,493	5,483	8,124	9,807
Financial assets at amortized cost	38,018	-	97,122	-
Held-to-maturity financial assets	-	56,148	-	117,260
Debt investments with no active market	-	4,826	-	12,210
Others	<u>5,156</u>	<u>416</u>	<u>9,329</u>	<u>429</u>
	<u>150,290</u>	<u>153,210</u>	<u>299,885</u>	<u>297,509</u>
Dividend income	9,671	10,992	9,671	19,458
Others	<u>375,060</u>	<u>713,868</u>	<u>718,424</u>	<u>1,286,223</u>
	<u>\$ 669,092</u>	<u>\$ 971,095</u>	<u>\$ 1,279,384</u>	<u>\$ 1,781,746</u>

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Net loss on disposal of property, plant and equipment	\$ (44,956)	\$ (259,443)	\$ (155,669)	\$ (367,675)
Net foreign exchange gain (loss)	211,647	(3,042)	47,095	(905,261)
Net gain (loss) on disposal of subsidiaries, associates and joint ventures	99,351	(54,493)	233,579	237,921
Net gain on disposal of financial assets measured at cost	-	11,472	-	11,472
Net gain arising on financial assets at FVTPL	566,265	605,554	790,401	780,049
Net (loss) gain on financial liabilities at FVTPL	(487,640)	2,212	(433,451)	384,558
Reversal of impairment loss	29	29	58	58
Others	<u>(40,137)</u>	<u>(57,047)</u>	<u>(151,209)</u>	<u>(91,446)</u>
	<u>\$ 304,559</u>	<u>\$ 245,242</u>	<u>\$ 330,804</u>	<u>\$ 49,676</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest on bank borrowings	\$ 657,026	\$ 449,998	\$ 1,224,602	\$ 824,365
Interest on short-term bills payable	6,050	6,235	12,293	11,454
Other interest expense	<u>11,205</u>	<u>8,206</u>	<u>21,372</u>	<u>18,881</u>
	<u>\$ 674,281</u>	<u>\$ 464,439</u>	<u>\$ 1,258,267</u>	<u>\$ 854,700</u>

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Property, plant and equipment	\$ 2,395,055	\$ 2,137,731	\$ 4,751,385	\$ 4,271,809
Investment properties	7,726	8,289	13,829	16,396
Other intangible assets	147,471	143,399	291,540	223,513
Long-term prepayments	397	-	789	-
Prepayments for leases	32,463	30,804	65,583	115,354
Other prepaid expenses	<u>289</u>	<u>-</u>	<u>289</u>	<u>-</u>
	<u>\$ 2,583,401</u>	<u>\$ 2,320,223</u>	<u>\$ 5,123,415</u>	<u>\$ 4,627,072</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
An analysis of depreciation by function				
Operating costs	\$ 1,351,503	\$ 1,306,115	\$ 2,778,444	\$ 2,622,978
Operating expenses	1,048,550	836,695	1,982,854	1,659,123
Non-operating expenses	<u>2,728</u>	<u>3,210</u>	<u>3,916</u>	<u>6,104</u>
	<u>\$ 2,402,781</u>	<u>\$ 2,146,020</u>	<u>\$ 4,765,214</u>	<u>\$ 4,288,205</u>
An analysis of amortization by function				
Operating costs	\$ 290	\$ 294	\$ 575	\$ 597
Operating expenses	<u>180,330</u>	<u>173,909</u>	<u>357,626</u>	<u>338,270</u>
	<u>\$ 180,620</u>	<u>\$ 174,203</u>	<u>\$ 358,201</u>	<u>\$ 338,867</u>

(Concluded)

e. Direct operating expenses from investment properties

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Direct operating expenses from investment properties that generated rental income	<u>\$ 11,069</u>	<u>\$ 12,877</u>	<u>\$ 21,406</u>	<u>\$ 24,400</u>

f. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Short-term benefits	\$ 15,118,469	\$ 15,380,238	\$ 30,601,484	\$ 30,383,918
Post-employment benefits				
Defined contribution plans	2,622,254	1,746,675	3,790,832	3,777,603
Defined benefit plans	<u>111,064</u>	<u>97,444</u>	<u>202,441</u>	<u>198,807</u>
	2,733,318	1,844,119	3,993,273	3,976,410
Share-based payments				
Equity-settled	26,707	37,518	47,188	59,160
Termination benefits	<u>1,562</u>	<u>3,325</u>	<u>1,569</u>	<u>10,498</u>
	<u>\$ 17,880,056</u>	<u>\$ 17,265,200</u>	<u>\$ 34,643,514</u>	<u>\$ 34,429,986</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 11,300,475	\$ 11,696,607	\$ 22,724,874	\$ 23,553,790
Operating expenses	<u>6,579,581</u>	<u>5,568,593</u>	<u>11,918,640</u>	<u>10,876,196</u>
	<u>\$ 17,880,056</u>	<u>\$ 17,265,200</u>	<u>\$ 34,643,514</u>	<u>\$ 34,429,986</u>

As of June 30, 2018 and 2017, there were 349,261 and 364,067 employees, respectively, in the Group. The Group accounts for employee benefits expense based on the number of employees.

g. Employee's compensation and remuneration of directors

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 at rates of 1%-5% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. 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.

The employees' compensation and remuneration of directors for the six months ended June 30, 2018 and 2017, respectively, were as follows:

Accrual rate

	For the Six Months Ended June 30	
	2018	2017
Employees' compensation	1.8%	1.8%
Remuneration of directors	0.9%	0.9%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Employees' compensation	<u>\$ 61,302</u>	<u>\$ 62,343</u>	<u>\$ 103,241</u>	<u>\$ 95,187</u>
Remuneration of directors	<u>\$ 30,651</u>	<u>\$ 31,172</u>	<u>\$ 51,620</u>	<u>\$ 47,594</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 for the years ended December 31, 2017 and 2016, which were approved by the Company's board of directors on March 26, 2018 and March 27, 2017, respectively, were as follows:

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors approved/paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration to of directors resolved in the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

31. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Current tax				
In respect of the current period	\$ 794,574	\$ 622,066	\$ 1,514,266	\$ 1,461,800
Income tax expense of unappropriated earnings	<u>506,950</u>	<u>522,087</u>	<u>506,950</u>	<u>522,087</u>
	<u>1,301,524</u>	<u>1,144,153</u>	<u>2,021,216</u>	<u>1,983,887</u>
Deferred tax				
In respect of the current period	(223,317)	(19,744)	(20,366)	(814)
Change of tax rate	<u>-</u>	<u>-</u>	<u>(92)</u>	<u>-</u>
	<u>(223,317)</u>	<u>(19,744)</u>	<u>(20,458)</u>	<u>(814)</u>
Adjustments for prior year's income tax	<u>15,974</u>	<u>860</u>	<u>15,974</u>	<u>860</u>
Income tax expense recognized in profit or loss	<u>\$ 1,094,181</u>	<u>\$ 1,125,269</u>	<u>\$ 2,016,732</u>	<u>\$ 1,983,933</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred income tax is recognized in profit or loss. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax assessments

The income tax returns of the Company through 2016, except 2014, have been assessed by the tax authorities.

32. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
<u>Net income (in thousand dollars)</u>				
Earnings used in the computation of earnings per share	<u>\$ 2,824,233</u>	<u>\$ 2,659,444</u>	<u>\$ 4,869,182</u>	<u>\$ 4,286,234</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
<u>Weighted average number of shares outstanding (in thousand shares)</u>				
Weighted average number of common shares used in the computation of basic earnings per share	2,946,787	2,946,787	2,946,787	2,946,787
Effect of potentially dilutive common shares:				
Employee share options	-	85,391	-	84,605
Employees' compensation	<u>1,732</u>	<u>6,603</u>	<u>4,413</u>	<u>7,896</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>2,948,519</u>	<u>3,038,781</u>	<u>2,951,200</u>	<u>3,039,288</u>
<u>Earnings per share (in dollars)</u>				
Basic earnings per share	<u>\$0.96</u>	<u>\$0.90</u>	<u>\$1.65</u>	<u>\$1.45</u>
Diluted earnings per share	<u>\$0.96</u>	<u>\$0.87</u>	<u>\$1.65</u>	<u>\$1.41</u>
				(Concluded)

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.

33. SHARE-BASED PAYMENT ARRANGEMENTS

a. Information about Pou Chen's employee share options

As of November 6, 2007, the Company had issued employee share options which expired on November 5, 2017. The Company did not grant any options during the six months ended June 30, 2018. Information about outstanding share options during the six months ended June 30, 2017 is as follows:

	For the Six Months Ended June 30, 2017	
	Number of Shares Purchasable (In Thousands)	Weighted- average Exercise Price (NT\$)
Employee Share Options		
Balance at January 1	145,791	\$ 17.40
Options exercised	<u>-</u>	-
Balance at June 30	<u>145,791</u>	17.40
Exercisable options at June 30	<u>145,791</u>	17.40

Information about outstanding employee share options as of June 30, 2017 was as follows:

	June 30, 2017
Exercise price (NT\$)	\$17.40
Weighted-average remaining contractual life (years)	0.35

b. Information about Yue Yuen's employee share options

Information about the granted employee share options during the six months ended June 30, 2018 and 2017 was as follows:

	For the Six Months Ended June 30	
	2018	2017
	Number of Shares (In Thousands)	Number of Shares (In Thousands)
Balance at January 1	1,053	1,120
Options granted	35	-
Options cancelled	<u>(33)</u>	<u>(67)</u>
Balance at June 30	<u>1,055</u>	<u>1,053</u>

Yue Yuen recognized \$23,056 thousand and \$25,256 thousand of compensation cost for the six months ended June 30, 2018 and 2017, respectively.

c. Information about Pou Sheng's employee share options

1) Information about outstanding share options during the six months ended June 30, 2018 and 2017 was as follows:

	For the Six Months Ended June 30			
	2018		2017	
	Number of Shares Purchasable (In Thousands)	Weighted- average Exercise Price (HK\$)	Number of Shares Purchasable (In Thousands)	Weighted- average Exercise Price (HK\$)
Employee Share Options				
Balance at January 1	53,749	\$ 1.64	54,549	\$ 1.63
Options cancelled	(18,747)	1.62	-	-
Options exercised	<u>(2,740)</u>	1.23	<u>(200)</u>	1.43
Balance at June 30	<u>32,262</u>	1.68	<u>54,349</u>	1.63
Exercisable options at June 30	<u>21,765</u>	1.29	<u>42,686</u>	1.40

Information about outstanding employee share options as of June 30, 2018, December 31, 2017 and June 30, 2017 was as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Range of exercise price (HK\$)	\$1.05-\$2.494	\$1.05-\$2.494	\$1.05-\$2.494
Weighted-average remaining contractual life (years)	1.84	1.48	1.98

Pou Sheng recognized \$5,022 thousand and \$7,546 thousand of compensation cost for the six months ended June 30, 2018 and 2017, respectively.

- 2) Information about the granted employee share options during the six months ended June 30, 2018 and 2017 was as follows:

	For the Six Months Ended June 30	
	2018	2017
	Number of Shares (In Thousands)	Number of Shares (In Thousands)
Balance at January 1	41,079	45,130
Options granted	-	6,026
Options cancelled	(2,883)	(7,432)
Options exercised	<u>(4,935)</u>	<u>-</u>
Balance at June 30	<u>33,261</u>	<u>43,724</u>

Pou Sheng recognized \$19,110 thousand and \$26,358 thousand of compensation cost for the six months ended June 30, 2018 and 2017, respectively.

- d. Information about Texas Clothing Holding Corporation's ("TCHC") employee share options

Information about outstanding share options during the six months ended June 30, 2018 was as follows:

	For the Six Months Ended June 30, 2018	
	Number of Shares Purchasable (In Thousands)	Weighted- average Exercise Price (US\$)
Employee Share Options		
Balance at January 1	817	\$ 20.01
Options exercised	<u>-</u>	-
Balance at June 30	<u>817</u>	20.01
Exercisable options at June 30	<u>670</u>	19.21

Information about outstanding employee share options as of June 30, 2018 and December 31, 2017 was as follows:

	June 30, 2018	December 31, 2017
Range of exercise price (US\$)	\$13.92-\$27.33	\$13.92-\$27.33
Weighted-average remaining contractual life (years)	5.38	5.87

34. BUSINESS COMBINATIONS

The Group entered into a settlement agreement with joint ventures for the six months ended June 30, 2017. The joint ventures purchased the treasury shares from other shareholders. After the transaction, the joint ventures became a subsidiary of the Group. The assets and liabilities on the date of acquisition were as follow:

Assets

Cash and cash equivalents	\$ 119,459
Receivables and other receivables	2,039,783
Inventories	2,752,493
Property, plant and equipment	535,909
Intangible assets	1,458,061
Deferred tax assets	399,506

Liabilities

Bank borrowings	(1,766,368)
Payables and other payables	(2,792,860)
Deferred tax liabilities	<u>(506,432)</u>
	<u>\$ 2,239,551</u>

a. Goodwill arising from the acquisition

Fair value of previously held equity interest in joint ventures	\$ 2,336,347
Add: Non-controlling interests	426
Less: Fair value of the acquisition of net assets	<u>(2,239,551)</u>
Goodwill arising from the acquisition	<u>\$ 97,222</u>

b. Net cash inflow on acquisition of subsidiaries

Cash and cash equivalent balances on acquisition of subsidiaries	<u>\$ 119,459</u>
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35. DISPOSAL OF SUBSIDIARIES

- a. The Group disposed of subsidiaries in the six months ended June 30, 2018, and the assets and liabilities on the date of disposal were as follows:

Assets

Cash and cash equivalents	\$ 209,047
Receivables and other receivables	116,905
Inventories	303,107
Property, plant and equipment	29,059

Liabilities

Payables and other payables	(148,584)
Income tax payables	<u>(13,280)</u>
	<u>\$ 496,254</u>

- 1) Gain on disposal of subsidiaries

Consideration received in cash and cash equivalents	\$ 638,574
Net value of net assets disposed of	<u>(496,254)</u>
Gain on disposal	<u>\$ 142,320</u>

- 2) Net cash inflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	\$ 638,574
Less: Cash and cash equivalent balances disposed of	<u>(209,047)</u>
	<u>\$ 429,527</u>

- b. The Group disposed of subsidiaries in the six months ended June 30, 2017, and the assets and liabilities on the date of disposal were as follows:

Assets

Cash and cash equivalents	\$ 41,462
Receivables and other receivables	901,132
Inventories	613,024
Other current assets	40,610
Property, plant and equipment	18,374

Liabilities

Payables and other payables	<u>(1,316,821)</u>
	<u>\$ 297,781</u>

1) Gain on disposal of subsidiaries

Net assets disposed of	\$ 297,781
Less: Non-controlling interests	(145,925)
Cumulative exchange differences reclassified from equity to profit or loss on loss of control of subsidiary	<u>(22,845)</u>
Net value of net assets disposed of	<u>\$ 129,011</u>
Consideration received in cash and cash equivalents	\$ 132,581
Net value of net assets disposed of	<u>(129,011)</u>
Gain on disposal	<u>\$ 3,570</u>

2) Net cash inflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	\$ 132,581
Less: Cash and cash equivalent balances disposed of	<u>(41,462)</u>
	<u>\$ 91,119</u>

36. OPERATING LEASES ARRANGEMENTS

a. The Group as lessee

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

	June 30, 2018	December 31, 2017	June 30, 2017
Not later than 1 year	\$ 3,617,943	\$ 3,551,136	\$ 2,779,972
Later than 1 year and not later than 5 years	5,378,421	5,329,370	3,905,992
Later than 5 years	<u>1,625,498</u>	<u>1,503,177</u>	<u>2,054,962</u>
	<u>\$ 10,621,862</u>	<u>\$ 10,383,683</u>	<u>\$ 8,740,926</u>

b. The Group as lessor

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

	June 30, 2018	December 31, 2017	June 30, 2017
Not later than 1 year	\$ 758,654	\$ 610,953	\$ 545,380
Later than 1 year and not later than 5 years	1,719,772	1,377,040	901,128
Later than 5 years	<u>1,332,107</u>	<u>1,197,959</u>	<u>1,083,196</u>
	<u>\$ 3,810,533</u>	<u>\$ 3,185,952</u>	<u>\$ 2,529,704</u>

37. 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 a specific season.

38. 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.

39. FINANCIAL INSTRUMENTS

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

The Group's management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximating their fair values.

b. Fair value of financial instruments 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, 2 and 3 based on the degree to which the fair value is observable:

1) The fair value hierarchy is as follows:

June 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 446,409	\$ -	\$ 446,409
Structured deposits	-	589,949	-	589,949
Mutual funds	468,415	-	365,630	834,045
Foreign listed shares	<u>88,796</u>	<u>-</u>	<u>-</u>	<u>88,796</u>
	<u>\$ 557,211</u>	<u>\$ 1,036,358</u>	<u>\$ 365,630</u>	<u>\$ 1,959,199</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 16,334,532	\$ -	\$ -	\$ 16,334,532
Domestic unlisted shares	-	-	79,277	79,277
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>272,276</u>	<u>272,276</u>
	<u>\$ 16,334,532</u>	<u>\$ -</u>	<u>\$ 351,553</u>	<u>\$ 16,686,085</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 699,504</u>	<u>\$ -</u>	<u>\$ 699,504</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 84,093	\$ -	\$ 84,093
Mutual funds	712,949	-	-	712,949
Structured deposits	<u>-</u>	<u>882,574</u>	<u>-</u>	<u>882,574</u>
	<u>\$ 712,949</u>	<u>\$ 966,667</u>	<u>\$ -</u>	<u>\$ 1,679,616</u>
Available-for-sale financial assets				
Equity securities				
Domestic listed shares	\$ 15,158,696	\$ -	\$ -	\$ 15,158,696
Foreign listed shares	<u>577,878</u>	<u>-</u>	<u>-</u>	<u>577,878</u>
	<u>\$ 15,736,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,736,574</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 232,577</u>	<u>\$ -</u>	<u>\$ 232,577</u>

June 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 304,652	\$ -	\$ 304,652
Mutual funds	846,810	-	-	846,810
Structured deposits	<u>-</u>	<u>310,114</u>	<u>-</u>	<u>310,114</u>
	<u>\$ 846,810</u>	<u>\$ 614,766</u>	<u>\$ -</u>	<u>\$ 1,461,576</u>
Available-for-sale financial assets				
Equity securities				
Domestic listed shares	\$ 15,711,829	\$ -	\$ -	\$ 15,711,829
Foreign listed shares	<u>445,247</u>	<u>-</u>	<u>-</u>	<u>445,247</u>
	<u>\$ 16,157,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,157,076</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 80,755</u>	<u>\$ -</u>	<u>\$ 80,755</u>

- 2) There were no transfers between Levels 1 and 2 in the current and prior periods.
- 3) There was no reconciliation of Level 3 fair value measurements of financial assets except for changes in fair value recognized in other comprehensive income.
- 4) The fair value of Level 2 financial assets and financial liabilities is determined as follows:
 - a) The fair value of financial instruments with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market prices.
 - b) The future cash flows of derivatives are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

5) Valuation techniques and assumptions applied for Level 3 fair value measurement is as follows:

The fair value of unlisted shares and funds with no active market is determined using the asset approach, income approach and market approach.

c. Categories of financial instruments

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Financial assets</u>			
Financial assets at FVTPL			
Held for trading	\$ -	\$ 797,042	\$ 1,151,642
Designated as at FVTPL	-	882,574	310,114
Mandatorily at FVTPL	1,959,199	-	-
Held-to-maturity financial assets	-	5,646,324	5,472,679
Loans and receivables (Note 1)	-	75,640,282	75,751,539
Available-for-sale financial assets	-	15,736,574	16,157,076
Financial assets at amortized cost (Note 2)	82,358,965	-	-
Financial assets measured at cost	-	495,121	544,701
Financial assets at FVTOCI	16,686,085	-	-
<u>Financial liabilities</u>			
Financial liabilities at FVTPL			
Held for trading	699,504	232,577	80,755
Financial liabilities at amortized cost (Note 3)	142,673,793	131,758,859	117,899,715

Note 1: The balance included loans and receivables 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 balance included financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables and refundable deposits.

Note 3: The balances included financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, accounts payable, other payables, long-term borrowings, long-term payables and guarantee deposits.

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 43.

Sensitivity analysis

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

The following table details the Group's sensitivity to 1% 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 1% against the relevant currency. For a 1% 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 Six Months Ended	
	June 30	
	2018	2017
USD	\$ (6,778)	\$ (2,853)
RMB	(127,129)	(89,001)
HKD	(37,664)	(2,301)
VND	6,276	6,641
IDR	(8,072)	(2,122)

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:

	June 30, 2018	December 31, 2017	June 30, 2017
Cash flow interest rate risk			
Financial liabilities	\$ 94,187,496	\$ 86,126,165	\$ 73,903,507

Sensitivity analysis

The sensitivity analysis below was based on the Group's floating rate liabilities. The analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole period. If there had been a 1%-increase in interest rates, it would have caused the Group to increase its cash-out by \$470,938 thousand and \$369,518 thousand during the six months ended June 30, 2018 and 2017, 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 analysis below was determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had declined by 1%, the fair value of the investments at June 30, 2018, December 31, 2017 and June 30, 2017 would have decreased by \$273,916 thousand, \$277,012 thousand and \$280,900 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 a counterparty or third party were to breach a contract). The risk includes the centralization of credit risk, components, contract figures, and accounts receivable. Besides, the Company requires significant clients to provide guarantees of a credit rating of intermediate or higher issued by a bank so as to effectively reduce its credit risk.

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 June 30, 2018, December 31, 2017 and June 30, 2017, 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.

June 30, 2018

	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 liabilities	-	\$ 15,503,542	\$ 12,136,073	\$ 13,725,707	\$ 113,192	\$ 57,725
Floating interest rate liabilities	2.50	28,503,964	11,298,115	5,503,796	53,925,397	-
Fixed interest rate liabilities	1.41	-	-	1,875,000	5,125,000	-
Financial guarantee contracts	-	41,960,639	-	-	-	-
		<u>\$ 85,968,145</u>	<u>\$ 23,434,188</u>	<u>\$ 21,104,503</u>	<u>\$ 59,163,589</u>	<u>\$ 57,725</u>

December 31, 2017

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities	-	\$ 19,064,360	\$ 10,054,654	\$ 10,847,409	\$ 109,723	\$ 56,548
Floating interest rate liabilities	2.04	26,032,804	7,476,734	3,672,356	52,959,876	-
Fixed interest rate liabilities	1.50	-	-	750,000	4,750,000	-
Financial guarantee contracts	-	29,183,858	-	-	-	-
		<u>\$ 74,281,022</u>	<u>\$ 17,531,388</u>	<u>\$ 15,269,765</u>	<u>\$ 57,819,599</u>	<u>\$ 56,548</u>

June 30, 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 liabilities	-	\$ 16,204,612	\$ 9,776,915	\$ 12,340,963	\$ 115,919	\$ 57,799
Floating interest rate liabilities	1.67	21,586,556	3,038,786	4,255,112	46,457,964	-
Fixed interest rate liabilities	1.50	-	-	-	5,500,000	-
Financial guarantee contracts	-	12,705,448	-	-	-	-
		<u>\$ 50,496,616</u>	<u>\$ 12,815,701</u>	<u>\$ 16,596,075</u>	<u>\$ 52,073,883</u>	<u>\$ 57,799</u>

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

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

The following table detailed the 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.

June 30, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Forward exchange contracts	\$ 16,134	\$ 41,257	\$ 126,189	\$ -	\$ -
Exchange rate option contracts	<u>32,952</u>	<u>56,946</u>	<u>312,700</u>	<u>113,326</u>	<u>-</u>
	<u>\$ 49,086</u>	<u>\$ 98,203</u>	<u>\$ 438,889</u>	<u>\$ 113,326</u>	<u>\$ -</u>

December 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	\$ -	\$ -	\$ 3,109	\$ -	\$ -
Cross-currency swap contracts	-	5,797	26,517	-	-
Exchange rate swap contracts	<u>173,367</u>	<u>23,787</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 173,367</u>	<u>\$ 29,584</u>	<u>\$ 29,626</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 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	\$ -	\$ -	\$ -	\$ 9,204	\$ -
Forward exchange contracts	196	-	-	-	-
Exchange rate option contracts	5,594	-	11,058	3,454	-
Cross-currency swap contracts	27,182	-	13,199	-	-
Exchange rate swap contracts	<u>10,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 43,840</u>	<u>\$ -</u>	<u>\$ 24,257</u>	<u>\$ 12,658</u>	<u>\$ -</u>

c) Financing facilities

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured bank facility:			
Amount used	\$ 101,726,971	\$ 92,153,212	\$ 79,617,387
Amount unused	<u>27,644,532</u>	<u>25,390,742</u>	<u>23,094,436</u>
	<u>\$ 129,371,503</u>	<u>\$ 117,543,954</u>	<u>\$ 102,711,823</u>

40. 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

Name	Related Party Categories
Oftenrich Holdings Limited	Associates
Bigfoot Limited	Associates
San Fang Chemical Industry Co., Ltd.	Associates
Ka Yuen Rubber Factory Limited	Joint ventures
Twinways Investments Limited	Joint ventures

b. Operating revenue

Amount Items	Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2018	2017	2018	2017
Sales	Associates	\$ 20,872	\$ 28,440	\$ 45,279	\$ 68,093
	Joint ventures	<u>177,389</u>	<u>152,720</u>	<u>262,562</u>	<u>303,836</u>
		<u>\$ 198,261</u>	<u>\$ 181,160</u>	<u>\$ 307,841</u>	<u>\$ 371,929</u>

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

c. Purchases

Amount Items	Related Party Categories	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2018	2017	2018	2017
Purchases	Associates	\$ 349,675	\$ 515,789	\$ 648,239	\$ 1,008,511
	Joint ventures	<u>1,131,330</u>	<u>965,546</u>	<u>2,099,421</u>	<u>2,020,804</u>
		<u>\$ 1,481,005</u>	<u>\$ 1,481,335</u>	<u>\$ 2,747,660</u>	<u>\$ 3,029,315</u>

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

d. Receivables from related parties

Amount Items	Related Party Categories	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable and accounts receivable	Associates	\$ 15,535	\$ 15,537	\$ 19,782
	Joint ventures	<u>101,545</u>	<u>46,066</u>	<u>53,343</u>
		<u>\$ 117,080</u>	<u>\$ 61,603</u>	<u>\$ 73,125</u>

No bad debt expense was recognized for the six months ended June 30, 2018 and 2017 for the amounts owed by related parties.

e. Payables to related parties

Amount Items	Related Party Categories	June 30, 2018	December 31, 2017	June 30, 2017
Notes payable and accounts payable	Associates	\$ 133,507	\$ 161,310	\$ 171,731
	Joint ventures	<u>1,042,834</u>	<u>976,478</u>	<u>1,085,196</u>
		<u>\$ 1,176,341</u>	<u>\$ 1,137,788</u>	<u>\$ 1,256,927</u>

f. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	\$ <u>61,602</u>	\$ <u>55,762</u>	\$ <u>110,169</u>	\$ <u>99,654</u>

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

41. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for issuing gift vouchers:

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets at amortized cost	\$ 42,581	\$ -	\$ -
Debt investments with no active market	<u>-</u>	<u>40,029</u>	<u>35,615</u>
	<u>\$ 42,581</u>	<u>\$ 40,029</u>	<u>\$ 35,615</u>

42. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

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

(Unit: Foreign Currencies in Thousands)

Foreign Currencies	June 30, 2018	December 31, 2017	June 30, 2017
USD	\$ 3,703	\$ 3,010	\$ 3,797
EUR	248	238	339
IDR	12,596,252	24,445,723	14,082,214

- 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 provided 61,295 thousand common shares of Yue Yuen in the custody of the trust department of Mega Bank during the period from June 27, 2011 to June 27, 2021. The Company will not dispose of or make encumbrance to the shares of Wealthplus equal to the share value of Yue Yuen during the trust period.
- 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 to provide 490,000 thousand common 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.
- e. The contracts of construction in progress that the Group entered into amounted to \$970,584 thousand. As of June 30, 2018, the unpaid amount was \$79,115 thousand.

43. 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:

June 30, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 102,440	30.46	\$ 3,120,325
NTD	226,318	1	226,318
RMB	2,920,840	4.593	13,415,419
HKD	983,662	3.881	3,817,591
VND	211,175,834	0.0012	253,411
IDR	504,106,103	0.00213	1,073,746
Non-monetary items			
NTD	759,417	1	759,417
RMB	356,147	4.593	1,635,781

Financial liabilities

Monetary items			
USD	80,179	30.46	2,442,267
NTD	826,246	1	826,246
RMB	157,203	4.593	722,033
HKD	17,847	3.881	69,266
VND	838,756,666	0.0012	1,006,508
IDR	100,503,756	0.00213	214,073

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 99,006	29.760	\$ 2,946,437
NTD	214,838	1	214,838
RMB	2,317,249	4.565	10,578,243
HKD	129,622	3.807	493,471
VND	257,052,942	0.00119	305,893
IDR	201,580,269	0.00223	449,524
Non-monetary items			
NTD	1,155,003	1	1,155,003
RMB	983,016	4.565	4,487,467
HKD	75,930	3.807	289,065

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 75,161	29.760	\$ 2,236,801
NTD	719,784	1	719,784
RMB	163,661	4.565	747,111
HKD	17,198	3.807	65,472
EUR	58	35.57	2,070
VND	848,164,706	0.00119	1,009,316
IDR	109,631,390	0.00223	244,478
Non-monetary items			
USD	7,711	29.760	229,468 (Concluded)

June 30, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 97,317	30.420	\$ 2,960,332
NTD	263,255	1	263,255
RMB	2,135,165	4.486	9,578,348
HKD	84,979	3.897	331,162
VND	281,166,394	0.00122	343,023
IDR	247,759,657	0.00233	577,280
Non-monetary items			
NTD	1,101,089	1	1,101,089
RMB	983,320	4.486	4,411,175
HKD	57,126	3.897	222,621

Financial liabilities

Monetary items			
USD	87,830	30.420	2,671,777
NTD	767,788	1	767,788
RMB	157,265	4.486	705,493
HKD	25,979	3.897	101,239
VND	945,289,344	0.00122	1,153,253
IDR	141,655,365	0.00233	330,057

For the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017, net foreign exchange gains (losses) were \$211,647 thousand, \$(3,042) thousand, \$47,095 thousand and \$(905,261) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the functional currencies of the Group's entities.

44. 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;
- 2) Retail of sporting goods and brand licensing business; and
- 3) Others.

b. Segment revenue and results

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

For the six months ended June 30, 2018

	Manufacturing of Shoes	Retail of Sporting Goods and Brand Licensing Business	Others	Total
Revenue from external customers	<u>\$ 83,558,818</u>	<u>\$ 57,433,950</u>	<u>\$ 424,281</u>	<u>\$ 141,417,049</u>
Segment income	<u>\$ 10,944,612</u>	<u>\$ 4,539,427</u>	<u>\$ 288,129</u>	\$ 15,772,168
Administrative costs and remuneration of directors				(9,455,241)
Rental income				251,404
Interest income				299,885
Dividend income				9,671
Other income				718,424
Net loss on disposal of property, plant and equipment				(155,669)
Net foreign exchange gain				47,095
Net gain on disposal of subsidiaries, associates and joint ventures				233,579
Net gain on financial assets at FVTPL				790,401
Net loss on financial liabilities at FVTPL				(433,451)
Reversal of impairment loss				58
Other loss				(151,209)
Net gain on derecognition of financial assets at amortized cost				5,477
Finance costs				(1,258,267)
Share of profit of associates and joint ventures				<u>3,008,476</u>
Income before income tax				<u>\$ 9,682,801</u>

For the six months ended June 30, 2017

	Manufacturing of Shoes	Retail of Sporting Goods and Brand Licensing Business	Others	Total
Revenue from external customers	<u>\$ 91,518,708</u>	<u>\$ 44,708,101</u>	<u>\$ 595,007</u>	<u>\$ 136,821,816</u>
Segment income	<u>\$ 13,857,560</u>	<u>\$ 3,585,442</u>	<u>\$ 288,065</u>	\$ 17,731,067
Administrative costs and remuneration of directors				(9,334,696)
Rental income				178,556
Interest income				297,509
Dividend income				19,458
Other income				1,286,223
Net loss on disposal of property, plant and equipment				(367,675)
Net foreign exchange loss				(905,261)
Net gain on disposal of subsidiaries, associates and joint ventures				237,921
Net gain on disposal of financial assets measured at cost				11,472
Net gain on financial assets at FVTPL				780,049
Net gain on financial liabilities at FVTPL				384,558
Reversal of impairment loss				58
Other loss				(91,446)
Finance costs				(854,700)
Share of profit of associates and joint ventures				<u>1,475,000</u>
Income before income tax				<u>\$ 10,848,093</u>

- 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 of directors, rental income, interest income, dividend income, other income, net loss on disposal of property, plant and equipment, net foreign exchange gain (loss), net gain on disposal of subsidiaries, associates and joint ventures, gain (loss) on financial instruments, reversal of impairment loss, other loss, finance costs, net gain on derecognition of financial assets at amortized cost and the share of 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.