Stock Code: 9904

POU CHEN CORPORATION

2016 ANNUAL REPORT

Printed on: May 15, 2017

Annual Report is available at: http://www.pouchen.com/
http://mops.twse.com.tw/

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

1. Name, title, telephone number and e-mail address of spokesperson and acting spokesperson:
   Name of spokesperson: Ho, Ming-Kun
   Title of spokesperson: Executive Senior Manager
   Telephone number of spokesperson: (04) 24615678
   E-mail address: ir@pouchen.com

   Name of acting spokesperson: Chang, Yea-Fen
   Title of acting spokesperson: Senior Manager
   Telephone number: (04) 24615678
   E-mail address: ir@pouchen.com

2. Address and telephone number of the head office, branch and factory:
   Address of the head office: No. 2, Fu-Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan
   Telephone number: (04) 7695147 (main)
   Fax: (04) 7680577

   Head office: No. 600, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City, Taiwan
   Telephone number: (04) 24615678
   Fax: (04) 24606668

   Global Supply Chain Management Department: No. 2, Fu-Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan
   Telephone number: (04) 7695101

   Apparel Business Department: No. 600, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City, Taiwan
   Telephone number: (04) 24615678

   Footwear Joint Venture Business Department: No. 190, Sec. 4, Fu 3rd Rd., Fu Hsin Hsian, Chang Hwa, Taiwan
   Telephone number: (04) 7751698

   PCN Business Unit: No. 2, Fu-Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan
   Telephone number: (04) 7695171

   PGT Business Unit: No. 190, Sec. 4, Fu 3rd Rd., Fu Hsin Hsian, Chang Hwa, Taiwan
   Telephone number: (04) 7754111

   PCaG Business Unit: No. 245, Sec.7 Zhanglu Rd., Fu Hsin Hsian, Chang Hwa, Taiwan
   Telephone number: (04) 7771630

   PCMS Business Unit: No. 245, Sec.7 Zhanglu Rd., Fu Hsin Hsian, Chang Hwa, Taiwan
   Telephone number: (04) 7771630

3. Name, address, e-mail address and website of the stock agency:
   Name: Grand Fortune Securities Co., Ltd.
   Address: 6F., No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City, Taiwan
   Website: http://www.gfortune.com.tw
   Telephone number: (02) 23711658

4. Name of certified public accountant ("CPA") who audited the most recent annual financial report and name, address, website and telephone number of the CPA Firm:
   Name of CPA: Wu, Ker-Chang and Yu, Hung-Bin
   Name of CPA Firm: Deloitte & Touche
   Address: 12F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City, Taiwan
   Website: http://www.deloitte.com.tw
   Telephone number: (02)25459988

5. Name of the overseas stock exchange where the Company's overseas securities are transacted and inquiry method for information regarding such overseas securities: N/A.

6. Website of the Company: http://www.pouchen.com

Table of Contents

I. LETTER TO SHAREHOLDERS

1.1 Operational Review

The Company's annual revenue in 2016 was NT$12.3 billion, the consolidated revenue was NT$274.9 billion, which reflects a 2.16% increase from the previous year (NT$269.1 billion), and the net income attributed to owners of the Company was NT$13.0 billion, which represents a 36.99% increase from the previous year (NT$9.5 billion). (Schedule 1 and Schedule 1-1)

(1) Operating revenue

The Company's consolidated revenue was generated from its two core businesses: manufacturing of shoes and apparel, and retailing of sporting goods and brand licensing business. These two businesses accounted for 71% and 29% of total revenue. (Schedule 2)

The Company's consolidated revenue in 2016 was increased by NT$5.8 billion compared with the previous year, primarily due to the steady operation of the Company's manufacturing business, while the growth of its retailing and brand licensing business was attributed to the expansion of its sales network and improved operational efficiency.

(2) Income from operations

Attributed to the continual growth of its consolidated revenue and its concerted effort in improving operational efficiency, the Company's consolidated income from operations in 2016 was NT$17.6 billion, increasing by NT$5.3 billion compared to the previous year (NT$12.3 billion). The operating margin improved from 4.6% in 2015 to 6.4% in 2016.

(3) Net income and Earnings per share

The net income attributable to owners of the Company was increased by NT$3.5 billion year-on-year in 2016, and its earnings per share was NT$4.43, which represents a NT$1.19 increase from the previous year (NT$3.24).

Schedule 1: Consolidated Financial Statements

(in NT$ thousands, except earnings per share)

Item / Year		2016		2015		+(-)%
		Amount	Ratio	Amount	Ratio	
Operating revenue		274,895,346	100%	269,081,173	100%	2.16%
Gross profit		70,382,794	25%	64,505,418	24%	9.11%
Income from operations		17,628,501	6%	12,353,394	4%	42.70%
Income before income tax		26,279,802	9%	20,240,274	7%	29.84%
Net income		23,001,919	8%	16,601,466	6%	38.55%
Net income attributable to	Owners of the Company	13,057,050	5%	9,531,358	3%	36.99%
	Non-controlling interests	9,944,869	3%	7,070,108	3%	40.66%
Basic earnings per share		4.43		3.24		

Schedule 1-1: Separate Financial Statements

(in NT$ thousands, except earnings per share)

Item \ Year	2016 Amount	2016 Ratio	2015 Amount	2015 Ratio	+(-)%
Operating revenue	12,294,428	100%	12,748,522	100%	(3.56%)
Gross profit	3,834,602	31%	3,744,314	29%	2.41%
Income from operations	244,462	2%	448,660	3%	(45.51%)
Income before income tax	13,790,027	112%	10,998,814	86%	25.38%
Net income	13,057,050	106%	9,531,358	75%	36.99%
Basic earnings per share	4.43		3.24		

Schedule 2

(in NT$ thousands)

Primary Business \ Year	2016 Amount	2016 Ratio	2015 Amount	2015 Ratio
Manufacturing of shoes and apparel	194,830,122	71%	195,313,401	73%
Retailing of sporting goods and brand licensing business	78,880,234	29%	72,926,712	27%
Others	1,184,990	-	841,060	-
Total	274,895,346	100%	269,081,173	100%

1.2 Research and Development

In 2016, the Company invested 2.4% of its consolidated revenue in research & development (R&D), which comprises continual advancement of manufacturing processes, application of e-system management tools, incorporation of new production models and new manufacturing technologies, and constant improvement of operational efficiency. The Company established separate R&D team and independent product development center for each of the major brand name customers. The Company maintains close cooperation with its customers during product and prototype development, using cutting-edge technologies and years of practical experience to combine innovative elements and eco-friendly materials to produce high-quality footwear products that are highly recognized by customers.

1.3 Corporate Social Responsibility

As a socially and environmentally responsible corporate citizen, the Company actively implements corporate social responsibility while in pursuit of creating profit and seeking business performance. The Company values the rights and interests of its stakeholders, including customers, employees, investors, suppliers, and the community and continues to promote the following activities:

(1) Environmental Protection, Energy Conservation, and Carbon Reduction

The Company fulfills its social responsibility in environmental protection by regularly inspecting plant operations, pollution prevention equipment functions, and environmental regulations to ensure its emissions conform to regulatory standards. Furthermore, the Company continues to encourage energy conservation and carbon reduction by constantly improving plant practices for energy management and actively working with suppliers to establish a green supply chain and enhance the Company's environmental and energy performance.

(2) Employee Relations

The Company has set up and maintains an effective communication platform for employees and company executives, devises consistent complaint reporting system, regularly tracks and analyzes issues of concern, and improves mutual interaction and understanding. By holding internal and external employee activities, the Company elucidates its core values, improves internal solidarity and organizational identity, promotes harmonious employee–employer relations, and builds a friendly workplace.

(3) Environmental Safety and Health for Damage Prevention

The Company has refined its risk management system by infusing safety designs and skillful inspections in the process of plant construction, equipment procurement or maintenance and renovation processes. The Company conducts examination and auditing and provides training program and competition events to raise employees' safety awareness and create a safe and healthy working environment.

(4) Compliance

The Company collaborates with internal functional units to continue to implement internal inspections to identify, track, and respond to the environmental and occupational risks that the Company's plants are exposed to, in order to prevent the occurrence of major incidents. In addition, the Company integrates autonomous management for its plants by setting up designated units and supervision mechanisms to enhance the management performance of the Company's plants.

1.4 2017 Business Plan

（1） Operating Guidelines

■ Footwear Manufacturing：

A. Leverage local advantage to optimize capacity allocation.

The 2016 production volume in China, Vietnam, and Indonesia accounted for 20%, 44%, and 34% of the Company's total output, respectively, whereas that of Cambodia, Bangladesh, and Myanmar accounted for 2%. Considering the production advantages in these countries, the Company will continue to focus on China, Vietnam, and Indonesia as its main production bases in 2017 and maximize the flexibility of its production allocation to satisfy customer needs.

B. Enhance automation as a means of manufacturing excellence model.

In 2017, the Company plans to expand its production capacity in Vietnam and Indonesia to boost its business development. Meanwhile, the Company continues to implement automated manufacturing practice, optimize production measures, and maximize the output of its existing production bases. The Company endeavors to create long-term value for its business by simultaneously managing the increase of new production facilities and enhancement of management efficiencies.

C. Continuously invest in manufacturing innovation as a means of stronger R&D capacity.

The Company maintains close cooperation with customers, continue to improve its R&D talent-base, increase investment in the development of innovative technologies and promotion of smart manufacturing, improve manufacturing practice to one that enhances production efficiency, production benefit, and production capability, and produce brand-specific, competitive footwear products for customers.

D. Integrate supply chain resources to enhance value addition.

The Company advocates integrating supply chain resources, cooperates with suppliers in innovation and R&D management and application, actively participate in material improvement and process upgrade, and constructs a supply chain system that quickly responds to market needs in order to elevate operational efficiency and add value to the industry chain.

■ Retailing and Brand Licensing

A. Complete brand and product portfolios to satisfy consumer needs.

The Company sells products that range from sports brands to lifestyle brands. Therefore, in addition to strengthening its existing cooperation with such major sports brands as Nike and adidas, the Company responds to the diversity of consumer needs by proactively perfecting its product profile, continuously pursuing opportunities with international outdoor and leisure brands, and rendering excellent products and services that engender the best consumer experience.

B. Expand retail network to realize an omni-channel operation.

Because sporting goods is a potential market in the Greater China, the Company will continue to extend its market reach in 2017 which includes mono-brand stores, multi-brand stores, and mega-sport city, and respond to the growing trend in the development of Internet of Things application service by constantly investing in e-business activities, integrate online and offline channels to achieve omni-channel coverage.

C. Expand sales network to realize a full-channel operation

The Company establishes a comprehensive sport-oriented service platform that integrates sporting goods channel with sports-related activities, including competition, travel, marketing, sports center management, and media systems.

D. Connect retailing business with manufacturing business as an end-to-end operating model.

An end to end business model enables manufacturers to obtain timely market feedbacks that can facilitate accurate understanding of consumer personalized needs, increase production flexibility and enhance supply chain management, and continual advancement of end-to-end operational capability can reach the business objective of proactively marketing and providing integrated manufacturing services.

(2) Future Outlook

Looking forward to 2017, gradual recovery in the global economy is anticipated, although it is subjected to impacts of protectionism, changes in U.S. policies, complexity of U.S.–China relations, divergence in monetary policies worldwide, and the development of European political economy, all of which contribute to the uncertainties in the overall economic trend of the year.

Given the prevailing challenges and variables in the industrial business environment, the Company will persevere in innovation, recruit a diversity of skilled talents, value the importance of corporate governance and corporate social responsibility, focus on footwear manufacturing and sportswear retailing business, and to pursue both quality and quantity in the Company's business development.

Regarding footwear manufacturing, the Company will continue to improve automated processing, increase production flexibility, refine manufacturing technologies and integrate supply chain resources, and actively explore possibilities in innovative applications and services, to provide more benefits for customers and create new added value for the entire footwear supply chain.

Regarding retailing and brand licensing, the Company will constantly strengthen internal management and adjust its business marketing strategy by enriching product profiles, developing full-coverage sales networks, and provide novel consumer experiences through the synergistic effects of a sporting service platform, thereby leading and creating consumer needs.

Chairman of the Board: Chan, Lu-Min

President: Lu, Chin-Chu

II COMPANY PROFILE

2.1 Date of Establishment:
September 4, 1969.

2.2 Company History

(1)The Company was founded on September 4, 1969. The Company's registered share capital was NT$ 500,000 and had dozens of ten employees. Its primary business was manufacturing and export marketing of rubber shoes.

(2)In June 1973, the Company increased its capital by cash to NT$ 12,000,000, and started manufacturing rubber sandals. The turnover was NT$ 105,530,000.

(3)In 1975, the Company purchased approximately 53,000 square meters of land located in the Fu Hsin industrial park in Fu Hsin Hsian, Chang Hwa. The Company's turnover was NT$ 240,770,000.

(4)In June 1976, the Company increased its capital by cash to NT$ 30,000,000, and started manufacturing rubber slip-on shoes. The turnover was NT$ 424,200,000, a 76% increase compared to the previous fiscal year.

(5)In May 1977, the Company increased its capital by cash to NT$ 52,000,000, and began construction of a modern factory occupying approximately 15,000 square meters in the Fu Hsin industrial park in Fu Hsin Hsian. The Company started manufacturing riding boots, plastic foam boards, and rubber foam sponge boards. The turnover was NT$ 498,660,000, a 18% increase compared to the previous fiscal year.

(6)In February 1978, the Company increased its capital by cash to NT$ 80,000,000, and started manufacturing sports shoes. The Company's turnover was NT$ 677,260,000, a 36% increase compared to the previous fiscal year.

(7)In 1979, the Company started to undertake the manufacturing of “adidas” sports shoes. The Company's turnover was NT$ 815,430,000, a 20% increase compared to the previous fiscal year.

(8)In February 1982, the Company increased its capital by NT$ 68,100,000 based on the appreciation of assets after reappraisal, and increased its capital by NT$ 11,900,000 with unappropriated retained earnings. The Company's capital was increased to NT$ 160,000,000, and the turnover was NT$ 1,214,110,000.

(9)In October 1983, the Company adopted HP computer equipment in production management, inventories management, accounts payable management, and calculation of salaries. The Company's turnover was NT$ 2,026,140,000, a 67% increase compared to the previous fiscal year.

(10)On January 1, 1984, the Ministry of Economic Affairs approved the Company's merger with Pou Yun Industrial Co., Ltd. The Company's share capital after the merger was NT$ 170,000,000, and the turnover was NT$ 2,362,690,000, a 17% increase compared to the previous fiscal year.

(11)In December 1987, the Investment Commission of the Ministry of Economic Affairs approved PC Brothers Corporation's NT$ 180,000,000 investment, and the Company's capital was accordingly increased to NT$ 379,000,000. Although the appreciation of the New Taiwan Dollar against the U.S Dollar in 1987, the Company's turnover reached NT$ 3,860,500,000.

(12)On May 15, 1989, the Investment Commission of the Ministry of Economic Affairs approved the Company's capital increase by cash in the amount of NT$ 180,000,000; capital increase with unappropriated retained earnings in the amount of NT$ 323,000,000; and capital increase with the Company's capital reserve in the amount of NT$ 38,000,000. The Company's total capital accordingly reached NT$ 920,000,000.

(13)On January 19, 1990, the Company was formally listed for trade on the Taiwan Stock Exchange. On June 21, the Company increased its capital with unappropriated retained earnings in the amount of NT$ 184,000,000, and increased its capital with employee bonus in the amount of NT$ 2,000,000. The Company's paid-in capital was NT$ 1,106,000,000 after capital increase.

(14) In 1994, for the purpose of the shoe business' vertical integration, the Company invested in Yue Yuen Industrial (Holdings) Limited through its 100% owned subsidiary Wealthplus Holdings Limited.

(15) In July 1999, the Company increased its capital with unappropriated retained earnings in the amount of NT$ 1,823,792,740 and increased its capital with the Company's capital reserve in the amount of NT$ 607,930,910. The Company's paid-in capital after capital increase was NT$ 8,511,032,800.

(16) On December 28, 1999, the Company converted its convertible bond certificates into 5,318,715 shares of common shares. After the conversion, the Company's paid-in capital was NT$ 8,564,219,950.

(17) On April 25, 2000, the Company converted its convertible bond certificates into 19,340,789 shares of common shares. After the conversion, the Company's paid-in capital was NT$ 8,757,627,840.

(18) On August 22, 2000, the Company increased its capital with unappropriated retained earnings in the amount of NT$ 2,627,288,350; increased its capital with employee bonus in the amount of NT$ 31,067,220; and increased its capital with the Company's capital reserve in the amount of NT$ 875,762,780. The Company's paid-in capital after capital increase was NT$ 12,291,746,190.

(19) On July 20, 2001, the Company increased its capital with its capital reserve in the amount of NT$ 1,229,174,610. The Company's paid-in capital after capital increase was NT$ 13,520,920,800.

(20) On July 5, 2002, the Company increased its capital with unappropriated retained earnings in the amount of NT$ 1,352,092,080; increased its capital with employee bonus in the amount of NT$ 100,717,330, and increased its capital with the Company's capital reserve in the amount of NT$ 1,352,092,080. The Company's paid-in capital after capital increase was NT$ 16,325,822,290.

(21) On July 4, 2003, the Company increased its capital with unappropriated retained earnings in the amount of NT$ 2,448,873,340, and increased its capital with employee bonus in the amount of NT$ 73,298,900. The Company's paid-in capital after the capital increase was NT$ 18,847,994,530.

(22) In December 2003, the Company officially began manufacturing and marketing TFT LCD module and MONITOR.

(23) On July 22, 2004, the Company increased its capital with unappropriated retained earnings in the amount of NT$ 1,884,799,450, and increased its capital with employee bonus in the amount of NT$ 164,539,880. In the same year, the Company converted its employee share options into common shares in the amount of NT$ 39,400,000. The Company's paid-in capital after capital increase was NT$ 20,936,733,860.

(24) On July 22, 2005, the Company increased its capital with unappropriated retained earnings in the amount of NT$ 2,049,657,390, and increased its capital with employee bonus in the amount of NT$ 42,396,910. In the same year, the Company converted its employee share options into common shares in the amount of NT$ 29,140,000. The Company's paid-in capital after capital increase was NT$ 23,057,928,160.

(25) On April 21, 2006, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 14,150,000. The Company's paid-in capital after capital increase was NT$ 23,072,078,160.

(26) On July 24, 2006, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 7,780,000. The Company's paid-in capital after capital increase was NT$ 23,079,858,160.

(27) On September 21, 2006, the Company increased its capital with unappropriated retained earnings in the amount of NT$ 1,130,750,900, and increased its capital with employee bonus in the amount of NT$ 139,514,300. The Company's paid-in capital after capital increase was NT$ 24,350,123,360.

(28) On October 20, 2006, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 30,440,000. The Company's paid-in capital after capital increase was NT$ 24,380,563,360.

(29)On January 23, 2007, the Ministry of Economic Affairs approved the Company's conversion of employee share options and convertible corporate bonds into common shares in the amount of NT$ 24,410,000 and NT$ 21,884,100 respectively. The Company's paid-in capital after capital increase was NT$ 24,426,857,460.

(30)On May 10, 2007, the Ministry of Economic Affairs approved the Company's conversion of employee share options and convertible corporate bonds into common shares in the amount of NT$ 20,870,000 and NT$ 4,731,690 respectively. The Company's paid-in capital after capital increase was NT$ 24,452,459,150.

(31)On July 25, 2007, the Ministry of Economic Affairs approved the Company's conversion of employee share options and convertible corporate bonds into common shares in the amount of NT$ 19,300,000 and NT$ 1,537,800 respectively. The Company's paid-in capital after capital increase was NT$ 24,473,296,950.

(32)On August 6, 2007, the Company increased its capital with unappropriated retained earnings in the amount of NT$ 486,209,180, and increased its capital with employee bonus in the amount of NT$ 151,505,170. The Company's paid-in capital after capital increase was NT$ 25,111,011,300.

(33)On October 19, 2007, the Ministry of Economic Affairs approved the Company's conversion of employee share options and convertible corporate bonds into common shares in the amount of NT$ 2,730,000 and NT$ 1,858,570 respectively. The Company's paid-in capital after capital increase was NT$ 25,115,599,870.

(34)On January 17, 2008, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$2,940,000. The Company's paid-in capital after capital increase was NT$ 25,118,539,870.

(35)On April 17, 2008, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 17,530,000. The Company's paid-in capital after capital increase was NT$ 25,136,069,870.

(36)On June 6, 2008, Pou Sheng International (Holdings) Ltd., whose business comprised of Retailing and Brand Licensing Business and is a subsidiary of the Company's subsidiary, Yue Yuen Industrial (Holdings) Limited, was spun-off for listing on the main board of Hong Kong Stock Exchange.

(37)On July 31, 2008, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 9,220,000. The Company's paid-in capital after capital increase was NT$ 25,145,289,870.

(38)On August 21, 2008, the Company increased its capital with unappropriated retained earnings and employee bonus in an aggregate amount of NT$ 2,744,315,080. The Company's paid-in capital after capital increase was NT$ 27,889,604,950.

(39)On October 23, 2008, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 9,650,000. The Company's paid-in capital after capital increase was NT$ 27,899,254,950.

(40)On January 16, 2009, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 800,000, and approved the cancellation of the Company's treasury shares in the amount of NT$ 500,000,000. After the respective capital increase and reduction, the Company's paid-in capital was NT$ 27,400,054,950.

(41)On April 14, 2009, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 620,000, and approved the cancellation of the Company's treasury shares in the amount of NT$ 275,000,000. After the respective capital increase and reduction, the Company's paid-in capital was NT$ 27,125,674,950.

(42)On May 19, 2009, the Ministry of Economic Affairs approved the cancellation of the Company's treasury shares in the amount of NT$ 70,000,000. The Company's paid-in capital after capital reduction was NT$ 27,055,674,950.

(43)On August 19, 2009, the Company increased its capital with unappropriated retained earnings and employee bonus in an aggregate amount of NT$ 1,372,182,330. The Company's paid-in capital after capital increase was NT$ 28,427,857,280.

(44)On January 22, 2010, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 2,990,000. The Company's paid-in capital after capital increase was NT$ 28,430,847,280.

(45)On March 24, 2010, the Company, by virtue of auction pursuant to the "Taiwan Stock Exchange Corporation Rules Governing Auction of Listed Securities by Consignment," sold 166,500,000 shares of Global Brands Manufacture Ltd. ("GBM"), which was collectively held by the Company and its subsidiaries Pou Shine Investments Co., Ltd, Barits Development Corporation and Pou Yuen Technology Co., Ltd. After the sale, the Company's combined shareholding of GBM decreased to 9.28% from 49.37%.

(46)On April 20, 2010, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 250,000. The Company's paid-in capital after capital increase was NT$ 28,431,097,280.

(47)On August 11, 2010, the Company increased its capital with unappropriated retained earnings in the amount of NT$ 559,961,940. The Company's paid-in capital after capital increase was NT$ 28,991,059,220.

(48)On October 21, 2010, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 6,500,000. The Company's paid-in capital after capital increase was NT$ 28,997,559,220.

(49)On April 18, 2011, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 3,060,000. The Company's paid-in capital after capital increase was NT$ 29,000,619,220.

(50)On July 15, 2011, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 3,740,000. The Company's paid-in capital after capital increase was NT$ 29,004,359,220.

(51)On October 26, 2011, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 82,030,000. The Company's paid-in capital after capital increase was NT$ 29,086,389,220.

(52)On January 18, 2012, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 155,080,000. The Company's paid-in capital after capital increase was NT$ 29,241,469,220.

(53)On May 1, 2012, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 161,370,000. The Company's paid-in capital after capital increase was NT$ 29,402,839,220.

(54)On July 17, 2012, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 13,820,000. The Company's paid-in capital after capital increase was NT$ 29,416,659,220.

(55)On October 26, 2012, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 15,190,000. The Company's paid-in capital after capital increase was NT$ 29,431,849,220.

(56)On April 22, 2013, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 5,951,820. The Company's paid-in capital after capital increase was NT$ 29,437,801,040.

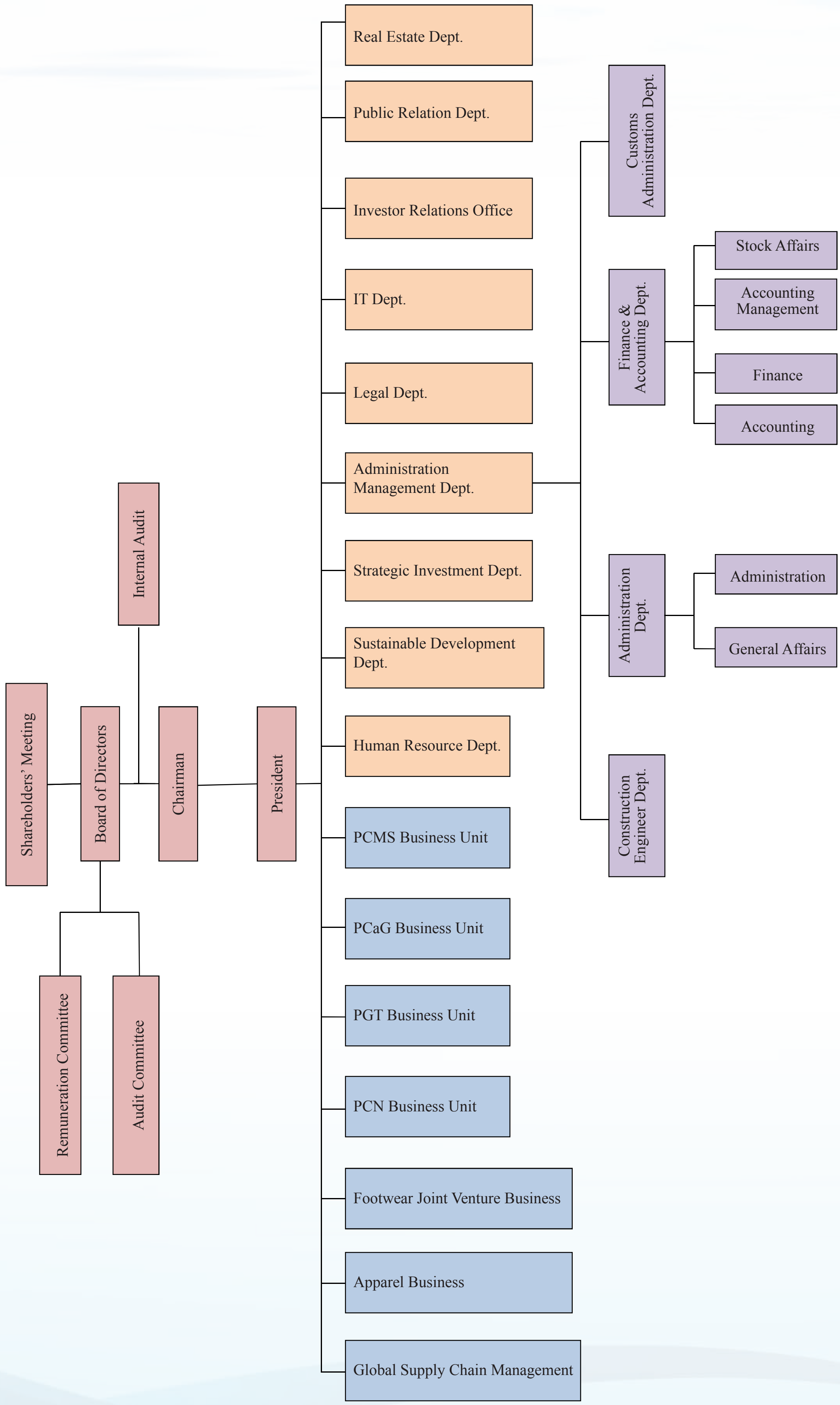
(57)On July 29, 2013, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 3,571,090. The Company's paid-in capital after capital increase was NT$ 29,441,372,130.

(58)On October 21, 2015, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 26,500,000. The Company's paid-in capital after capital increase was NT$ 29,467,872,130.

III. CORPORATE GOVERNANCE REPORT

3.1 Organization

(1) Organization structure



(2) Business conducted by each major department

<table>
<tr><th colspan="2">Name of department</th><th>Business conducted by the department</th></tr>
<tr><td colspan="2">Global Supply Chain Management</td><td>Innovative research, development, manufacturing and sale of all kinds of molds, jigs, footwear injection material, footwear surface material, footwear bottom material, leather material and packaging material; and all kinds of consortium purchasing, strategic purchasing and trade services.</td></tr>
<tr><td colspan="2">Apparel Business</td><td>Management of apparel business.</td></tr>
<tr><td colspan="2">Footwear Joint Venture Business</td><td>Management of footwear joint venture business.</td></tr>
<tr><td colspan="2">PCN Business Unit</td><td>Research, development, manufacturing and sale of all kinds of footwear.</td></tr>
<tr><td colspan="2">PGT Business Unit</td><td>Research, development, manufacturing and sale of all kinds of footwear.</td></tr>
<tr><td colspan="2">PCaG Business Unit</td><td>Research, development, manufacturing and sale of all kinds of footwear.</td></tr>
<tr><td colspan="2">PCMS Business Unit</td><td>Research, development, manufacturing and sale of all kinds of footwear.</td></tr>
<tr><td colspan="2">Human Resource Department</td><td>Enacting human resource management rules and policies, conducting human resource related affairs, recruiting and hiring management, planning and distribution of salaries and bonus, performance management, and education and training.</td></tr>
<tr><td colspan="2">Sustainable Development Department</td><td>Responsible for enacting and promoting corporate social responsibility ("CSR") policies.</td></tr>
<tr><td colspan="2">Strategic Investment Department</td><td>Budget management, operational analysis, and investment review and planning.</td></tr>
<tr><td rowspan="4">Administration Management Department</td><td>Construction Engineer Department</td><td>Contracting, managing, supervising and checking of the construction, reconstruction, extension, renovation, decoration and fixing of buildings.</td></tr>
<tr><td>Administration Department Office</td><td>Asset management, factory management and maintenance, vehicle management and general affairs management.</td></tr>
<tr><td>Finance and Accounting Department</td><td>Fund planning and dispatch, capital utilization and management, financing planning, risk management of assets and debts, establishment of accounting system, bookkeeping and tax management, preparation and analysis of financial statements, shareholder service management, and counseling and supervision of the accounting policies and the financial and accounting operating principles adopted by the Company investees.</td></tr>
<tr><td>Customs Administration Department</td><td>Import and export, international trade affairs, logistics and customs affairs.</td></tr>
<tr><td colspan="2">Legal Department</td><td>Review contract document, legal consultation, regulatory compliance and legal risk control and management.</td></tr>
<tr><td colspan="2">IT Department</td><td>Planning, development, promotion and maintenance of information system.</td></tr>
<tr><td colspan="2">Investor Relations Office and Spokesperson</td><td>File relevant information with the competent authority, disclose such information and speak on behalf of the Company.</td></tr>
<tr><td colspan="2">Public Relation Department</td><td>Planning and management of and consultation on public affairs.</td></tr>
<tr><td colspan="2">Real Estate Department</td><td>Management of real estate affairs.</td></tr>
<tr><td colspan="2">Internal Audit</td><td>Compliance auditing and consultation on all internal managerial rules and control systems.</td></tr>
</table>

3.2 Information of Directors, President, Vice President, Senior Managers, and Managers of each department and subsidiaries and branches

(1) Directors

A. Information of the Directors

April 17, 2017; Unit: shares

Title	Nationality or registration area	Name	Gender	Date of appointment	Term (years)	Date of first appointment	Shareholding upon appointment		Current Shareholding		Spouse and minor Shareholding		Shareholding by nominee arrangement		Education and/or experiences	Positions held concurrently in the Company and other companies	Other managers, Directors or Supervisors who is this person's spouse or relative(s) within the second degree of kinship		
							Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio	Number of shares	Ratio			Title	Name	Relation
Chairman	Panama	PC Brothers Corporation	-	2016.06.15	3	1992.08.08	213,280,710	7.24%	213,280,710	7.24%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A
	R.O.C.	Representative: Chan, Lu-Min	Male	2016.06.15	3	1992.08.08	366,452	0.01%	366,452	0.01%	0	0.00%	0	0.00%	Statistics Department, National Chung Hsing University Executive Director of Yue Yuen Industrial (Holdings) Limited	Note 1	N/A	N/A	N/A
Director	R.O.C.	Tsai, Pei-Chun	Female	2016.06.15	3	2016.06.15	4,177,779	0.14%	4,177,779	0.14%	0	0.00%	0	0.00%	Economic and Finance Department, Wharton School of the University of Pennsylvania, USA Managing Director and Executive Director of Yue Yuen Industrial (Holdings) Limited Non-Executive Director of Pou Sheng International (Holdings) Limited	Note 2	Director	Tsai, Min-Chieh	Sisters
Director	R.O.C.	Tzong Ming Investments Co., Ltd.	-	2016.06.15	3	2013.06.14	6,340,933	0.22%	6,340,933	0.22%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A
	R.O.C.	Representative: Tsai, Min-Chieh	Female	2016.06.15	3	2013.06.14	3,471,485	0.12%	3,471,485	0.12%	0	0.00%	0	0.00%	Economic and Finance Department, Wharton School of the University of Pennsylvania, USA Financial Analytics, Finance Department at Bloomberg News, USA	N/A	Director	Tsai, Pei-Chun	Sisters
Director	R.O.C.	Ever Green Investments Corporation	-	2016.06.15	3	2007.04.24	23,216,045	0.79%	23,216,045	0.79%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A
	R.O.C.	Representative: Lu, Chin-Chu	Male	2016.06.15	3	2011.03.07	2,237,470	0.08%	2,237,470	0.08%	190,300	0.01%	0	0.00%	Department of Mechanical Engineering, Oriental Institute of Technology Chairman and Executive Director of Yue Yuen Industrial (Holdings) Limited	Note 3	N/A	N/A	N/A
Director	R.O.C.	Sheachang Enterprise Corporation	-	2016.06.15	3	2003.10.03	4,413,010	0.15%	4,413,010	0.15%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A
	R.O.C.	Representative: Tsai, Ming-Lun	Male	2016.06.15	3	2015.06.12	30,000	0.00%	30,000	0.00%	0	0.00%	0	0.00%	Master Degree of Design, Harvard University, USA Executive Director of Yue Yuen Industrial (Holdings) Limited	Note 4	N/A	N/A	N/A
Director	R.O.C.	Lai Chia Investments Co.,Ltd.	-	2016.06.15	3	2007.04.24	2,677,700	0.09%	2,677,700	0.09%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A
	R.O.C.	Representative: Ho, Yue-Ming	Male	2016.06.15	3	2016.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master Degree of Laws Department, National Taiwan University Vice President of HTC corporation	Note 5	N/A	N/A	N/A
Independent Director	R.O.C.	Chen, Bor-Liang	Male	2016.06.15	3	2013.06.14	3,374	0.00%	3,374	0.00%	0	0.00%	0	0.00%	Ph.D. in Applied Mathematics, National Chiao Tung University Professor of the Department of Business Administration, National Taichung University of Science and Technology Professor of the Department of Applied Mathematics, Tunghai University	N/A	N/A	N/A	N/A
Independent Director	R.O.C.	Chiu, Tien-I	Male	2016.06.15	3	2013.06.14	0	0.00%	0	0.00%	0	0.00%	0	0.00%	S.J.D.,Tunghai University Managing Partner, Chiu & Chien, Attorneys at Law Adjunct Assistant Professor of the Department of Financial and Economic Law, Chung Yuan Christian University Adjunct Assistant Professor of the Business Administration, National Central University	N/A	N/A	N/A	N/A
Independent Director	R.O.C.	Chen, Jung-Tung	Male	2016.06.15	3	2016.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master Degree of Economic and Taxation Department, Jinan University, Guangzhou, China Chairman of Tung Jung accounting firm	N/A	N/A	N/A	N/A

Note 1: President of the Administration Management Department of the Company; Chairman of Barits Development Corporation, Song Ming Investments Co., Ltd., Yu Hong Development Co., Ltd., Pou Shine Investments Co., Ltd., Techview International Technology Inc., Chung Ming Investments Co., Ltd., Tzong Ming Investments Co., Ltd., Pro Arch International Development Enterprise Inc., Pou Zhi Investments Co., Ltd; Executive Director of Yue Yuen Industrial (Holdings) Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited and its subsidiaries, Pou Chien Chemical Co., Ltd., Pou Chien Technology Co., Ltd., Yue Yuen Charity Foundation, Yue Yuen Educational Foundation, Straits Exchange Foundation, Ruen Chen Investment Holding Co., Ltd., Windsor Entertainment Co., Ltd. and Nan Shan Life Insurance Co., Ltd.; Supervisor of Orisol Taiwan Limited.

Note 2: Managing director and executive director of Yue Yuen Industrial (Holdings) Limited; Director of Wealthplus Holdings Limited; Non-Executive Director of Pou Sheng International (Holdings) Limited.

Note 3: President of the Company; Chairman of Pou Chien Technology Co., Ltd., Pou Chien Chemical Co., Ltd., PCG Bros Inc. and Pou Hui Investments Co., Ltd. ; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited and its subsidiaries, Barits Development Corporation, Yue Dean Technology Corporation, San Fang Chemical Industry Co., Ltd., Evermore Chemical Industry Co., Ltd., Prosperous Industrial (Holdings) Ltd.; Chairman and executive director of Yue Yuen Industrial (Holdings) Limited.

Note 4: Executive senior manager of the Company; executive Director of Yue Yuen Industrial (Holdings) Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited and Wealthplus Holdings Limited.

Note 5: Executive senior manager of the Company; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited.

B. Major shareholders of the corporate shareholders

April 17, 2017

Name of corporate shareholder	Major shareholders of the corporate shareholders	
	Shareholder	Ratio (%)
PC Brothers Corporation	Plantegenet Group Limited	100.00
Tzong Ming Investments Co., Ltd.	Tsai, Chi-Jui	66.55
	Chuan Mou Investments Co.,Ltd.	33.45
Ever Green Investments Corporation	Santarem Pte. Ltd.	71.74
	Seawind Management Limited	28.26
Sheachang Enterprise Corporation	Tsai, Chi-Jui	56.07
	Tsai, Chi-Neng	16.22
	Tsai, Chi-Hu	7.03
	Tsai, Chi-Chien	11.22
	Tsai, Nai-Fung	3.50
	Lin, Li-Mei	5.00
	Hsieh, Shu-Chuan	0.96
Lai Chia Investments Co.,Ltd.	Wu, Hui-Chi	7.90
	Hsiao, Hsiu-Chen	7.90
	Hsu, Hsiang-Ming	7.90
	Hu, Chia-Ho	7.90
	Kuo, Hsiu-Ping	7.90
	Yang, Ching-Ju	7.90
	Wu, Chin-Tiao	15.80
	Liao, Shu-Ying	15.80
	Liang, Chia-Wen	4.18
	Chiu, Chao-Tien	4.18
	Shih, Neng-Kuei	4.18
	Chan, Hui-Chuan	4.18
	Chen, Yi-Chun	4.28

C. Major shareholders of the Company's major corporate shareholders

April 17, 2017

Name of corporate shareholder	Major shareholders of the corporate shareholder	
	Shareholder	ratio (%)
Plantegenet Group Limited	World Future Investments Ltd.	56.06
	Large Scale Development Ltd.	16.22
	Value Chain Development Ltd.	16.22
	All Frontier Developments Ltd.	8.00
	Yourday Investments Ltd.	3.50
Chuan Mou Investments Co., Ltd.	Santarem Pte. Ltd.	49.82
	Shun Tai Investments Co., Ltd.	20.41
	Seawind Management Limited	7.97
	Ever Green Investments Corporation	6.71
	Yu Chi Investments Co., Ltd.	3.27
	Yu Li Investment Co., Ltd.	3.22
	Cheng Ming Investment Co., Ltd.	3.20
	Pou Shin Investment Co., Ltd.	3.20
	Yu Jie Investments Co., Ltd.	2.20
Santarem Pte. Ltd.	Sitori Trading Limited	100.00
Seawind Management Limited	Aletsch Fund SPC	100.00

D. Information of Directors

Requirements / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence requirements										Number of public companies in which the person holds a concurrent position as an independent director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant (“CPA”), or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experiences in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	Not an employee of the Company or any of its affiliates	Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which set up by local laws.	Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings	Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs	Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings	Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company	Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committees of a Company whose Stock is Listed on the Stock Exchange or Trade Over the Counter”.	Not a spouse, or a relative within the second degree of kinship of any other director of the Company	Do not meet any of the conditions defined in Article 30 of the Company Act	Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act	
PC Brothers Corporation Representative: Chan, Lu-Min			✔			✔	✔			✔	✔	✔		0
Tsai, Pei-Chun			✔			✔		✔		✔		✔	✔	0
Tzong Ming Investments Co., Ltd. Representative: Tsai, Min-Chieh			✔	✔	✔	✔		✔	✔	✔		✔		0
Ever Green Investments Corporation Representative: Lu, Chin-Chu			✔			✔	✔	✔		✔	✔	✔		0
Sheachang Enterprise Corporation Representative: Tsai, Ming-Lun			✔			✔	✔	✔		✔	✔	✔		0
Lai Chia Investments Co., Ltd. Representative: Ho, Yue-Ming		✔	✔		✔	✔	✔	✔	✔	✔	✔	✔		0
Chen, Bor-Liang	✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	0
Chiu, Tien-I	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	0
Chen, Jung-Tung		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	0

(2) Information of President, Vice President, Senior Managers, Managers of each department and subsidiaries and branches

April 17, 2017; Unit: shares

Title	Nationality	Name	Gender	Date of appointment	Current Shareholding		Spouse and minor Shareholding		Shareholding by nominee arrangement		Main education and/or experiences	Positions held concurrently in other companies	Officer who is this person's spouse or relative(s) within the second degree of kinship		
					Number of shares	Ratio (%)	Number of shares	Ratio (%)	Number of shares	Ratio (%)			Title	Name	Relation
Chairman and President of the Administration Management Department	R.O.C.	Chan, Lu-Min	Male	1996.07.01	366,452	0.01	0	0.00	0	0.00	Statistics Department, National Chung Hsing University Executive Director of Yue Yuen Industrial (Holdings) Limited	Note 1	N/A	N/A	N/A
President	R.O.C.	Lu, Chin-Chu	Male	2006.07.27	2,237,470	0.08	190,300	0.01	0	0.00	Department of Mechanical Engineering, Oriental Institute of Technology Chairman and Executive Director of Yue Yuen Industrial (Holdings) Limited	Note 2	N/A	N/A	N/A
President of Footwear Joint Venture Business Department	R.O.C.	Kung, Sung-Yen	Male	2003.10.03	2,005,083	0.07	233,916	0.01	0	0.00	Department of Electronics, Dah-Chin Commercial & Industrial Vocational High School	Note 3	N/A	N/A	N/A
Vice President	U.S.A.	Liu, Hong-Chih	Male	2016.11.14	0	0.00	0	0.00	0	0.00	Finance Department, the University of Pennsylvania, USA Executive Director of Yue Yuen Industrial (Holdings) Limited	Note 4	N/A	N/A	N/A
Executive Senior Manager	R.O.C.	Ho, Ming-Kun	Male	2006.03.03	296,640	0.01	362	0.00	0	0.00	Department of Accounting, National Cheng Kung University Manager, Deloitte Executive Senior Manager of the Company	Note 5	N/A	N/A	N/A
Executive Senior Manager	R.O.C.	Tsai, Ming-Lun	Male	2016.03.24	30,000	0.00	0	0.00	0	0.00	Master Degree of Design, Harvard University, USA Executive Senior Manager of the Company	Note 6	N/A	N/A	N/A
Executive Senior Manager	R.O.C.	Ho, Yue-Ming	Male	2016.03.24	0	0.00	0	0.00	0	0.00	Master Degree of Laws Department, National Taiwan University Vice President of HTC corporation	Note 7	N/A	N/A	N/A
Senior Manager	R.O.C.	Chang, Yea-Fen	Female	2012.10.31	119,687	0.00	0	0.00	0	0.00	Master of Business Administration, Texas A&M University, USA Senior Manager of Financial Department of the Company	Note 8	N/A	N/A	N/A
Senior Manager	R.O.C.	Wu, Hui-Chi	Female	2015.12.25	0	0.00	5,000	0.00	0	0.00	Master of Accounting, Golden Gate University, USA Senior Manager of Accounting Department of the Company	N/A	N/A	N/A	N/A

Note 1: Chairman of Barits Development Corporation, Song Ming Investments Co., Ltd., Yu Hong Development Co., Ltd., Pou Shine Investments Co., Ltd., Techview International Technology Inc., Chung Ming Investments Co., Ltd., Tzong Ming Investments Co., Ltd., Pro Arch International Development Enterprise Inc., Pou Zhi Investments Co., Ltd; Executive Director of Yue Yuen Industrial (Holdings) Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited and its subsidiaries, Pou Chien Chemical Co., Ltd., Pou Chien Technology Co., Ltd., Yue Yuen Charity Foundation, Yue Yuen Educational Foundation, Straits Exchange Foundation, Ruen Chen Investment Holding Co., Ltd., Windsor Entertainment Co., Ltd. and Nan Shan Life Insurance Co., Ltd.; Supervisor of Orisol Taiwan Limited.

Note 2: Chairman of Pou Chien Technology Co., Ltd., Pou Chien Chemical Co., Ltd., PCG Bros Inc. and Pou Hui Investments Co., Ltd. ; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited and its subsidiaries, Barits Development Corporation, Yue Dean Technology Corporation, San Fang Chemical Industry Co., Ltd., Evermore Chemical Industry Co., Ltd., Prosperous Industrial (Holdings) Ltd.; Chairman and executive Director of Yue Yuen Industrial (Holdings) Limited.

Note 3: Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Zhong Shan Pou Shen Footwear Shoes Co., Ltd., Yang Zhou Bao Yi Shoes Manufacturing Co., Ltd. and Pei Xian Bao Yi Shoes Manufacturing Co., Ltd..

Note 4: Executive Director of Yue Yuen Industrial (Holdings) Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited; Supervisor of PCG Bros Inc.

Note 5: Chairman of Pou Yuen Technology Co., Ltd. and Lai Chia Investments Co., Ltd.; Director of Wealthplus Holdings Limited and its subsidiaries, the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Barits Development Corporation, Yue Dean Technology Corporation, Windsor Entertainment Co., Ltd., Pou Hui Investments Co., Ltd., Pou Shine Investments Co., Ltd., Tzong Ming Investments Co., Ltd., Chung Ming Investments Co., Ltd., Pro Arch International Development Enterprise Inc., Techview International Technology Inc., Global Biotech Inc., Pou Huang Investments Co., Ltd. and Yu Hong Development Co., Ltd.; Supervisor of Pou Chien Technology Co., Ltd., Pou Yii Development Co., Ltd., Song Ming Investments Co., Ltd., Pou Yu Biotechnology Co., Ltd. and Pou Zhi Investments Co., Ltd.; member of the consolidation committee for conducting land consolidation in Taichung An-Ho land consolidation area.

Note 6: Executive Director of Yue Yuen Industrial (Holdings) Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited and Wealthplus Holdings Limited.

Note 7: Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited

Note 8: Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Tzong Ming Investments Co., Ltd., Chung Ming Investments Co., Ltd., Pou Hui Investments Co., Ltd., Pou Yi Investments Co., Ltd., and Song Ming Investments Co., Ltd.; Supervisor of Pou Shine Investments Co., Ltd..

3.3 The remuneration paid to Directors, Supervisors, President and Vice President for the Most Recent Fiscal Year

(1) Remuneration paid to Directors (including independent Directors)

(in NT$ thousands)

Title	Name	Directors' Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)(Note 7)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)(Note 7)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Salary (A)		Pension (B) (Note 5)		Remuneration (C) (Note 6)		Allowance (D)				Salary, bonus and special fees etc. (E)		Pension (F) (Note 5)		Employee compensation (G) (Note 6)						
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
																Amount of cash	Amount of stock	Amount of cash	Amount of stock			
Chairman	PC Brothers Corporation	7,587	16,920	0	0	127,554	127,554	1,149	1,149	1.04	1.12	16,412	58,291	0	0	6,037	0	6,037	0	1.22	1.61	None
	Representative: Chan, Lu-Min																					
Vice Chairman	Tsai, Nai-Fung (Note 1)																					
Director	Tsai, Pei-Chun (Note 2)																					
Director	Tzong Ming Investments Co., Ltd.																					
	Representative: Tsai, Min-Chieh																					
Director	Chang Ming Investments Co., Ltd. (Note 3)																					
Director	Ever Green Investments Corporation (Note 2)																					
	Representative: Lu, Chin-Chu																					
Director	Sheachang Enterprise Corporation (Note 2)																					
	Representative: Tsai, Ming-Lun																					
Director	Lai Chia Investments Co., Ltd. (Note 4)																					
	Representative: Ho, Yue-Ming																					
Independent Director	Chen, Bor-Liang																					
Independent Director	Chiu, Tien-I																					
Independent Director	Chen, Jung-Tung																					

(next page follows)

(following the preceding page)

Range of Remuneration	Name of Directors			
	Aggregate amount of the preceding four remuneration items (A+B+C+D)		Aggregate amount of the preceding seven remuneration items (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Less than NT$ 2,000,000	Chang Ming Investments Co., Ltd., Lai Chia Investments Co., Ltd., Tsai, Min-Chieh, Tsai, Pei-Chun, Chan, Lu-Min, Lu, Chin-Chu, Tsai Ming-Lun, Chen, Bor-Liang, Chiu, Tien-I, Chen, Jung-Tung	Chang Ming Investments Co., Ltd., Lai Chia Investments Co., Ltd., Tsai, Min-Chieh, Chan, Lu-Min, Lu, Chin-Chu, Tsai Ming-Lun, Chen, Bor-Liang, Chiu, Tien-I, Chen, Jung-Tung	Chang Ming Investments Co., Ltd., Lai Chia Investments Co., Ltd., Tsai, Min-Chieh, Tsai, Pei-Chun, Chen, Bor-Liang, Chiu, Tien-I, Chen, Jung-Tung	Chang Ming Investments Co., Ltd., Lai Chia Investments Co., Ltd., Tsai, Min-Chieh, Chen, Bor-Liang, Chiu, Tien-I, Chen, Jung-Tung
NT$ 2,000,000 (included)～ NT$ 5,000,000 (excluded)	Sheachang Enterprise Corporation, Tzong Ming Investments Co., Ltd.	Sheachang Enterprise Corporation, Tzong Ming Investments Co., Ltd.	Sheachang Enterprise Corporation, Tzong Ming Investments Co., Ltd., Tsai, Ming-Lun, Ho, Yue-Ming	Sheachang Enterprise Corporation, Tzong Ming Investments Co., Ltd., Ho, Yue-Ming
NT$ 5,000,000 (included) ～ NT$ 10,000,000 (excluded)	Tsai, Nai-Fung	Tsai, Nai-Fung	Tsai, Nai-Fung, Chan, Lu-Min, Lu, Chin-Chu	Tsai, Nai-Fung
NT$ 10,000,000 (included) ～ NT$ 15,000,000 (excluded)	Ever Green Investments Corporation	Ever Green Investments Corporation, Tsai, Pei-Chun	Ever Green Investments Corporation	Ever Green Investments Corporation, Tsai, Pei-Chun, Tsai, Ming-Lun
NT$ 15,000,000 (included) ～ NT$ 30,000,000 (excluded)				Chan, Lu-Min
NT$ 30,000,000 (included) ～ NT$ 50,000,000 (excluded)				Lu, Chin-Chu
NT$ 50,000,000 (included)～ NT$ 100,000,000 (excluded)				
NT$ 100,000,000 and above	PC Brothers Corporation	PC Brothers Corporation	PC Brothers Corporation	PC Brothers Corporation
Total	15 persons	15 persons	16 persons	16 persons

Note 1: Retired as a director on June 15, 2016.

Note 2: Elected as a director on June 15, 2016.

Note 3: Retired as a director on June 15, 2016. Mr. Lu, Chin-Chu represented Ever Green Investments Corporation instead of Chang Ming Investments Co., Ltd. after election.

Note 4: Elected as a director on June 15, 2016. Mr. Ho, Yue-Ming represented Lai Chia Investments Co., Ltd. after election.

Note 5: The amount of pension was actually paid by the Company and Companies in the consolidated financial statements in the 2016 consolidated financial statements.

Note 6: Approved by the Board of Directors on March 27, 2017.

Note 7: The calculation is based on the net income of the Company's 2016 separate financial statement. (NT$ 13,057,050 thousand).

(2) Remuneration paid to Supervisors(Note 1)

(in NT$ thousands)

Title	Name	Supervisors' remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%) (Note 3)		Compensation Paid to Supervisors from Company Other than the Company's Subsidiary
		Salary (A)		Remuneration (B) (Note 2)		Allowance (C)				
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	
Supervisor	Sheachang Enterprise Corporation	0	0	0	0	360	983	-	-	None
	Representative: Lin, Yuan-Lang									
Supervisor	Ever Green Investments Corporation									
	Representative: Chen, Huan-Chung									

Range of Remuneration	Name of Supervisors	
	Aggregate amount of the preceding three remuneration items (A+B+C)	
	The Company	Companies in the consolidated financial statements
Less than NT$ 2,000,000	Lin, Yuan-Lang Chen, Huan-Chung	Lin, Yuan-Lang Chen, Huan-Chung
NT$ 2,000,000 (included)～ NT$ 5,000,000 (excluded)		
NT$ 5,000,000 (included)～NT$ 10,000,000 (excluded)		
NT$ 10,000,000 (included)～NT$ 15,000,000 (excluded)		
NT$ 15,000,000 (included)～NT$ 30,000,000 (excluded)		
NT$ 30,000,000 (included)～NT$ 50,000,000 (excluded)		
NT$ 50,000,000 (included)～NT$ 100,000,000 (excluded)		
NT$ 100,000,000 and above		
Total	2 persons	2 persons

Note 1: All directors were reelected at Shareholders' meeting on June 15, 2016, and an audit committee was established to act as supervisors.
Note 2: Approved by the Board of Directors on March 27, 2017.
Note 3: The calculation is based on the net income of the Company's 2016 separate financial statement. (NT$ 13,057,050 thousand).

(3) Remuneration paid to President and Vice President

(in NT$ thousands)

Title	Name	Salary (A)		Pension (B) (Note 3)		Bonuses and Allowances (C)		Employee Compensation (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 5)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Amount of cash	Amount of stock	Amount of cash	Amount of stock			
Chairman and President of the Administration Management Department	Chan, Lu-Min	12,887	21,729	0	0	8,352	42,966	6,655	0	6,655	0	0.21	0.55	None
President	Lu, Chin-Chu													
President of Apparel Business Department	Kuo, Tai-Yu (Note 1)													
President of Footwear Joint Venture Business Department	Kung, Sung-Yen													
Vice President	Liu, Hong-Chih (Note 2)													

(next page follows)

(following the preceding page)

Range of Remuneration	Name of President and Vice President	
	The Company	Companies in the consolidated financial statements
Less than NT$ 2,000,000	Liu, Hong-Chih	
NT$ 2,000,000 (included) ～NT$ 5,000,000 (excluded)	Kuo, Tai-Yu	Kuo, Tai-Yu
NT$ 5,000,000 (included) ～NT$ 10,000,000 (excluded)	Lu, Chin-Chu, Chan, Lu-Min, Kung, Sung-Yen	Kung, Sung-Yen, Liu, Hong-Chih
NT$ 10,000,000 (included) ～NT$ 15,000,000 (excluded)		
NT$ 15,000,000 (included) ～NT$ 30,000,000 (excluded)		Chan, Lu-Min
NT$ 30,000,000 (included) ～NT$ 50,000,000 (excluded)		Lu, Chin-Chu
NT$ 50,000,000 (included) ～NT$ 100,000,000 (excluded)		
NT$ 100,000,000 and above		
Total	5 persons	5 persons

Note 1: Retired on June 30, 2016.
Note 2: Appointed as Vice President on November 14, 2016.
Note 3: The amount of pension was actually paid by the Company and Companies in the consolidated financial statements in the 2016 consolidated financial statements.
Note 4: Approved by the Board of Directors on March 27, 2017.
Note 5: The calculation is based on the net income of the Company's 2016 separate financial statement. (NT$ 13,057,050 thousand).

(4) Distribution of employee' compensation paid to officers.

(in NT$ thousands)

	Title	Name	Amount of stock	Amount of cash (Note1)	Total	Ratio of Total Amount to Net Income (%) (Note 2)
Officer	Chairman and President of Administration Management Department	Chan, Lu-Min	0	10,100	10,100	0.08
	President	Lu, Chin-Chu				
	President of Footwear Joint Venture Business Department	Kung, Sung-Yen				
	Vice President	Liu, Hong-Chih				
	Executive Senior Manager	Ho, Ming-Kun				
	Executive Senior Manager	Tsai, Ming-Lun				
	Executive Senior Manager	Ho, Yue-Ming				
	Senior Manager	Chang, Yea-Fen				
	Senior Manager	Wu, Hui-Chi				

Note 1: Approved by the Board of Directors on March 27, 2017.
Note 2: The calculation is based on the net income of the Company's 2016 separate financial statement. (NT$ 13,057,050 thousand).

(5) Compare the ratio of total remuneration that The Company and Companies in the consolidated financial statements paid to Directors, Supervisors, Presidents and Vice President to the net income for the past Two Fiscal Years with a discussion of the Remuneration Policy, standards and composition of remuneration payment, procedures to determine the remuneration, and the connection between the remuneration payment and the Company's performance and future risks.

Items / Title	Ratio of Total Amount to Net Income (%)			
	2016		2015	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	1.22%	1.61%	1.12%	1.12%
Supervisors	-	-	0.07%	0.09%
President and Vice President	0.21%	0.55%	0.31%	0.90%

The policies and standards of the Company's remuneration payment to the Directors, Supervisors, Presidents and Vice President are in accordance with the Company's Articles of Incorporation, the standard salary of the position among the same industry, the scope of duties and responsibilities of the position in the Company, and the contribution of such position to the Company's operational goals. And the reasonable remuneration payment is determined by taking into account the decision making risks assumed by such position, the risk of failing to achieve the operational goals and risk of failing to comply with relevant policies and laws. The remuneration payment will be reviewed by the Remuneration Committee and adopted at the Board of Directors' meeting.

3.4 Implementation of Corporate Governance

(1) Operations of the Board of Directors

A total of seven meetings of the Board of Directors were held in 2016 (three times of the 21st Board of Directors and four times of the 22nd Board of Directors). The attendance status of the Directors and Supervisors is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate (%)	Notes
Chairman	PC Brothers Corporation Representative: Chan, Lu-Min	7	0	100.00	Re-elected. Appointed on 2016.06.15.
Vice Chairman	Tsai, Nai-Fung	1	2	33.33	Term expired. Tenure expired on 2016.06.15. Shall attend (board of directors' meetings) three times.
Director	Tsai, Pei-Chun	3	1	75.00	Newly elected on 2016.06.15. Shall attend (board of directors' meetings) four times.
Director	Tzong Ming Investments Co., Ltd. Representative: Tsai, Min-Chieh	5	2	71.43	Re-elected. Appointed on 2016.06.15.
Director	Chang Ming Investments Co., Ltd. Representative: Lu, Chin-Chu	2	1	66.67	Term expired. Tenure expired on 2016.06.15. Shall attend (board of directors' meetings) three times.
Director	Ever Green Investments Corporation Representative: Lu, Chin-Chu	4	0	100.00	Newly elected on 2016.06.15. Shall attend (board of directors' meetings) four times.
Director	Sheachang Enterprise Corporation Representative: Tsai, Ming-Lun	4	0	100.00	Newly elected on 2016.06.15. Shall attend (board of directors' meetings) four times.
Director	Lai Chia Investments co., Ltd. Representative: Ho, Yue-Ming	7	0	100.00	Re-elected. Appointed on 2016.06.15.
Independent Director	Chen, Bor-Liang	7	0	100.00	Re-elected. Appointed on 2016.06.15.
Independent Director	Chiu, Tien-I	7	0	100.00	Re-elected. Appointed on 2016.06.15.
Independent Director	Chen, Jung-Tung	4	0	100.00	Newly elected on 2016.06.15. Shall attend (board of directors' meetings) four times.
Supervisor	Sheachang Enterprise Corporation Representative: Lin, Yuan-Lang	3	0	100.00	Term expired. Tenure expired on 2016.06.15. Shall attend (board of directors' meetings) three times.

Supervisor	Ever Green Investments Corporation Representative: Chen, Huan-Chung	2	1	66.67	Term expired. Tenure expired on 2016.06.15. Shall attend (board of directors' meetings) three times.

Other matters to be specified:

I. Where any of the following circumstances occurs with respect to the operation of the Board of Directors, meeting dates, sessions, contents of resolutions, opinions of all independent directors, and actions taken by the Company in response to opinions of independent directors shall be noted :

1. Matters prescribed under Article 14-3 of the Securities and Exchange Act.

Meeting Dates	Sessions	Contents of resolutions	Opinions of all independent directors	Actions taken by the Company in response to opinions of independent directors
2016.03.24	22nd meeting of the 21st board of directors	1. Amended the Company's "Procedure for Acquisition and Disposal of Assets". 2. Amended the Company's "Operational Procedures for Loaning of Company Funds". 3. Amended the Company's "Operational Procedures for Making Endorsements and Guarantees". 4. Made endorsement for the Company's subsidiaries.	None	Approved as proposed.
2016.08.15	2nd meeting of the 22nd board of directors	1. Amended the Company's "Internal Control System" and "Internal Auditing System and Implementation Regulations". 2. Made and rescinded endorsement for the Company's subsidiaries.	None	Approved as proposed.
2016.11.14	3rd meeting of the 22nd board of directors	1. Made and rescinded endorsement for the Company's subsidiaries.	None	Approved as proposed.
2016.12.23	4th meeting of the 22nd board of directors	1. Made endorsement for the for the Company's subsidiaries.	None	Approved as proposed.

2. Except for the matters mentioned in the preceding paragraph, matters resolved by the Board of Directors, to which an independent director has a dissenting or qualified opinion that is on record or stated in a written statement：None.

II. For any recusal of Directors due to conflict of interests in certain proposals, names of the Directors, contents of resolutions, reasons for the recusal and participation in the voting shall be noted：

1. In the 22nd meeting of the 21st Board of Directors on March 24, 2016：

(1) Discussed matters pertaining to remunerations for officers of the Company. Because director Chan, Lu-Min and director Lu, Chin-Chu (represented by director Tsai, Ming-Lun) are both officers of the Company, making them as stakeholders of this proposal and are therefore recused from discussion and voting of their remuneration resolution.

(2) Discussed the appointment of new officers. Director Tsai, Ming-Lun is the stakeholder of this proposal and therefore

recused himself from discussion and voting of this resolution.

(3) Discussed matters pertaining to remunerations for newly appointed managers of the Company. Director Tsai, Ming-Lun is the stakeholder of this proposal and therefore recused himself from discussion and voting of this resolution.

(4) Discussed the proposal to remove non-compete clause for managers of the Company. Director Lu, Chin-Chu (represented by director Tsai, Ming-Lun) is a stakeholder of this proposal and therefore recused himself from discussion and voting of this resolution.

(5) Nominated and assessed the candidate list for independent directors. Director Chen, Bor-Liang and director Chiu, Tien-I are stakeholders of this proposal and recused themselves from discussion and voting of this resolution.

2. In the 23rd meeting of the 21st Board of Directors on April 29, 2016：

(1) Assessed the candidate list for independent directors for election at 2016 shareholders' meeting. Director Chen, Bor-Liang and director Chiu, Tien-I are stakeholders of this proposal and recused themselves from discussion and voting of this resolution.

3. In the 1st meeting of the 22nd Board of Directors on June 15, 2016：

(1) Appointed members of the Company's 3rd Remuneration Committee. Director Chen, Bor-Liang, director Chiu, Tien-I, and director Chen, Jung-Tung are stakeholders of this proposal and recused themselves from discussion and voting of this resolution.

4. In the 2nd meeting of the 22nd Board of Directors on August 15, 2016：

(1) Discussed remunerations and transportation allowance for independent directors. Director Chen, Bor-Liang, director Chiu, Tien-I, and director Chen, Jung-Tung are stakeholders of this proposal and recused themselves from discussion and voting of this resolution.

(2) Discussed remunerations and transportation allowance for directors. Director Chan, Lu-Min, director Lu, Chin-Chu, director Tsai, Pei-Chun, director Tsai, Min-Chieh, director Tsai, Ming-Lun, and director Ho, Yue-Ming are stakeholders of this proposal and recused themselves from discussion and voting of this resolution.

(3) Discussed matters pertaining to remunerations for officers of the Company and 2015 distribution of employee remuneration for officers. Because director Chan, Lu-Min, director Lu, Chin-Chu, director Tsai, Ming-Lun, and director Ho, Yue-Ming are managers of the Company, making them stakeholders of this proposal and are therefore recused from discussion and voting of their remuneration resolution.

(4) Discussed matters pertaining to the 2015 distribution of remunerations for directors and supervisor. Director Chan, Lu-Min, director Tsai, Min-Chieh, director Ho, Yue-Ming, director Lu, Chin-Chu, and director Tsai, Ming-Lun have conflict of interest and therefore recused themselves from discussion and voting of their remuneration resolution.

5. In the 3rd meeting of the 22nd Board of Directors on November 14, 2016：

(1) Reviewed and discussed matters pertaining to rewards for officers of the Company. Director Ho, Yue-Ming and director Tsai, Ming-Lun have conflict of interest and therefore recused themselves from discussion and voting of their remuneration resolution.

III. Assessment of the goal and implementation of strengthening the functionality of the Board of Directors in the current year and the prior year：

To develop a sound corporate governance and strengthen the functionality of the board, the Company has elected six directors and three independent directors on June 15, 2016 to participate in board operations. In 2016, each independent director has attended board meetings in person to execute supervision and understand the implementation status of the Company's financial, business, and major operational plans.

The Company has appointed three independent directors as members of the 3rd Remuneration Committee who shall regularly evaluate director and manager performance in goal achievement, and provide suggestions on individual remunerations. The Company also setup an Audit Committee which is entirely composed of all independent directors to replace supervisors.

(2) Operational status of the Audit Committee or the Supervisors' participation in the Board of Directors' meeting:

1. Operations of the Audit Committee: At annual shareholders' meeting held on June 15, 2016, the company elected three independent directors and established the Audit Committee to replace supervisors.

A total of three meetings of the 1st Audit Committee were held in 2016. The attendance status is as follows:

Title	Name	Attendance in person	Attendance Rate (%)	Notes
Convener	Chen, Jung-Tung	3	100.00	Newly elected on 2016.06.15. Shall attend (audit committee) three times.
Member	Chen, Bor-Liang	3	100.00	Newly elected on 2016.06.15. Shall attend (audit committee) three times.
Member	Chiu, Tien-I	3	100.00	Newly elected on 2016.06.15. Shall attend (audit committee) three times.

Other matters to be specified:

1. Where any of the following circumstances occurs with respect to the operation of the Audit Committee, meeting dates, sessions, contents of resolutions, resolutions adopted by the Audit Committee, and actions taken by the Company in response to the opinion of the Audit Committee shall be noted:

(1) Matters prescribed under Article 14-5 of the Securities and Exchange Act.

Meeting Dates	Sessions	Contents of resolutions	Resolutions adopted by the Audit Committee	Actions taken by the Company in response to the opinion of the Audit Committee
2016.08.15	2nd meeting of the 22nd Board of Directors	1. Discussed the Company's Financial Report for the second quarter in 2016. 2. Amended the Company's "Internal Control System" and "Internal Auditing System and Implementation Regulations".	Approved as proposed.	Submit to the Board of Directors for approval
2016.12.23	4th meeting of the 22nd Board of Directors	1. Made endorsement for the Company's subsidiaries.	Approved as proposed.	Submit to the Board of Directors for approval

(2) Except for the matters in the preceding paragraph, matters not approved by the Audit Committee but approved by at least two thirds of all directors:

None.

2. For any recusal of independent directors due to conflict of interests in certain proposals, names of independent directors, contents of resolutions, reasons for the recusal and participation in the voting shall be noted: None.

3. Descriptions of the communications between the independent directors, the head of internal auditors, and certified public accountants (CPAs) (including significant matters, methods, and results of communication on the Company's finance and operations, etc.):

a. The Company's Audit Committee which is entirely composed of independent directors shall convene a meeting at least once a quarter, and may call a meeting whenever deemed necessary.

b. Communication between the head of internal auditors and the Audit Committee:

(a) The monthly audit report based on the audit plan shall be submitted to each independent director through email or in person by the end of the following month.

(b) The quarterly audit report shall be submitted to the Audit Committee periodically.

(c) Occasionally conduct communication and provide instruction and response by telephone, email, or in person.

(d) Immediately report to the members of the Audit Committee any material matters (No such events occurred in 2016).

c. Communication between CPAs and the Audit Committee :

(a) The Company's CPAs provide opinions / explanations to and discuss any additional matters with the Audit Committee in accordance with laws and regulations.

(b) The Audit Committee and CPAs can employ different communication channels (e.g., telephone, email, and in person) to conduct discussions on the findings and results of financial statements for the current period.

(c) A meeting may be convened if communication of significant opinions is deemed necessary (No such events occurred in 2016).

4. A diversity of effective communication channels are provided for the Company's independent directors, the head of internal auditors, and CPAs.

The communications between independent directors, the head of internal auditors, and CPAs in 2016 are listed below:

Date	Communication Method	Party Communicated	Matters Communicated	Results
2016.08.15	Audit Committee	The head of internal auditors	Summary of internal audit operations	Communicated and noted.
			Reported amendments to the Company's "Internal Control System", "Internal Auditing System", and "Internal Auditing Implementation Regulations".	Communicated, discussed, and submitted to the board for approval.
2016.11.09	Individual interview and meeting with each independent director	The head of internal auditors	Review internal auditing operations and evaluate audit working papers, and interview the supervisions of overseas subsidiaries and onsite inspection of management operations.	Communicated and noted.
2016.11.14	Audit Committee	CPAs	Explain key audit matters to be addressed in the new independent auditors' report for the Company.	Communicated and noted.
		The head of internal auditors	Summary of internal audit operations	Communicated and noted.
			Submitted internal audit plan for 2017.	Communicated, discussed, and submitted to the board for approval.

Note: The Company has established the Audit Committee on June 15, 2016.

2. Operational status of the Supervisors' participation in the Board of Directors' meeting: At annual shareholders' meeting held on June 15, 2016, three independent directors were elected and the Audit Committee was established to act as supervisors.

A total of three meetings of the 21st Board of Directors were held before the 2016 re-election. The attendance status of Supervisors is as follows**:**

Title	Name	Attendance in person	Attendance Rate (%)	Notes
Supervisor	Sheachang Enterprise Corporation Representative: Lin, Yuan-Lang	3	100.00	Tenure expired on 2016.06.15. Shall attend (board of directors' meetings) three times.
Supervisor	Ever Green Investments Corporation Representative: Chen, Huan-Chung	2	66.67	Tenure expired on 2016.06.15. Shall attend (board of directors' meetings) three times.

Other matters to be specified:

1. Formation and duties of Supervisors:

(1). Communications between the Supervisors and the Company's employees and shareholders:

The Company's Supervisors visit the Company irregularly and communicate with the Company's employees to be informed of the Company's financial and operational status. The Supervisors also participate in the annual general shareholders' meeting to answer questions raised by the Company's shareholders.

(2). Communications between Supervisors, the head of internal auditors, and CPAs :

A. Communications between the Supervisors and the head of the Company's internal auditor:

a. The head of internal auditors selected and certified the self-assessment procedures and prepared audit reports in accordance with the audit plan every month. The audit report shall be submitted to each Supervisor via email or in person every month after approved by the Chairman of the Board of Directors. If a Supervisor has any comment about the reports, the Supervisor may communicate with the head of internal auditors through verbal consultation, telephone or email. The Supervisors had no dissenting opinions.

b. The head of internal auditors attended the Board of Directors' meeting and presented the audit reports, with which the Directors and Supervisors are able to be informed of the Company's internal audit status promptly.

The communication between the Company's Supervisors and the head of the Company's internal auditors is smooth.

B. Communications between the Supervisors and CPAs :

The Company's Supervisors would communicate with the CPAs irregularly about the content of financial statements, and such communication has been smooth so far.

2. In the event that the Supervisors stated their opinions in the Board of Directors' meeting, meeting dates, sessions, contents of resolutions, resolutions adopted by the Board of Directors, and actions taken by the Company in response to the opinion of the Supervisors shall be noted :

The Supervisors attended the Board of Directors' meeting this year and the prior year, and did not raise objections towards the proposals discussed in the meeting.

(3) The Company's operational status of corporate governance and the discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
I. Does the Company establish and disclose the Corporate Governance Best Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	v		The Company has enacted the "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", and disclosed such rules on the Company's website for established good corporate governance.	No Discrepancy.
II. Shareholding structure and shareholders' rights i. Does the Company establish an internal operating procedure to deal with shareholders' suggestions, concerns, disputes and litigations, and implement based on the procedure?	v		i. To protect the shareholders' rights, the Company has enacted the "Corporate Governance Best Practice Principles" for compliance. The Company has also established the position of spokesperson and the contact for investor relations, responsible for handling shareholder matters. The legal department will assist in handling the shareholders' matters relating to legal issues.	No Discrepancy.
ii. Does the Company possess the list of its major shareholders as well as the beneficial owners of those shares?	v		ii. The Company files changes of shareholding on the monthly basis of major shareholders (the shareholders holding more than 10% of the Company's total issued and outstanding shares) in compliance with relevant regulations. In addition, the list of its major shareholders as well as the ultimate owners of those shares is under control by paying attention to other important matters that may cause a change in the shares.	No Discrepancy.
iii. Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	v		iii. The Company not only established risk control and management mechanism, but also established relevant operating procedures provisions in the internal control system regarding the operational, business and financial dealings with specified companies and affiliates. The Company also assists and urge its subsidiaries to build a written internal control system, and enact "Operational Procedures for Making Endorsements and Guarantees", "Operating Procedures for Loaning of Company Funds", "Procedures for Acquisition and Disposal of Assets" and other relevant management regulations	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			according to their practical conditions for implementing the risk control and management mechanism with its subsidiaries. For preventing irregular transactions, business dealings with the affiliates will be deemed to be made with other independent third parties. The risk control and management mechanisms and firewall between the affiliates have been set up properly.	
iv. Does the Company establish internal rules against insider trading on undisclosed information?	V		iv. The Company has enacted and compliance with "Procedures for Handling Material Inside Information" and "Management Procedures for the Prevention of Insider Trading'. The Company educates its directors, officers, employees and other person(s) who may receive the Company's material inside information based on his/her identity, profession or controlling power from time to time about legal compliance, and that they shall perform their duties with the care of a good administrator and loyalty and in good faith in accordance with the material resolutions and shall sign the non-disclosure agreement.	No Discrepancy.
III. Composition and Responsibilities of the Board of Directors i. Does the Board develop and implement a diversified policy for the composition of its members?	V		i. The Company has stipulated in the "Corporate Governance Best Practice Principles" and "Rules for Election of Directors" that the composition of the board shall be determined by taking diversity into consideration and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, but not limited to, gender, age, and educational background. Following the diversity policy, the Company has elected nine directors (including three independent directors) as the members of the 22nd Board of Directors in June 2016, two of which are female directors. All members of the board have professional knowledge, skills, and background in industry, finance, technology, management, and law, and progress the knowledge, skills, and experience necessary to perform their	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			responsibilities.	
ii. Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	v		ii. The Company has established Remuneration Committee and Audit Committee in accordance with law. Other functional committees shall be established whenever deemed necessary.	No Discrepancy.
iii. Does the Company establish a standard to measure the performance of the Board, and implement it annually?	v		iii. The Company has enacted the "Procedures for Evaluating the Board of Directors' Performance". Each Director shall evaluate himself/herself, and the Board of Directors shall evaluate itself or by others at least once every year. The results of such evaluation shall be submitted to the first Board of Directors' meeting after the year ends. The items for evaluating the Board of Directors' performance include the following five aspects: (1) Participation in the Company's operations. (2) Improvement the quality of the Board of Directors' decision making. (3) Composition and structure of the Board of Directors. (4) Election and continuing education of the Directors. (5) Internal control. The items for evaluating the board members' performance include the following six aspects: (1) Familiarity with the Company's goals and missions. (2) Awareness of a director's duties. (3) Participation in the Company's operations. (4) Management and communications with respect to internal relationship. (5) Professionalism and continuing education of a director. (6) Internal control. The performance evaluation of the 22nd Board of directors, including the internal evaluation of the Board and self-evaluation by individual board members, was completed in December 2016. The results of such evaluation were all "Excellent" and submitted to the Board of Directors' meeting on	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			March 27, 2017.	
iv. Does the Company regularly evaluate the independence of CPAs?	V		iv. The Company shall evaluate the independence of the Company's CPAs at least once every year. In 2016, the following items were examined to evaluate the independence of the CPA: the CPA is not being the Company's director, officer, nor any position with significant influence；no conflict of interests；not being the same CPA without replacement for seven years consecutively. And the Company has obtained the "Certified Public Accountant Independent Declaration". The results were submitted to the Audit Committee and the Board of Directors after evaluating and confirming the CPA's independence.	No Discrepancy.
IV. Does the Company set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors and supervisors, handle matters relating to board meetings and shareholders meetings according to laws, handle corporate registration and amendment registration, and record minutes of board meetings and shareholders meetings)?	V		The Company has set up a full- (or part-) time corporate governance personnel to be in charge of the following matters: (1) Furnishing information required for business execution by directors, handling matters relating to board meetings and shareholders meetings according to laws, and recording minutes of board meetings and shareholders meetings. (2) Assisting with the promotion and strengthening of corporate governance. (3) Handling corporate registration and amendment registration. The full- (or part-) time corporate governance personnel is supervised by a senior officer in the General Management Department.	No Discrepancy
V. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and properly respond to stakeholders' concerns on corporate social responsibilities?	V		The Company has set up a stakeholder section and publicly disclosed the contact email address (ir@pouchen.com) on the Company's website. There will be specified personnel responsible for responding to stakeholders' concerns, and further transferring to competent authority, according to the scope and nature of the issues. The Company has also publicly disclosed contact information for individual stakeholder (investors, customers, employees, suppliers and CSR related) to respond promptly and properly to	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			stakeholders' concerns on material CSR issues.	
VI. Does the Company appoint a professional stock agency for its Shareholders' meetings?	V		The Company has designated Grand Fortune Securities Co., Ltd. to act as the Company's stock agency to handle Shareholders' meetings, and to deal with Shareholders' affairs.	No Discrepancy.
VII. Information disclosure i. Does the Company have a corporate website to disclose financial information and the status of corporate governance?	V		i. The Company has set up its website (http://www.pouchen.com) to disclose its financial, business and corporate governance information. There are specified personnel responsible for updating the information thereon, and relevant information can also be found on the M.O.P.S. website.	No Discrepancy.
ii. Does the Company have other information disclosure channels (e.g. building an English version website, appointing designated people to handle information collection and disclosure, appointing spokespersons, webcasting investor conferences)?	V		ii. 1.The Company has set up an English version website. 2.The Company has appointed specified personnel to be responsible for collection of the Company's information and disclosure of material information. The spokesperson of the Company is engaged to speak on behalf of the Company. 3.All relevant information of participated investor conferences was disclosed on the Company's website.	No Discrepancy.

Evaluation Item	Operational status	Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors): Yes, other important information to better understand the corporate governance is as follows: i. Employee rights: The Company protects employees' rights; provides retirement programs and employees' benefits according to the Labor Standards Act and the Company's human resources regulations. ii. Employee care: The Company builds close relationship with its employees by enhancing the welfare system that stabilizes the employees' lives and providing completed education and training programs, such as welfare subsidies provided by the Employee Welfare Committee (for birthday, marriage, funeral, childbirth, being wounded or sick, emergency assistance, etc.), education subsidies (for activities to promote health, speeches given by celebrities, all types of short-term courses, etc.), entertainment (subsidies for traveling, family day, activities held by associations and all types of entertainment activities). In addition, the Company provides shuttle buses for employees to get to and off work, and parking lots for employees to park their cars. The Company cooperates with hospitals such as Chang Hwa Christian Hospital, Taichung Veterans General Hospital and China Medical University Hospital to provide first aid, wound care, and health consultation and examination, and to hold workshops on health related topics in the Company. Besides, there are female doctors providing medical services in the Company from time to time to ensure better medical care for female employees. iii. Investor relations: The Company has established the investor relations office to be responsible for building a channel of mutual communications between the Company and the investors, so as to increase the transparency and asymmetry of information disclosure. The Company discloses its financial, business and corporate governance information on the MOPS website and the Company's website in accordance with relevant laws, and the Company also participates in investor conferences and provides the communication channel to respond stakeholders' questions and suggestions. iv. Supplier relations: The Company's employees all follow high moral standards. In addition to self-restraint, they also require that the major suppliers shall execute "Honest Transaction Agreement" or provide the Company with honesty declaration or honesty mechanism related documents. The Company emphasizes the importance of stability and high quality of the supply chain. Before purchasing the goods, the Company will make cautious evaluation and comply with the Company's operating procedures. The Company and the suppliers will assume the responsibilities and obligations under the contracts, and cooperate in refining the products. The Company is able to maintain good and stable cooperative relationship with its suppliers. v. Stakeholders rights: The Company is dedicated to building diversified communication channels for and providing sufficient information to its customers, shareholders and stakeholders. The Company collects issues concerned by the stakeholders and examines whether the actions taken by the Company have responded effectively to the stakeholders.		

Evaluation Item	Operational status	Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons

vi. Implementation of diversity policy of the Company's Board:

Following the diversity policy, the Company has re-elected members of the board as the 22nd board of directors in June 2016. The implementation of diversity in board composition is as follows:

Name	Gender	Age	Education	Industrial Experience	Academic Background	Specialty Fields
Chan, Lu-Min	Male	62	Statistics Department, National Chung Hsing University	V		Finance and accounting, business management.
Tsai, Pei-Chun	Female	37	Economic and Finance Department, Wharton School of the University of Pennsylvania, USA	V		Finance, strategic planning and enterprise development.
Tsai, Min-Chieh	Female	34	Economic and Finance Department, Wharton School of the University of Pennsylvania, USA	V		Finance.
Lu, Chin-Chu	Male	63	Department of Mechanical Engineering, Oriental Institute of Technology	V		Production management and business management.
Tsai, Ming-Lun	Male	39	Master Degree of Design, Graduate School of Design, Harvard University, USA	V		Factory management and business development.
Ho, Yue-Ming	Male	46	Master Degree of Laws Department, National Taiwan University	V		Legal and administrative management.
Chen, Bor-Liang	Male	55	Ph.D. in Applied Mathematics, National Chiao Tung University	V	V	Business management.
Chiu,Tien-I	Male	48	S.J.D.,Tunghai University	V	V	Legal.
Chen, Jung-Tung	Male	65	Master Degree of Economic and Taxation Department, Jinan University, Guangzhou, China	V		Accounting, auditing, and taxation.

Evaluation Item	Operational status	Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons

vii. Continuing education, training for Directors and officers:

The advanced training by the Directors and officers in the most recent fiscal year is as follows:

Title	Name	Date of training		Host by	Name of the course	Duration
		From	To			
Representative of corporate director (Chairman and President of Administration Management Department)	Chan, Lu-Min	2016.03.03	2016.03.03	Corporate Operation Association	Series of talks on "How to Convene a Good Shareholders' Meeting for 2016"	3
		2016.04.28	2016.04.28	Taiwan Institute of Director	Platform Revolution: New Challenges and Counter Strategies	3
Director	Tsai, Pei-Chun	2016.08.02	2016.08.02	Securities and Futures Institute	Workshop on Compliance with Stock Transaction Laws for Internal Staff of Listed Companies	3
		2016.11.29	2016.11.29	Taiwan Corporate governance Association	Group Governance	3
Representative of corporate director	Tsai, Min-Chieh	2016.07.29	2016.07.29	Securities and Futures Institute	Legal Risks and Response of Directors and Supervisors Based on Significant Cases of Corporate Embezzlement	3
		2016.10.04	2016.10.04	Securities and Futures Institute	Analysis of Corporate Financial Information and Use in Decision Making	3
Representative of corporate director (President)	Lu, Chin-Chu	2016.04.28	2016.04.28	Taiwan Institute of Director	Platform Revolution: New Challenges and Counter Strategies	3
		2016.09.29	2016.09.29	Corporate Operation Association	Board Compliance Practices and Legal Responsibilities of Directors and Supervisors: A Case Study	3
Representative of corporate director (Executive Senior Manager)	Tsai, Ming-Lun	2016.10.05	2016.10.05	Corporate Operation Association	Analysis of Obligations of Information Disclosure and Legal Responsibilities	3
		2016.10.06	2016.10.06	Corporate Operation Association	Board Operation Practices: Board Meeting Agenda and Minute Management	3

Evaluation Item		Operational status				Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
Representative of corporate director (Executive Senior Manager)	Ho, Yue-Ming	2016.07.29	2016.07.29	Securities and Futures Institute	Workshop on Compliance with Stock Transaction Laws for Internal Staff of Listed Companies	3
		2016.08.19	2016.08.19	Taiwan Corporate governance Association	Corporate Merger & Acquisition Based on the Perspectives of Directors and Supervisors	3
		2016.08.19	2016.08.19	Taiwan Corporate governance Association	Principles of Legal Wars in Corporate Merger & Acquisition	3
		2016.09.02	2016.09.02	Taiwan Corporate governance Association	Board Operations and Effects of Resolutions	3
Independent Director	Chen, Bor-Liang	2016.03.03	2016.03.03	Corporate Operation Association	Series of talks on "How to Convene a Good Shareholders' Meeting for 2016"	3
		2016.04.28	2016.04.28	Taiwan Institute of Director	Platform Revolution: New Challenges and Counter Strategies	3
Independent Director	Chiu, Tien-I	2016.01.26	2016.01.26	Securities and Futures institute	2016 Corporate Governance Forum: Insider Trading and Corporate Social Responsibility	3
		2016.03.02	2016.03.02	Taiwan Securities Association	Evaluation and Analysis of Effectiveness of Merger & Acquisition	3
Independent Director	Chen, Jung-Tung	2016.04.22	2016.04.22	Securities and Futures Institute	2016 Corporate Governance Forum: Insider Trading and Corporate Social Responsibility	3
		2016.07.22	2016.07.22	Securities and Futures Institute	Workshop on Compliance with Stock Transaction Laws for Internal Staff of Listed Companies	3
Executive Senior Manager	Ho, Ming-Kun	2016.12.12	2016.12.13	Securities and Futures Institute	Workshop on Professional Development (12 hr.) for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges.	12
Senior Manager	Wu, Hui-Chi	2016.09.29	2016.09.30	Accounting Research and Development Foundation	Professional Development for principal Accounting Officers of Issuers, Securities Firms and Securities Exchanges.	12

Evaluation Item	Operational status	Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons

viii. Implementation of risk management policies and risk evaluation measures: The Company has enacted "Risk Management Rules" to expressly specify the risk management policies. Through risk control and management in the internal control system, the Company's management is able to recognize the potential risks arising from internal or external incidents during the Company's operations, including the risk of failure to reach the goals, the risk of financial reports, the risk of legal compliance, the risk of fraud and potential risk arising from irregular transactions. Such risks will be taken into account and relevant personnel will be properly informed of the recognized risks continuously. Business and management meetings will be convened once every six months, so as to conduct analysis and prepare strategies and guidelines for operations by taking into account past performances, current operations and future plans.

ix. Implementation of customer relations policies: The Company insists in respect, loyalty, novelty and services when dealing with its clients. The Company understands clients' needs and provides excellent products and high quality services. As a result, the Company has won clients' trust and maintained solid relationship. The sales order has been growing steadily.

x. Liability insurance provided for directors and supervisors: The Company has purchased liability insurance for all directors (After the Audit Committee was set up in June 2016, there are no supervisors).

xi. Recusals of directors due to conflicts of interests: The Company has set up the principles of recusal and avoidance of conflict of interest in the Company's "Rules of Procedure for Board of Directors Meetings", for compliance in the operations of the board of directors. In addition, the Company has elected three independent directors who can propose professional and appropriate recommendations on the Company's business strategies. When discussing proposals, the Board should take into consideration the opinions of independent directors to effectively protect the interest of the Company. The Company has established the "Guidelines to the Management of Related Party Transactions" in the internal control system to ensure that related parties of the Company can avoid conflicts of interest.

IX. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange in the most recent year:

(1) The Company has strengthened corporate governance and achieved the following items in 2016:

1. Amended the "Articles of Incorporation", specifying that the election of directors shall be conducted in accordance with the candidate nomination system in order to provide shareholders adequate information and ensure their exercise of rights.

2. To treat all shareholders equitably and meet demands of foreign institutional investors, the Company has provided annual report and relevant information relating to shareholder's meeting in English version.

3. Elected three independent directors and founded the Audit Committee as a means of enhancing the functions of the board of directors.

4. Formulated specific and explicit dividend policy and enhanced information transparency.

Evaluation Item	Operational status	Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
5. Disclosed the carbon emissions of CO^2 or other GHGs in the past two years, and compiled CSR reports and obtained third-party certification as a means of integrating CSR in the Company's core values. (2) The Company was ranked in top 5% in the 3rd Corporate Governance Evaluation, which was announced in April 2017, and the competent authority did not require for improvement in corporate governance.		

(4) Composition, duties and operational status of the Remuneration Committee

A. Information of the members of the Remuneration Committee

Title	Requirements / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Note
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic Department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or Other professional or Technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	Not an employee of the Company or any of its affiliates	Not a director or supervisor of the company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary)	Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings	Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs	Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings	Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company	Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof	Not a person of any conditions defined in Article 30 of the Company Act		
Independent Director	Chen, Bor-Liang	✔			✔	✔	✔	✔	✔	✔	✔	✔	0	
Independent Director	Chiu, Tien-I	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	0	
Independent Director	Chen, Jung-Tung		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	0	

B. Operations of the Remuneration Committee

(A) There are three members in the Company's Remuneration Committee.

(B) The Company has re-elected the Board members on June 15, 2016, and the Board has approved three independent directors consist of the 3rd Remuneration Committee. The term of office is from June 15, 2016 to June 14, 2019. A total of three meetings of the Remuneration Committee were held in 2016. The attendance status is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate (%)	Notes
Convener	Chen, Bor-Liang	3	0	100.00	Re-elected.
Member	Chiu, Tien-I	3	0	100.00	Re-elected.
Member	Lee, Ton-Han	1	0	100.00	Expired on 2016.06.15. Shall attend one time.
Member	Chen, Jung-Tung	2	0	100.00	Newly elected on 2016.06.15. Shall attend two times.

Other matters to be specified:

I. If the Board of Directors rejects or amends the suggestions submitted by the remuneration committee, there shall be elaborated with the meeting dates, sessions, contents of resolutions, resolution adopted by the Board of Directors and actions taken by the Company in response to the Remuneration Committee's opinions (if the Board of Directors approved a remuneration plan better than that suggested by the Remuneration Committee, the reasons and the difference shall be elaborated): N/A.

II. If any member has expressed opposition or reservation with respect to the resolution of the Remuneration Committee and there was a written record or written statement, there shall be elaborated with the meeting dates, sessions, contents of resolutions, the opinions of all members of the Remuneration Committee and actions taken in response to the member's opinions: N/A.

(5) Performance of corporate social responsibility

Evaluation Item	Operational status			Discrepancy with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
I. Implementation of Corporate Governance i. Does the Company establish corporate social responsibility policy and review the effectiveness of the implementation?	v		i. After joining Fair Labor Association ("FLA") in 2011, 1. The Company has enacted "Corporate Social Responsibility Best Practice Principles", implementing corporate governance, fostering a sustainable environment, preserving social public interests and enhancing relevant information disclosure, so as to reach the goal of sustainable development. 2.The Company set up the CSR implementation standards for the group in accordance with the FLA standards. In addition to compliance with local regulations, the Company also proactively cares about its employees' mental and physical health and development, for the purpose of its goal to build the best work place. At the same time, the Company also emphasizes environmental protection issues, promotes energy conservation and carbon reduction, dedicates itself to investing in social capital and participates in activities of public interests. The main aspects to be developed are as follows: (1) Increase the harmony between the Company and its employees, and care for development of the community A. Make the internal systems in compliance with local regulations, protect employees' legal rights, and discover and solve problems. Implementation result: In 2016, the elements of plant autonomous management and depth evaluation were added to the internal auditing procedure, and a differentiated hierarchical management was adopted after considering each indicator. In 2016, a total of 16 plants were evaluated, all of which had completed internal control self-assessment tests in compliance with the law and regulation. The headquarter also conducted audits for those plants, and graded to identify the risks according to the audit findings and track the results of improvement. B. Enhancing internal unity and sense of identity through various activities, and improving employee relations through various communication channels, such as counseling rooms and symposiums, to get closer to employees, reduce the gap between management and employees, and eliminate misunderstandings and conflicts. Implementation result: all plants hold employee symposiums every quarter and have established multiple channels, such as counseling rooms, direct phone lines, email, etc., to help resolve employee	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			complaints and provide psychological counseling. C. Visit the employees' family regularly to understand about family status and life, provide appropriate assistance when necessary, care for stay-at-home children and minority groups in the community and help with the community development. Implementation result: Some of the activities are as follows: Supporting about 1,500 pupils in the community with scholarships in Vietnam. Periodically holding summer camps for employees' children in China (553 children participated in 2016). Accommodation and supplies are also provided to employees, depending on the needs in each area. Activities such as visiting nursing homes, the disabled, orphanages, and volunteering to benefit residents in the community are also held. (2) Promote employees' safety and health, and lower environmental impact A. Safety, health and fire control: Increase safety of working sites by purchasing safe machines and equipment and continued improvement, and eliminate potential fire disaster concerns by installing more fire-control equipments, enhancing relevant trainings and promoting electronic equipment examinations. Implementation result: Following the investments in firefighting equipment in 2014 and 2015, the Company invested more than US$3.2 million in 2016 for the construction of fire safety rectification in plants. Safer designs for the production equipment have also been introduced, and thorough safety checks and rectifications on highly dangerous equipment are executed, gradually improving equipment safety levels. B. Environmental protection and energy conservation: Look up relevant regulations proactively, consult with the government appropriately, examine and audit regularly, ensure the plant operations in accordance with the requirements by the government and clients, cooperate with suppliers to develop energy-saving technologies, promote projects of energy conservation in plant, and raise the performance of energy conservation in plant. Implementation result: The Company's headquarter is in charge of the planning for fully promoting plant energy-saving projects via energy-saving equipment purchases, production process/equipment energy-saving improvements, and daily management to implement	

Evaluation Item	Operational status			Discrepancy with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	Summaries	
			energy efficiency. This is to gradually build an online energy monitoring system to track energy consumption in real time and deal with anomalies as early as possible.	
ii. Does the Company regularly provide educational training on corporate social responsibility?	v		ii. The Company holds corporate responsibility related trainings for managers and employees through the “Business Management Meeting” and “Team Building” activities every year to enhance employees’ sense of social responsibility by participating in community public affairs and donations. The Company wishes to promote economic, environmental and social progresses with such activities, and truly meet the expectation of “benefitting the hometown; connecting with the world”.	No Discrepancy.
iii. Does the Company establish exclusively (or concurrently) dedicated personnel to implement corporate social responsibility with senior management authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	v		iii. The sustainable development team of the Company is responsible for issues related to corporate social responsibility. The team is divided into two major working fields: “Employee Relationships / Compliance” and “Environment / Safety / Health / Energy Management”. The sustainable development team is responsible for setting up the company's sustainability-related policies and management regulations for all plants. The team is also responsible for assisting plants in improving corporate social responsibility management via training, counseling, auditing, etc. The sustainable development team should periodically report to executive management about the planning, progress, and effectiveness of corporate social responsibility every six months.	No Discrepancy.
iv. Does the Company establish a reasonable remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish a clear and effective incentive and discipline system?	v		iv. The Company enacts reasonable remuneration policies for each level of personnel to ensure the remuneration planning is consistent with the organization’s strategic goals and stakeholders’ interests. The Company combines employee performance management system and CSR, and effectively connects the incentive and disciplinary system to the performance management system.	No Discrepancy.
II. Sustainable environment development i. Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	v		i. In consideration of the clients’ relevant strategies about the non-toxic materials and sustainable development, the Company conducts examination and management on environmental impact factors step by step. The Company selects the materials in compliance with its clients’ standards of material quality, and relevant materials all meet the standards set by its clients. The Company incrementally uses environmental-friendly materials such as TPU or PLA for the shoe materials, simultaneously promotes better manufacturing processes, decreases production of wasted materials and categorizes part of the wastes for recycle and reuse.	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	Summaries	
ii. Does the Company establish proper environmental management systems based on the characteristics of its operations?	v		ii. The Company enacts environmental protection related standards for all its plants' compliance, encourages the plants to promote systematic management structure according to the spirit of the ISO 14001 environmental management system, and realizes the work of environmental protection.	No Discrepancy.
iii. Does the Company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	v		iii. The Company has set up greenhouse gas check system to examine relevant information, and progressively promotes clean and low-carbon fuels and energy conservation projects to reduce the impact resulted from greenhouse gas emission. For more details of the Company's goal of energy conservation, please refer to 2016 CSR Report.	No Discrepancy.
III. Preserving Public Welfare i. Does the Company formulate appropriate management policies and procedures according to relevant labor laws, and internationally recognized human rights principal?	v		i. To establish a code of conduct within the group, the Company follows ILO conventions on core labor standards, the FLA workplace code of conduct, and local labor laws and regulations: the Company never employs child labor or forced labor, respect the employees' freedom of association, and forbid any discriminatory measures as well as any conduct related to receiving bribes from intermediaries. 1.The Company respects and cares for its employees, emphasizes human-based management and incentive measures, encourages employees' positive actions, prohibits harassing or abusing employees in the work place and has set up a complaint channel and specified personnel to be responsible for labor safety and life guidance, who will handle immediately once such violations are found. 2.The Company purchases social insurance or commercial insurance in compliance with local regulations, entitles employees to annual leave, maternity leave, marital leave and other legally required welfare, establishes protective measures for pregnant women and breastfeeding women, and provides scholarship and emergency allowance for employees in need for help. 3.The Company regularly examines the legal compliance status of each factory through internal audit and the implementation results, and charges relevant unit with the improvement.	No Discrepancy.
ii. Dose the Company set up the grievance channel and mechanism to handle complaints appropriately?	v		ii. The Company has set up a complaint channel and specified personnel to be responsible for labor safety and life guidance, who will handle immediately once such violations are found.	No Discrepancy.
iii. Does the Company provide a healthy and safe working	v		iii. In compliance with requirements by the government, the clients, NGO and other stakeholders, the Company effectively operates and keeps improving each	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
environment and conduct training on health and safety for its employees periodically?			safety and hygiene management measures, and invests resources in improving the work environment to ensure employees' safety and health. The Company also prepares standardized teaching materials to conduct training programs for employees of different nationalities.	
iv. Does the Company set up a communication mechanism with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	v		iv. The Company releases material information through regional periodicals in its operational bases or releases official notices to inform the employees of such information, so as to ensure the consistency of information. The Company also delivers information through training programs, instructions for the in-charge, symposiums for employees and the representative of labor association, so as to ensure that the employees understand the Company's regulations and policies.	No Discrepancy.
v. Does the Company provide its employees with career development and training sessions?	v		v. The Company plans its annual training programs according to its mission, vision, business strategies and goals. The Company collects and understands the development focus and training requirements of each business department; continuously engages in innovation and introduce new technologies, concepts, and tools; encourages employee development and organizational learning; offers a diversity of learning channels that encourage autonomous learning; while taking into consideration employees' individual development plans, competency training systems, quality management systems, and professional skills certification courses according to relevant laws. Moreover, the Company has established the Training Program Management Guidelines, to provide a basis for compliance to be followed by relevant departments. (1) Training Programs To motivate employees to improve their work skills and realize a vision of lifelong learning, the Company plans different training courses according to its core value and employees' competency. The Company constantly provides training programs for employees, beginning from the day they start working for the Company to their retirement, to help them acquire the skills they need for work in hopes of strengthening their employability. By arranging training courses for employees, the Company expects to establish a consensus among employees so that they can identify with organizational value and commit toward creating the best business performance for the Company. a. Course for New Employees: The Company provides training courses for new recruits, and arranges a Review Camp for new employees once every quarter. b. Core Competency Course: A systematic training course focusing on group's core thinking and core competencies is provided.	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			c. Management Course: The Company develops and plans management courses for various management levels according to their duties and competencies. In particularly, courses of varying types and levels are devised for management associates and department heads. d. Professional Course: Based on work competencies and professional requirements, this course covers a wide range of professional skills. e. Self-Development Course: This course is focused on the soft power required by employees and aims to encourage autonomous learning and improving individual capabilities. (2) Personal development plans: Enact employees' personal development plans and annual training courses for each unit based on the capacity evaluation results and annual performance evaluation development. In addition to equipping the employees with professional knowledge, the Company also provides training resources to strengthen the employees' management capability, self-developing capacity and common working techniques, so as to enrich the employees' knowledge, raise the overall employee qualities and improve the business performance.	
vi. Does the Company establish any consumer protection mechanisms and appealing procedures regarding research development, procurement, production, operations and service procedures?	v		vi. To protect relevant rights and obligations of the brand customers, the Company has adopted the following management strategies towards suppliers: (1) The suppliers shall abide by the group's management rules governing materials prohibited/restricted in the supply chain; (2) The suppliers shall execute the group's green promise statement; (3) The suppliers shall satisfy the group's basic legal compliance requirements (dangerous material management, green products management and environmental quality) and continue to develop green matters (Green Manufacturing, Green Recycling, Green purchasing, Green Marketing); (4) Manage the suppliers by means of on-site audit from time to time and regular evaluation.	No Discrepancy.
vii. Does the Company advertise and label its goods and services according to relevant regulations and international standards?	v		vii. Promote the environmental promise and green management certificate for suppliers, and part of the Company's suppliers have already obtained the management system certificates, including LWG, Oeko-Tex, Bluesign, ISO 50001, ISO 14064, PAS 2050, ISO 14001, OHSAS 18000 and ISO 9001.	No Discrepancy.
viii. Does the Company evaluate the records of suppliers' impact on the environment and society before taking on business	v		viii. The Company will communicate with the suppliers over environmental promises and corporate green guidelines, and cooperate with the suppliers to establish management mechanism dedicated to environmental protection, low-carbon production management and other social responsibility	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
partnerships?			management index. The green development plans produced will continue to be used in the whole supply chain. The Company also respects its clients' relevant regulations regarding specified material suppliers, complies with its clients' audit plans, and conducts audit, improvement and guidance of work safety and hygiene, prohibited/restricted material management and green management to major specified suppliers. New suppliers have to meet relevant audit standards set by the clients before they become the business partners among the supply chain that are recognized by the Company and its clients.	
ix. Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	v		ix. Through the promotion of green supply chain management, the Company has implanted the concept, requirements and management indicators of green management into the Company's strategic suppliers. As to the strategic suppliers that are unable to meet the group's green management indicators, the Company will demand improvement within a specified period of time. After the improvement has not reached the standard, through the supplier management mechanism to adjust the proportion of procurement to establish a high quality supply chain management system.	No Discrepancy.
IV. Enhancing information disclosure i. Does the Company disclose relevant and reliable CSR information on its website and the MOPS website?	v		i. The Company has set up a CSR section and provided the contact details on the Company's website to disclose the Company's CSR related information and keep good and continuous information feedback and communication channel between the Company and the stakeholders, so as to express its earnest attitude to satisfy the stakeholders' needs for the Company's information and lower their discrimination toward the Company. At the same time, the Company will release the CSR report on its website every year to disclose the results of its CSR implementation.	No Discrepancy.

V. If the Company has enacted its corporate social responsibility best practice principles according to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe the operational status and discrepancy:

The Company has enacted the "Corporate Social Responsibility Best Practice Principles" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", implemented such rules accordingly, no discrepancy so far.

VI. Other important information to facilitate better understanding of the Company's implementation of CSR:

The Company has enacted the "Corporate Social Responsibility Best Practice Principles", prepared the "Corporate Social Responsibility Report" to set forth the operational status of CSR, and disclosed such rules and report on the MOPS website and the Company's website.

VII. Other information regarding the Company's "Corporate Social Responsibility Report" if such report is verified by certifying institution(s):

The 2015 Corporate Social Responsibility Report has passed a SGS inspection, and the standards referred to are GRI 4.0 and AA1000. The 2016 Corporate Social Responsibility Report will also be commissioned to SGS for inspection, and the standards referred to are the same.

(6) Implementation of ethical corporate management

Evaluation Item	Operational status			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
I. Enacting ethical corporate management policies and plans i. Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment by the Board of Directors and Management to implement the policies?	V		i. The Company has enacted "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Corporate Management and Conduct Guidelines", and relevant internal rules, expressly setting forth the ethical corporate management policies, measures and commitment by the Board of Directors and the Management to execute such management policies.	No Discrepancy.
ii. Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		ii. 1. The Company's "Procedures for Ethical Corporate Management and Conduct Guidelines" expressly prescribes the plans to prevent unethical conducts, including the operating procedures, conduct guidelines and education training. 2. In the event of any unethical conduct by the Company's employee, which is proven true after investigation, such event will be handled in accordance with relevant laws and the Company's "Incentive and Disciplinary Regulations". Where the employee objects to the accused violation and disciplinary decision, such employee may file a complaint according to the "Management Rules of	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			Employee Complaints".	
iii. Does the company establish appropriate precautions against high-potential unethical conducts or business activities prescribed in Article 2, Paragraph 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?	V		iii. In addition to raising the Company's personnel's moral standards and strengthening their self-restraint, the Company requires the major suppliers to execute "Honest Transaction Agreement" or provide the Company with honesty declaration or honesty mechanism related documents. Besides, to ensure performance of ethical corporate management, the Company establishes effective accounting system and internal control system. The internal auditor will examine the implementation status of each system regularly and report to the Board of Directors.	No Discrepancy.
II. Implementing ethical corporate management i. Does the company evaluate business partners' ethical records and include ethics related clauses in business contracts?	V		i. Before entering into a business relationship with any third party, the Company will consider the legality and reputation of such third party to avoid dealing with the counterparty who has unethical records. All contracts with the business partners shall include the standards of ethical corporate management, and the conditions of the contract termination or repeal when the business breaches ethics related clauses.	No Discrepancy.
ii. Does the company establish an exclusively (or concurrently)	V		ii. The company has set up an integrity management team	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
dedicated unit supervised by the Board to be in charge of corporate integrity?			assigned by the board of directors, responsible for promoting integrity management policies and precautions, and reporting to the board at least once every year. The work done by the integrity management team in 2016 mainly included to amend the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Corporate Management and Conduct Guidelines", and to formulate the "Procedures for Reporting illegal, unethical and dishonest" for the regulation compliance and management purposes, and to promote integrity management-related principles and regulations on the Company's employee training platform.	
iii. Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		iii. The Company's "Procedures for Ethical Corporate Management and Conduct Guidelines" and "Ethical Conduct Standards" have expressly provided the policies to prevent conflict of interests. In addition to proactive investigation, the Company also established complaint channel on the internal and external websites (HQ@pouchen.com) to deal with possible violation of laws or moral standards, and the disciplinary action will be made according to the severity and specifics of the incident.	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
iv. Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		iv. For realizing ethical corporate management, the company has established effective accounting system and internal control system. The internal auditor shall examine the implementation status regularly and prepare the audit report to submit to the Board of Directors.	No Discrepancy.
v. Does the company regularly hold internal and external educational trainings on operational integrity?	V		v. For realizing the ethical corporate management policies, the Company's Legal Department holds integrity education and training, and through new employee training and the website to promote the philosophy and standards on operational integrity.	No Discrepancy.
III. Operational status of the Company's complaint mechanism i. Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible personnel to handle the complaint received?	V		i. The Company's "Procedures for Ethical Corporate Management and Conduct Guidelines" has expressly provided the report and incentive system, and provided complaint channel and contact email address (HQ@pouchen.com) on the Company's internal and external websites, which serve as the complaint and reporting channel for internal and external personnel of the Company, and such complaint and reporting will be handled by specified personnel.	No Discrepancy.
ii. Does the company establish standard operating procedures for	V		ii. The Company has enacted standard operating procedures	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
confidential reporting on investigating accusation cases?			for investigating the complaints received and relevant confidentiality mechanism. The receipt, investigation process and investigation results of the reported case will be recorded and preserved. Where a violation stands, the specified personnel will immediately, report to the management and make disciplinary decisions according to the situations.	
iii. Does the company provide proper whistleblower protection?	V		iii. The Company will keep the complainant's identity confidential, and take appropriate measures to protect the complainant from improper treatment for his/her complaint.	No Discrepancy.
IV. Enhancing information disclosure i. Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and the MOPS website?	V		i. The Company's "Ethical Corporate Management Best Practice Principles" and corporate governance related information has been disclosed on the Company's website (http://www.pouchen.com).	No Discrepancy.
V. If the Company has enacted its ethical corporate management best practice principles according to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please describe the operational status and discrepancy: The Company has enacted and implemented the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Corporate Management and Conduct Guidelines", implemented such rules accordingly, and found no discrepancy so far.				
VI. Other important information to facilitate the understanding of the Company's implementation of ethical corporate management: 1. As a preliminary condition to perform the ethical corporate management, the Company complies with the "Company Act", the "Securities and Exchange Act", the "Business Entity				

Evaluation Item	Operational status			Discrepancy with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	Summaries	
Accounting Act”, the “Political Donations Act”, the “Anti-Corruption Act”, the “Government Procurement Act”, the “Act on Recusal of Public Servants Due to Conflict of Interest”, relevant regulations governing TWSE listed companies or other related laws governing business acts. 2. The Company’s “Management Procedures for the Operation of Board of Directors’ Meeting” has provided the conflict of interest system for directors. For the proposal proposed in the Board of Directors’ meeting, the director with personal interest or the corporate shareholder’s interest therein, which may harm the Company’s interest, may state his/her opinions and reply to enquiries, shall not participate in the discussion and resolution, shall recuse himself/herself from the discussion and resolution, and shall not vote on behalf of other director as his/her proxy. 3. The Company’s “Management Procedures for the Prevention of Insider Trading” has expressly provided that its Directors, officers and employees shall not disclose the material inside information he/she knows to third parties, shall not make enquiries or collect undisclosed material inside information of the Company which is unrelated to his/her personal duties from the one who is informed of such material inside information, and shall not disclose to third parties the undisclosed material inside information he/she obtains other than during the course of performing his/her duties. 4. The Company has enacted “Procedures for Handling Material Inside Information” to build a sound system to handle and disclose material inside information, to prevent improper disclosure of information and ensure consistency and accuracy of the information released by the Company to the public.				

(7) If the Company has enacted corporate governance best practice principles and relevant rules, please disclose the method for inquiry:

The Company has enacted “Corporate Governance Best Practice Principles”, “Corporate Social Responsibility Best Practice Principles”, “Ethical Corporate Management Best Practice Principles”, “Ethical Conduct Standards” and relevant regulations, which can be found on the Company’s website, http://www.pouchen.com, or the MOPS website.

(8) Other important information to facilitate the understanding of the Company’s implementation of corporate governance:

As the preliminary condition to perform ethical corporate management, the Company is in compliance with the “Company Act”, the “Securities and Exchange Act”, the “Business Entity Accounting Act”, relevant regulations governing TWSE/TPEx listed companies or other related laws governing business acts. In addition, the Company’s “Rules of Procedure for Board of Directors’ Meeting” and “Management procedures for the Operation of Board of Directors’ Meeting” have provided the conflict of interest system of directors. For the proposal proposed in the Board of Directors’ meeting, the director with personal interest or the corporate shareholder’s interest therein, which may harm the Company’s interest, may state his/her opinions and reply to enquiries, shall not participate in the discussion and resolution, shall recuse himself/herself from the discussion and resolution, and shall not vote on behalf of other director as his/her proxy.

The Company’s “Management Procedures for the Prevention of Insider Trading” has expressly provided that its Directors, officers and employees shall not disclose the material inside information he/she knows to third parties, shall not make enquiries or collect undisclosed material inside information of the Company which is unrelated to his/her personal duties from the one who is informed of such material inside information, and shall not disclose to third parties the undisclosed material inside information he/she obtains other than during the course of performing his/her duties.

The Company has enacted “Procedures for Handling Material Inside Information” to build a sound system to handle and disclose material inside information, to prevent improper disclosure of information and ensure consistency and accuracy of the information released by the Company to the public. The implementation status of these procedures has been as expected.

(9) Internal control system implementation status

POU CHEN CORPORATION
Statement of Internal Control System

Date: March 27, 2017

Based on the findings of its self-assessment, the Company states the following with regard to its internal control system during the year 2016:

I. The Company acknowledges that it is the Company's board of directors' and officers' responsibility to establish, implement, and maintain an adequate internal control system. Our internal control system is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, timeliness and transparency of our reporting, compliance with applicable rules, laws and regulations, and achievement of other goals.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its three stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes in environment and circumstances. Nevertheless, the Company's internal control system has self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (the "Regulations"). The criteria adopted by the Regulations identify five key components of the managerial control processes: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each of the five components has several items respectively; please refer to the Regulations for such items.

IV. The Company has evaluated the effectiveness of the design and operation of its internal control system based on the aforementioned criteria.

V. Based on the findings of the evaluation, the Company believes that on December 31, 2016, it has maintained an effective internal control system (including the supervision and management of its subsidiaries) in order to understand the extent that its operations have reached effectiveness and efficiency; the reliability, timeliness and transparency of the reports; compliance with applicable rules, laws and regulations; and to provide reasonable assurance over achieving the aforementioned goals.

VI. This Statement will constitute a major part of the Company's 2016 Annual Report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liabilities under Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.

VII. It is hereby declared that this Statement is adopted at the Board of Directors' meeting on March 27, 2017, with all nine attending directors approving the content of this Statement.

Pou Chen Corporation

Chairman of the Board: Chan, Lu-Min

President: Lu, Chin-Chu

(10) The Company is required to hire an accountant to audit the Company's internal control system and disclose the audit report made by accountants: N/A.

(11) For the Most Recent Fiscal Year and during the Current Fiscal Year up to the date of Publication of the Annual Report, facts about penalties imposed upon the Company and its internal personnel for their violation of the internal control system, major defects and the corrective actions taken: N/A.

(12) For the Most Recent Fiscal Year and during the Current Fiscal Year up to the date of Publication of the Annual Report, the material resolutions resolved in the shareholders' meeting and Board of Directors :

A. Material resolutions of 2016 annual general shareholders' meeting and the implementation status thereof :

Date	The type of meeting	Material resolutions	Implementation status
2016.06.15	Annual general shareholders' meeting	Ratification: i. Ratification of the Company's 2015 Business Report and Financial Statements.	The resolution has been implemented accordingly.
		ii. Ratification of the Company's 2015 Profit Distribution.	The ex-dividend record date is July 13, 2016, and the cash dividends have been distributed on August 5, 2016.
		Discussion: i. Discussion on the amendments to the Company's "Articles of Incorporation".	Approved for registration by the Ministry of Economic Affairs on July 6, 2016 and announced on the Company's website.
		ii. Discussion on the amendments to the Company's "Rules for Election of Directors and Supervisors".	It has been disclosed on the Company's website, and the Company is now operating in accordance with the amended "Rules for Election of Directors".
		iii. Discussion on the amendments to the Company's "Procedures for Acquisition and Disposal of Assets".	It has been disclosed on the Company's website, and the Company is now operating in accordance with the amended "Procedures for Acquisition and Disposal of Assets".
		iv. Discussion on the amendments to the Company's "Rules and Procedures of Shareholder Meetings".	It has been disclosed on the Company's website, and the Company is now operating in accordance with the amended "Rules and Procedures of Shareholder Meetings".
		v. Discussion on the amendments to the Company's "Operational Procedures for Loaning of Company Funds".	It has been disclosed on the Company's website, and the Company is now operating in accordance with the amended "Operational Procedures for Loaning of Company Funds".
		vi. Discussion on the amendments to the Company's "Operational Procedures for Making Endorsements and Guarantees".	It has been disclosed on the Company's website, and the Company is now operating in accordance with the amended "Operational Procedures for Making Endorsements and Guarantees".
		Election: Election of all Directors, including three independent Directors, of the Company.	Approved for registration by the Ministry of Economic Affairs on July 6, 2016 and announced on the Company's website.
		Others: Proposal to release Directors of the Company from non-competition restrictions.	All Directors and representatives of corporate director are in compliance with relevant laws

B. Material Resolutions during the Board of Directors' Meetings in 2016 and to the date of publication of this Annual Report:

Date	Term	Material resolutions
2016.03.24	22nd meeting of the 21st Board of Directors	1. Adopted the amendment of the Company's "Articles of Incorporation". 2. Adopted the amount of the Company's 2015 distribution for director and supervisor remuneration and employee compensation. 3. Adopted the Company's 2015 Business Report and Financial Statements. 4. Adopted the Company's 2015 Statement of Internal Control System. 5. Adopted the remuneration for the Company's officers. 6. Adopted the proposal to appoint the new officer. 7. Adopted the remuneration for the new officer. 8. Adopted the proposal to enact the Company's "Organizational Rules for the Audit Committee". 9. Adopted the amendment of the Company's "Rules for Election of Directors and Supervisors". 10. Adopted the amendment of the Company's "Procedures for Acquisition and Disposal of Assets". 11. Adopted the amendment of the Company's "Rules and Procedures of Shareholder Meetings". 12. Adopted the amendment of the Company's "Operational Procedures for Loaning of Company Funds". 13. Adopted the amendment of the Company's "Operational Procedures for Making Endorsements and Guarantees". 14. Adopted the proposal to enact the Company's "Ethical Conduct Standards". 15. Adopted the proposal to release the non-competition restrictions from the Company's officers. 16. Adopted the proposal to elect new directors (including three independent directors). 17. Adopted the nomination and reviewed the list of independent director candidates. 18. Adopted the proposal to release the non-competition restrictions from the Company's Directors. 19. Relevant matters regarding convening the Company's 2016 annual general shareholders' meeting. 20. Adopted the application for increasing and renewing the line of credit for the Company to lend funds from financial institutions. 21. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiary.
2016.04.29	23rd meeting of the 21st Board of Directors	1. Adopted the Company's 2015 profit distribution. 2. Adopted the review of the nomination list of independent directors to be elected at the Company's 2016 annual general shareholders' meeting.
2016.06.15	1st meeting of the 22nd Board of Directors	1. Completed the Chairman election of the 22nd Board of Directors. 2. Approved the appointment of Remuneration Committee members.
2016.08.15	2nd meeting of the 22nd Board of Directors	1. Adopted the remuneration and transportation allowances for Independent Directors. 2. Adopted the remuneration and transportation allowances for Directors. 3. Adopted the remuneration and Employees' Compensation for the Company's officers. 4. Adopted the amount of the Company's 2015 distribution for directors and supervisors remuneration. 5. Adopted the amendment of the Company's "Internal Control System" and "Internal Control System and Implementation Rules". 6. Adopted the amendment of the Company's "Accounting System". 7. Adopted the amendment of the Company's "Organizational Rules for the Remuneration Committee". 8. Adopted the amendment of the Company's "Regulations of supervision and management over subsidiaries".

Date	Term	Material resolutions
		9. Adopted the amendment of the Company's "Rules of Procedure for Board of Directors' Meeting". 10. Adopted the amendment of the Company's "Procedures for Handling Material Inside Information". 11. Adopted the amendment of the Company's "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct". 12. Adopted the amendment of the Company's "Corporate Governance Best Practice Principles". 13. Adopted the application for increasing, renewing and non-renewing the line of credit for the Company to lend funds from financial institutions. 14. Adopted the line of credit for the Company to make and remove endorsement or guarantee for its subsidiary.
2016.11.14	3rd meeting of the 22nd Board of Directors	1. Adopted to review the award for Company's officers. 2. Adopted the proposal to appoint the new officer. 3. Adopted the remuneration for the new officer. 4. Adopted the Company's 2017 Internal Audit Plan. 5. Adopted the independence evaluation of the Company's CPA and the CPA's appointment and remuneration. 6. Adopted the application for increasing, renewing and non-renewing the line of credit for the Company to lend funds from financial institutions.
2016.12.23	4th meeting of the 22nd Board of Directors	1. Adopted the proposal to enact the Company's "Procedures for reporting illegal, unethical and dishonest". 2. Adopted the amendment of the Company's "Operating Procedures for Application of Suspending and Resuming Transactions". 3. Adopted the Company's 2017 Business Plan. 4. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiary.
2017.03.27	5th meeting of the 22nd Board of Directors	1. Adopted the amendment of the Company's "Articles of Incorporation". 2. Adopted the amount of the Company's 2016 distribution for director and supervisor remuneration and employee compensation. 3. Adopted the remuneration for the Company's officers. 4. Adopted the Company's 2016 Business Report and Financial Statements. 5. Adopted the Company's 2016 Statement of Internal Control System. 6. Adopted the amendment of the Company's "Procedures for Acquisition and Disposal of Assets". 7. Adopted the amendment of the Company's "Corporate Governance Best Practice Principles". 8. Relevant matters regarding convening the Company's 2017 annual general shareholders' meeting.
2017.04.28	6th meeting of the 22nd Board of Directors	1. Adopted the Company's 2016 profit distribution. 2. Adopted the application for increasing and renewing the line of credit for the Company to lend funds from financial institutions.

(13) In recent fiscal year and as of the date of this Annual Report, major contents of the record or written statements made by any director or supervisor dissenting to important resolutions adopted by the Board of Directors: N/A.

(14) In recent fiscal year and as of the date of this Annual Report, facts regarding resignation and dismissal of the Chairman, President, accounting head, financial head, head of the internal auditors and head of the research and development department:

2017.05.15

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
President	Kuo, Tai-Yu	1995.08.08	2016.06.30	Retirement

3.5 Information Regarding the Company’s Professional Fees

A. Information regarding the Company’s professional fees

(in NT$ thousands)

Accounting firm	Name of the CPA	Audit fees	Non-Audit Fees					CPA’s audit time period	Notes
			Design of the system	Registration with the competent authority	Human resources	Others	Sum		
Deloitte &Touche	Wu, Ker-Chang Yu, Hung-Bin	11,860	0	0	0	0	0	2016 Q1~Q3 quarterly financial reports and 2016 annual financial report	None

B. Intervals of the fees for the CPA

Unit: in NT$

Intervals of the amount \ Items of fees		Audit fees	Non-audit fees	Total
1	Less than 2,000,000		V	
2	2,000,000 (included)～4,000,000			
3	4,000,000 (included)～6,000,000			
4	6,000,000 (included)～8,000,000			
5	8,000,000 (included)～10,000,000			
6	More than 10,000,000	V		V

C. The facts of changing the CPA Firm and the CPA fee paid in the year of change decreased from the preceding year: N/A.

D. Decrease of CPA fee by more than 15% compared with that in the preceding year: N/A.

3.6 Information Regarding the change of Certified Public Accountant Firm: N/A (as of the date of this Annual Report).

3.7 The Company’s Chairman, President, Officers in charge of Financial or Accounting Affairs has served in Its Certified Public Accountant Firm or Its Affiliated Enterprise for the most recent fiscal year: N/A.

3.8 Transfer of Equity Interests and/or Pledge of or Changes in Equity Interests by Directors, Supervisors, Officers or Major Shareholders with a Stake of More than 10 Percent

Unit: shares

Title	Name	Year 2016		Until April 17 of the year	
		Increase/Decrease of the shareholding	Increase/Decrease of the shares under pledge	Increase/Decrease of the shareholding	Increase/Decrease of the shares under pledge
Chairman of the Board	PC Brothers Corporation	0	0	0	0
	Representative: Chan, Lu-Min (President of the Administration Management Department)	0	0	0	0
Vice Chairman of the Board	Tsai, Nai-Fung (Note 1)	0	0	0	0
Director	Tsai, Pei-Chun (Note 2)	0	0	0	0
Director	Tzong Ming Investments Co., Ltd.	0	0	0	0
	Representative: Tsai, Min-Chieh	0	0	0	0
Director	Chang Ming Investments Co., Ltd. (Note 1)	0	0	0	0
	Representative: Lu, Chin-Chu (President)	0	0	0	0
Director	Ever Green Investments Corporation (Note 2)	0	0	0	0
	Representative: Lu, Chin-Chu (President)	0	0	0	0
Director	Sheachang Enterprise Corporation (Note 2)	0	0	0	0
	Representative: Tsai, Ming-Lun (Executive Senior Manager)	0	0	0	0
Director	Lai Chia Investments Co.,Ltd. (Note 3)	0	0	0	0
	Representative: Ho, Yue-Ming (Executive Senior Manager)	0	0	0	0
Independent Director	Chen, Bor-Liang	0	0	0	0

Title	Name	Year 2016		Until April 17 of the year	
		Increase/Decrease of the shareholding	Increase/Decrease of the shares under pledge	Increase/Decrease of the shareholding	Increase/Decrease of the shares under pledge
Independent Director	Chiu, Tien-I	0	0	0	0
Independent Director	Chen, Jung –Tung (Note 2)	0	0	0	0
Supervisor	Sheachang Enterprise Corporation (Note 1)	0	0	0	0
	Lin, Yuan-Lang (Note 1)	0	0	0	0
Supervisor	Ever Green Investments Corporation (Note 1)	0	0	0	0
	Chen, Huan-Chung (Note 1)	0	0	0	0
President of Apparel Business Department	Kuo, Tai-Yu (Note 4)	0	0	0	0
President of Footwear Joint Venture Business Department	Kung, Sung-Yen (Note 5)	(40,000)	0	0	0
Vice President	Liu, Hong-Chih (Note 6)	0			
Executive Senior Manager	Ho, Ming-Kun	0	0	0	0
Senior Manager	Chang, Yea-Fen (Note 5)	(241,000)	0	0	0
Senior Manager	Wu, Hui-Chi	0	0	0	0

Note 1: Retired as a director on June 15, 2016, the above information only covered the period of employment.

Note 2: Elected as director on June 15, 2016, the above information only covered the period of employment.

Note 3: Reelected as director on June 15, 2016, which assigned Ho, Yue-Ming as representative, the above information for Ho, Yue-Ming only covered the period of employment.

Note 4: Retired as officer on June 30, 2016, the above information only covered the period of employment.

Note 5: The counterparty of the share transfer is a third party.

Note 6: Appointed as officer in the Board of Directors' meeting on November 14, 2016.

3.9 Relationship among the Top Ten Shareholders

April 17, 2017 (Unit: Shares)

Name	Shares held by him/her/itself		Shares held by the spouse or underage children		Shareholding by nominee arrangement		Name and relationship between the Company's top ten shareholders, or spouses or relatives within two degrees		Notes
	Number of shares	Ratio (%)	Number of shares	Ratio (%)	Number of shares	Ratio (%)	Name	Relations	
PC Brothers Corporation	213,280,710	7.24	0	-	0	-	N/A	-	-
Representative: Chan, Lu-Min	366,452	0.01	0	-	0	-	N/A	-	-
Chuan Mou Investments Co., Ltd.	163,425,022	5.55	0	-	0	-	N/A.	-	-
Chairman: Lee, A-Chuan	165,536	0.01	0	-	0	-	N/A	-	-
Red Magnet Developments Limited	135,594,174	4.60	0	-	0	-	N/A	-	-
Representative: Wu, Pan-Tsu	0	-	0	-	0	-	N/A	-	-
Kai Tai Investments Co., Ltd.	131,744,557	4.47	0	-	0	-	N/A	-	-
Chairman: Chen, Ying-Ta	0	-	0	-	0	-	N/A	-	-
Taishin International Bank Trust Account - Tsai, Chi Jui	101,951,385	3.46	0	-	0	-	N/A	-	-
Fubon Life Insurance Co., Ltd.	89,050,000	3.02	0	-	0	-	N/A	-	-
Representative: Tsai, Richard M.	0	-	0	-	0	-	N/A	-	-
Cathay Life Insurance Co., Ltd.	68,387,000	2.32	0	-	0	-	N/A	-	-
Representative: Tsai, Hong-Tu	0	-	0	-	0	-	N/A	-	-
Seafarer Overseas Growth and Income Fund	60,000,000	2.04	0	-	0	-	N/A	-	-
Mega International Commercial Bank in custody for Mega Securities (Hong Kong) Limited	54,826,517	1.86	0	-	0	-	N/A	-	-
Citibank (Taiwan) in custody for Singapore Government	50,408,822	1.71	0	-	0	-	N/A	-	-

3.10 The number of Shares of an Enterprise held by the Company, the Company's Directors, Officers and the Enterprises Controlled by the Company Directly or Indirectly, and the Consolidated Shareholding Percentage

March 31, 2017 (Unit: Shares)

Affiliated Company	Ownership by the Company		Direct or Indirect Ownership by Directors, Officers		Total Ownership	
	Number of shares	Ratio (%)	Number of shares	Ratio (%)	Number of shares	Ratio (%)
Wealthplus Holdings Limited	9,222,000	100.00	0	-	9,222,000	100.00
Win Fortune Investments Limited	100,000	100.00	0	-	100,000	100.00
Windsor Entertainment Co., Ltd.	10,000,000	100.00	0	-	10,000,000	100.00
Pou Shine Investments Co., Ltd.	133,094,460	100.00	0	-	133,094,460	100.00
Pan Asia Insurance Services Co., Ltd.	Note	100.00	Note	-	Note	100.00
Barits Development Corporation	230,882,558	99.49	296,670	0.13	231,179,228	99.62
Pou Yuen Technology Co., Ltd.	28,437,147	97.82	578,170	1.99	29,015,317	99.81
Pro Arch International Development Enterprise Inc.	20,000,000	100.00	0	0	20,000,000	100.00
Pou Yii Development Co., Ltd.	7,875,000	15.00	39,375,000	75.00	47,250,000	90.00
Wang Yi Construction Co., Ltd.	601,755	7.82	6,910,750	89.75	7,512,505	97.57
Elitegroup Computer Systems Co., Ltd.	70,066,949	12.57	38,638,336	6.93	108,705,285	19.50
Techview International Technology Inc.	75	30.00	50	20.00	125	50.00
Ruen Chen Investment Holding Co., Ltd.	2,229,000,000	20.00	0	-	2,229,000,000	20.00

Note: the company is a limited company.

IV. CAPITAL OVERVIEW

4.1 Capital and Shares

(1) Share Capital

A. Sources of Share Capital

Unit: NT$/Shares

Year/ Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital injection by assets other than cash	Other
1992.05	10	150,000,000	1,500,000,000	133,116,000	1,331,160,000	—	—	—
1993.12	10	185,000,000	1,850,000,000	159,975,200	1,599,752,000	Note 1	—	—
1994.08	10	185,000,000	1,850,000,000	183,971,480	1,839,714,800	Note 2	—	—
1995.06	10	378,000,000	3,780,000,000	220,765,776	2,207,657,760	Note 3	—	—
1996.09	10	378,000,000	3,780,000,000	264,918,931	2,649,189,310	Note 4	—	—
1997.06	10	496,500,000 (including convertible corporate bonds of 50 million shares)	4,965,000,000 (including convertible corporate bonds of NT$ 500 million)	357,640,556	3,576,405,560	Note 5	—	—
1998.02	10	496,500,000 (including convertible corporate bonds of 50 million shares)	4,965,000,000 (including convertible corporate bonds of NT$ 500 million)	378,972,570	3,789,725,700	Note 6	—	—
1998.05.07	10	1,133,500,000 (including convertible corporate bonds of 200 million shares)	11,335,000,000 (including convertible corporate bonds of NT$2 billion)	568,458,855	5,684,588,550	Note 7	—	—
1998.06.02	80	1,133,500,000 (including convertible corporate bonds of 200 million shares)	11,335,000,000 (including convertible corporate bonds of NT$2 billion)	607,930,915	6,079,309,150	Note 8	—	—
1999.07.05	10	1,133,500,000 (including convertible corporate bonds of 200 million shares)	11,335,000,000 (including convertible corporate bonds of NT$2 billion)	851,103,280	8,511,032,800	Note 9	—	—
2000.01.19	conversion price 67.05	1,133,500,000 (including convertible corporate bonds of 200 million shares)	11,335,000,000 (including convertible corporate bonds of NT$2 billion)	856,421,995	8,564,219,950	Note 10	—	—
2000.05.12	conversion price 67.05	1,133,500,000 (including convertible corporate bonds of 200 million shares)	11,335,000,000 (including convertible corporate bonds of NT$2 billion)	875,762,784	8,757,627,840	Note 11	—	—
2000.07.15	10	2,303,500,000 (including convertible corporate bonds of 200 million	23,035,000,000 (including convertible corporate bonds of NT$ 2 billion)	1,229,174,619	12,291,746,190	Note 12	—	—

Year/ Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital injection by assets other than cash	Other
		shares)						
2001.07.20	10	2,303,500,000 (including convertible corporate bonds of 200 million shares)	23,035,000,000 (including convertible corporate bonds of NT$ 2 billion)	1,352,092,080	13,520,920,800	Note 13	—	—
2002.07.05	10	2,303,500,000 (including convertible corporate bonds of 200 million shares, employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	23,035,000,000 (including convertible corporate bonds of NT$ 2 billion, employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$2.5 billion)	1,632,582,229	16,325,822,290	Note 14	—	—
2003.07.04	10	3,028,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	30,280,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	1,884,799,453	18,847,994,530	Note 15	—	—
2004.07.22	10	3,475,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	34,750,000,000 (including employee share options, preferred share option or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,089,733,386	20,897,333,860	Note 16	—	—
2004.10.20	10	3,475,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	34,750,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,093,362,386	20,933,623,860	Note 17	—	—
2005.01.24	10	3,475,000,000 (including employee share	34,750,000,000 (including employee share	2,093,673,386	20,936,733,860	Note 18	—	—

Year/ Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital injection by assets other than cash	Other
		options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)					
2005.04.19	10	3,475,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	34,750,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,094,816,386	20,948,163,860	Note 19	—	—
2005.07.21	10	3,475,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	34,750,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,095,583,386	20,955,833,860	Note 20	—	—
2005.07.22	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,304,788,816	23,047,888,160	Note 21	—	—
2005.10.28	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,305,430,816	23,054,308,160	Note 22	—	—
2006.02.08	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options	2,305,792,816	23,057,928,160	Note 23	—	—

Year/ Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital injection by assets other than cash	Other
		available for subscription in the amount of 250 million shares)	available for subscription in the amount of NT$ 2.5 billion)					
2006.04.21	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share option or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,307,207,816	23,072,078,160	Note 24	—	—
2006.07.24	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,307,985,816	23,079,858,160	Note 25	—	—
2006.09.21	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,435,012,336	24,350,123,360	Note 26	—	—
2006.10.20	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,438,056,336	24,380,563,360	Note 27	—	—
2007.01.23	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,442,685,746	24,426,857,460	Note 28	—	—

Year/ Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital injection by assets other than cash	Other
2007.05.10	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,445,245,915	24,452,459,150	Note 29	—	—
2007.07.25	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,447,329,695	24,473,296,950	Note 30	—	—
2007.08.06	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,511,101,130	25,111,011,300	Note 31	—	—
2007.10.19	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,511,559,987	25,115,599,870	Note 32	—	—
2008.01.17	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,511,853,987	25,118,539,870	Note 33	—	—
2008.04.17	10	3,800,000,000 (including employee share options, preferred	38,000,000,000 (including employee share options, preferred	2,513,606,987	25,136,069,870	Note 34	—	—

Year/ Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital injection by assets other than cash	Other
		share options or corporate bonds with options available for subscription in the amount of 250 million shares)	share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)					
2008.07.31	10	3,800,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 2.5 billion)	2,514,528,987	25,145,289,870	Note 35	—	—
2008.08.21	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,788,960,495	27,889,604,950	Note 36	—	—
2008.10.23	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,789,925,495	27,899,254,950	Note 37	—	—
2009.01.16	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,740,005,495	27,400,054,950	Note 38	—	—
2009.04.14	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for	2,712,567,495	27,125,674,950	Note 39	—	—

Year/ Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital injection by assets other than cash	Other
		subscription in the amount of 300 million shares)	subscription in the amount of NT$ 3 billion)					
2009.05.19	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,705,567,495	27,055,674,950	Note 40	—	—
2009.08.19	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,842,785,728	28,427,857,280	Note 41	—	—
2010.01.22	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,843,084,728	28,430,847,280	Note 42	—	—
2010.04.20	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,843,109,728	28,431,097,280	Note 43	—	—
2010.08.11	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,899,105,922	28,991,059,220	Note 44	—	—
2010.10.21	10	4,500,000,000	45,000,000,000	2,899,755,922	28,997,559,220	Note 45	—	—

Year/ Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital injection by assets other than cash	Other
		(including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	(including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)					
2011.04.18	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,900,061,922	29,000,619,220	Note 46	—	—
2011.07.15	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,900,435,922	29,004,359,220	Note 47	—	—
2011.10.26	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,908,638,922	29,086,389,220	Note 48	—	—
2012.01.18	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,924,146,922	29,241,469,220	Note 49	—	—
2012.05.01	10	4,500,000,000 (including employee share options, preferred share options or	45,000,000,000 (including employee share options, preferred share options or	2,940,283,922	29,402,839,220	Note 50	—	—

Year/ Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital injection by assets other than cash	Other
		corporate bonds with options available for subscription in the amount of 300 million shares)	corporate bonds with options available for subscription in the amount of NT$ 3 billion)					
2012.07.17	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,941,665,922	29,416,659,220	Note 51	—	—
2012.10.26	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,943,184,922	29,431,849,220	Note 52	—	—
2013.04.22	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,943,780,104	29,437,801,040	Note 53	—	—
2013.07.29	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 300 million shares)	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)	2,944,137,213	29,441,372,130	Note 54	—	—
2015.10.21	10	4,500,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the	2,946,787,213	29,467,872,130	Note 55	—	—

<table>
<tr><th rowspan="2">Year/ Month</th><th rowspan="2">Issued Price</th><th colspan="2">Authorized Capital</th><th colspan="2">Paid-in Capital</th><th colspan="3">Remarks</th></tr>
<tr><th>Shares</th><th>Amount</th><th>Shares</th><th>Amount</th><th>Sources of Capital</th><th>Capital injection by assets other than cash</th><th>Other</th></tr>
<tr><td></td><td></td><td>amount of 300 million shares)</td><td>amount of NT$ 3 billion)</td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

Note 1: Approval for capital increase in the amount of NT$ 268,592,000 based on earnings (including employee bonus NT$2,360,000): The 03 August 1993 Taiwan-Finance-Securities Letter, No. 29888.

Note 2: Approval for capital increase in the amount of NT$ 239,962,800 based on earnings: The 29 August 1994 Taiwan-Finance-Securities Letter, No. 32085.

Note 3: Approval for capital increase in the amount of NT$ 367,942,960 based on earnings: The 29 June 1995 Taiwan-Finance-Securities Letter, No. 37682.

Note 4: Approval for capital increase in the amount of NT$ 441,531,550 based on earnings: The 17 September 1996 Taiwan-Finance-Securities Letter, No. 56736.

Note 5: Approval for capital increase in the amount of NT$ 927,216,250 based on earnings: The 24 May 1997 Taiwan-Finance-Securities Letter, No. 41551.

Note 6: Approval for capital increase in the amount of NT$ 213,320,140 based on earnings: The 25 November 1997 Taiwan-Finance-Securities Letter, No. 81051.

Note 7: Approval for capital increase in the amount of NT$ 1,894,862,850 based on earnings: 07 May 1998 Taiwan-Finance-Securities Letter, No. 38354.

Note 8: Approval for capital increase in the amount of NT$ 394,720,600 based on earnings: 02 June 1998 Taiwan-Finance-Securities Letter, No. 37461.

Note 9: Approval for capital increase in the amount of NT$ 1,823,792,740 based on earnings: The 05 July 1999 Taiwan-Finance-Securities Letter, No. 61108.；capital increase in the amount of NT$ 607,930,910 based on capital reserve.

Note 10: Approval for the issuance of 5,318,715 (NT$ 53,187,150) new shares based on convertible corporate bonds: The 19 January 2000 Economics-Business Letter, No. 08910076.

Note 11: Approval for the issuance of 19,340,789 (NT$ 193,407,890) new shares based on convertible corporate bonds: The 12 May 2000 Economics-Business Letter, No. 089114934.

Note 12: Approval for capital increase in the amount of NT$ 2,658,355,570 (including employee bonus NT$ 31,067,220) based on earnings: The 15 July 2000 Taiwan-Finance-Securities Letter, No. 60739；capital increase in the amount of NT$ 875,762,780 based on capital reserve.

Note 13: Approval for capital increase in the amount of NT$ 1,229,174,610 based on capital reserve: The 20 July 2001 Taiwan-Finance-Securities Letter, No. 147283.

Note 14: Approval for capital increase in the amount of NT$ 1,452,809,410 (including employee bonus NT$ 100,717,330) based on earnings: The 05 July 2002 Taiwan-Finance-Securities Letter, No. 910137022；capital increase in the amount of NT$1,352,092,080 based on capital reserve.

Note 15: Approval for capital increase in the amount of NT$ 2,522,172,240 (including employee bonus NT$ 73,298,900) based on earnings: The 04 July 2003 Taiwan-Finance-Securities Letter, No. 0920129891.

Note 16: Approval for capital increase in the amount of NT$ 2,049,339,330 (including employee bonus NT$ 164,539,880) based on earnings: The 22 July 2004 Financial-Supervisory-Securities Letter, No. 0930132871.

Note 17: Approval for issuance of 3,629,000 (NT$ 36,290,000) new shares based on employee share options: The 20 October 2004 Economic-Authorized-Business Letter, No. 0930119770.

Note 18: Approval for issuance of 311,000 (NT$ 3,110,000) new shares based on employee share options: The 24 January 2005 Economic-Authorized-Business Letter, No. 09401010910.

Note 19: Approval for issuance of 1,143,000 (NT$ 11,430,000) new shares based on employee share options: The 19 April 2015 Economic-Authorized-Business Letter, No. 09401066360.

Note 20: Approval for issuance of 767,000 (NT$7,670,000) new shares based on employee share options: The 21 July 2015 Economic-Authorized-Business Letter, No. 09401138550.

Note 21: Approval for capital increase in the amount of NT$ 2,092,054,300 (including employee bonus NT$ 42,396,910) based on earnings: The 22 July 2005 Financial-Supervisory-Securities Letter, No. 0940129791.

Note 22: Approval for issuance of 642,000 (NT$ 6,420,000) new shares based on employee share options: The 28 October 2005 Economic-Authorized-Business Letter, No. 09401216290.

Note 23: Approval for issuance of 362,000 (NT$ 3,620,000) news shares based on employee share options: The 8 February 2006 Economic-Authorized-Business Letter, No. 09501022210.

Note 24: Approval for issuance of 1,415,000 (NT$ 14,150,000) new shares based on employee share options: The 21 April 2006 Economic-Authorized-Business Letter, No. 09501071090.

Note 25: Approval for issuance of 778,000 (NT$ 7,780,000) new shares based on employee share options: The 24 July 2006 Economic-Authorized-Business Letter, No. 09501156300.

Note 26: Approval for capital increase in the amount of NT$ 1,270,265,200 based on earnings: The 21 September 2006 Economic-Authorized-Business Letter, No. 09501211980.

Note 27: Approval for issuance of 3,044,000 (NT$ 30,440,000) new shares based on employee share options: The 20 October 2016 Economic-Authorized-Business Letter, No. 09501237370.

Note 28: Approval for issuance of 2,441,000 (NT$ 24,410,000) new shares based on employee share options, and issuance of 2,188,410 (NT$ 21,884,100) new shares based on convertible corporate bonds: The 23 January 2007 Economic-Authorized-Business Letter, No. 09601017360.

Note 29: Approval for issuance of 2,087,000 (NT$ 20,870,000) new shares based on employee share options, and issuance of 473,169 (NT$ 4,731,690) new shares based on convertible corporate bonds: The 10 May 2007 Economic-Authorized-Business Letter, No. 09601101980.

Note 30: Approval for issuance of 1,930,000 (NT$ 19,300,000) new shares based on employee share options, and issuance of 153,780 (NT$ 1,537,800) new shares based on convertible corporate bonds: The 25 July 2007 Economic-Authorized-Business Letter, No. 09601173570.

Note 31: Approval for capital increase in the amount of NT$ 637,714,350 (including employee bonus NT$151,505,170) based on earnings: The 06 August 2007 Economic-Authorized-Business Letter, No. 09601187590.

Note 32: Approval for issuance of 273,000 (NT$ 2,730,000) new shares based on employee share options and issuance of 185,857 (NT$ 1,858,570) new shares based on convertible corporate bonds: The 19 October 2007 Economic-Authorized-Business Letter, No. 09601257130.

Note 33: Approval for issuance of 294,000 (NT$ 2,940,000) new shares based on employee share options: The 17 January 2008 Economic-Authorized-Business Letter, No. 09701012630.

Note 34: Approval for issuance of 1,753,000 (NT$ 17,530,000) new shares based on employee share options: The 17 April 2008 Economic-Authorized-Business Letter, No. 09701092370.

Note 35: Approval for issuance of 922,000 (NT$ 9,220,000) new shares based on employee share options: The 31 July 2008 Economic-Authorized-Business Letter, No. 09701187370.

Note 36: Approval for capital increase in the amount of NT$2,744,315,080 (including employee bonus NT$273,216,100) based on earnings: The 21 August 2008 Economic-Authorized-Business Letter, No. 09701210880.

Note 37: Approval for issuance of 965,000 (NT$ 9,650,000) new shares based on employee share options: The 23 October 2008 Economic-Authorized-Business Letter, No. 09701265620.

Note 38: Approval for issuance of 80,000 (NT$ 800,000) new shares based on employee share options, and cancellation of 50,000,000 (NT$ 500,000,000) treasury shares: The 16 January 2009 Economic-Authorized-Business Letter, No. 09801011170.

Note 39: Approval for issuance of 62,000 (NT$ 620,000) new shares based on employee share options, and cancellation of 27,500,000 (NT$ 275,000,000) treasury shares: The 14 April 2009 Economic-Authorized-Business Letter, No. 09801074100.

Note 40: Approval for cancellation of 7,000,000 (NT$ 70,000,000) treasury shares: The 19 May 2009 Economic-Authorized-Business Letter, No. 0981098500.

Note 41: Approval for capital increase by the issuance of 137,218,233 (NT$ 1,372,182,330) new shares based on undistributed earnings and employee bonus: The 19 August 2009 Economic-Authorized-Business Letter, No. 09801187410.

Note 42: Approval for capital increase by the issuance of 299,000 (NT$ 2,990,000) new shares based on employee bonus: The 22 January 2010 Economic-Authorized-Business Letter, No. 09901012630.

Note 43: Approval for issuance of 25,000 (NT$ 250,000) new shares based on employee share options: The 20 April 2010 Economic-Authorized-Business Letter, No. 09901078520.

Note 44: Approval for capital increase by the issuance of 55,996,194 (NT$ 559,961,940) new shares based on undistributed earnings: The 11 August 2010 Economic-Authorized-Business Letter, No. 09901177910.

Note 45: Approval for issuance of 650,000 (NT$ 6,500,000) new shares based on employee share options: The 21 October 2010 Economic-Authorized-Business Letter, No. 09901237790.

Note 46: Approval for issuance of 306,000 (NT$ 3,060,000) new shares based on employee share options: The 18 April 2011 Economic-Authorized-Business Letter, No. 10001075180.

Note 47: Approval for issuance of 374,000 (NT$ 3,740,000) new shares based on employee share options: The 15 July 2011 Economic-Authorized-Business Letter, No. 1000116580.

Note 48: Approval for issuance of 8,203,000 (NT$82,030,000) new shares based on employee share options: The 26 October 2011 Economic-Authorized-Business Letter, No. 10001246280.

Note 49: Approval for issuance of 15,508,000 (NT$ 155,080,000) new shares based on employee share options: The 18 January 2012 Economic-Authorized-Business Letter, No. 10101011620.

Note 50: Approval for issuance of 16,137,000 (NT$ 161,370,000) new shares based on employee share options: The 01 May 2012 Economic-Authorized-Business Letter, No. 10101077780.

Note 51: Approval for issuance of 1,382,000 (NT$ 13,820,000) new shares based on employee share options: The 17 July 2012 Economic-Authorized-Business Letter, No. 10101145420.

Note 52: Approval for issuance of 1,519,000 (NT$ 15,190,000) new shares based on employee share options: The 26 October 2012 Economic-Authorized-Business Letter, No. 10101214180.

Note 53: Approval for issuance of 595,182 (NT$5,951,820) new shares based on employee share options: The 22 April 2013 Economic-Authorized-Business Letter, No. 10201074260.

Note 54: Approval for issuance of 357,109 (NT$3,571,090) new shares based on employee share options: The 29 July 2013 Economic-Authorized-Business Letter, No. 10201144050.

Note 55: Approval for issuance of 2,650,000 (NT$26,500,000) new shares based on employee share options: The 21 October 2015 Economic-Authorized-Business Letter, No. 10401221220.

B. Type of Shares:

April 17, 2017; Unit: shares

Type of shares	Authorized Share Capital			Notes
	Issued and outstanding shares	Unissued shares	Total	
Common shares	2,946,787,213	1,553,212,787	4,500,000,000	TWSE listed shares

C. Information for Shelf Registration: N/A.

(2) Status of Shareholders

April 17, 2017; Unit: persons; shares

Shareholder's structure / Number	Governmental Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions and Foreigners	Total
Number of shareholders	9	62	146	70,061	845	71,123
Number of shares held	85,442,281	358,982,528	424,151,726	364,489,321	1,713,721,357	2,946,787,213
Ratio (%)	2.90%	12.18%	14.39%	12.37%	58.16%	100.00%

(3) Distribution profile of shareholding

April 17, 2017

Interval of number of shares (shares)	Number of Shareholders (persons)	Number of shares held (shares)	Ratio (%)
1 to 999	33,583	7,994,679	0.27%
1,000 to 5,000	25,347	57,197,589	1.94%
5,001 to 10,000	5,864	42,979,732	1.46%
10,001 to 15,000	2,024	24,784,973	0.84%
15,001 to 20,000	1,173	20,472,538	0.70%
20,001 to 30,000	1,036	25,136,696	0.85%
30,001 to 40,000	497	17,223,865	0.58%
40,001 to 50,000	302	13,671,263	0.46%
50,001 to 100,000	492	34,821,800	1.18%
100,001 to 200,000	245	34,057,519	1.16%
200,001 to 400,000	187	52,640,510	1.79%
400,001 to 600,000	79	39,003,726	1.32%
600,001 to 800,000	41	28,760,894	0.98%
800,001 to 1,000,000	43	38,704,810	1.31%
More than 1,000,001	210	2,509,336,619	85.16%
Total	71,123	2,946,787,213	100.00%

(4) List of major shareholders

April 17, 2017

Name of major shareholders \ Shares	Number of shares held (shares)	Ratio (%)
PC Brothers Corporation	213,280,710	7.24%
Chuan Mou Investments Co., Ltd.	163,425,022	5.55%
Red Magnet Developments Limited	135,594,174	4.60%
Kai Tai Investments Co., Ltd.	131,744,557	4.47%
Taishin International Bank Trust Account - Tsai, Chi Jui	101,951,385	3.46%
Fubon Life Insurance Co., Ltd.	89,050,000	3.02%
Cathay Life Insurance Co., Ltd.	68,387,000	2.32%
Seafarer Overseas Growth and Income Fund	60,000,000	2.04%
Mega International Commercial Bank in custody for Mega Securities (Hong Kong) Limited	54,826,517	1.86%
Citibank (Taiwan) in custody for Singapore Government	50,408,822	1.71%

(5) Market price per share, net value, earnings, dividends and other relevant information for the last two fiscal years

<table>
<tr><th colspan="3">Item \ Year</th><th>2015</th><th>2016</th><th>2017
(as of March 31)</th></tr>
<tr><td rowspan="3">Market price per share (dollars) (Note 1)</td><td colspan="2">Highest price</td><td>53.60</td><td>49.80</td><td>43</td></tr>
<tr><td colspan="2">Lowest price</td><td>37.00</td><td>36.10</td><td>38.65</td></tr>
<tr><td colspan="2">Average price</td><td>45.49</td><td>41.91</td><td>40.84</td></tr>
<tr><td rowspan="2">Net value per share(dollars)</td><td colspan="2">Before distribution</td><td>23.52</td><td>25.69</td><td>25.46 (Note 6)</td></tr>
<tr><td colspan="2">After distribution</td><td>22.02</td><td>24.19 (Note 5)</td><td>25.46 (Note 6)</td></tr>
<tr><td rowspan="2">Earnings per share</td><td colspan="2">Weighted average shares (thousand shares)</td><td>2,945,021</td><td>2,946,787</td><td>2,946,787 (Note 6)</td></tr>
<tr><td colspan="2">Earnings per share (dollars)</td><td>3.24</td><td>4.43</td><td>0.55 (Note 6)</td></tr>
<tr><td rowspan="4">Dividends per share (dollars)</td><td colspan="2">Cash dividends</td><td>1.5</td><td>1.5 (Note 5)</td><td>N/A</td></tr>
<tr><td rowspan="2">Share dividends</td><td>Dividends from retained earnings</td><td>0</td><td>0</td><td>N/A</td></tr>
<tr><td>Dividends from capital earnings</td><td>0</td><td>0</td><td>N/A</td></tr>
<tr><td colspan="2">Accumulated undistributed dividend</td><td>0</td><td>0</td><td>N/A</td></tr>
<tr><td rowspan="3">ROI analysis</td><td colspan="2">Price-earnings ratio (Note 2)</td><td>13.89</td><td>9.50</td><td>N/A</td></tr>
<tr><td colspan="2">Price-dividend ratio (Note 3)</td><td>30.00</td><td>28.05(Note 5)</td><td>N/A</td></tr>
<tr><td colspan="2">Cash dividend yield (Note 4)</td><td>3.33%</td><td>3.57% (Note 5)</td><td>N/A</td></tr>
</table>

Note 1: List of the highest and lowest market price of common shares in a given year. The average market price is calculated based on closing price and transacted number of shares in a given year.

Note 2: Price-earnings (P/E) ratio＝Average closing price per share in the year／EPS.

Note 3: Price-dividend (P/D) ratio＝ Average closing price per share in the year／Cash dividend per share.

Note 4: Cash dividend yield＝Cash dividend per share／Average closing price per share in the year.

Note 5: The proposal of profit distribution in 2016 is adopted at the board of directors' meeting on April 28, 2017, and now pending the approval of the Shareholders' Meeting.

Note 6: The financial statement for Q1 of 2017 has been reviewed by the independent auditors.

(6) The Company's dividend policy and implementation

A. Dividend policy:

Profits may be distributed after taking into consideration financial, business and operational factors. The distribution of profits shall be proposed by the board of Directors, and submitted to the shareholders' meeting for approval. The ratio of distribution shall be not less than 30% of the net income for each fiscal year, and a portion for cash dividend shall be not less than 30% of total distribution. If there are material changes in the operating environment, the Company can adjust the ratio and amounts of distribution of profits.

B. Proposal to distribute dividends to be resolved at shareholders' meeting of 2017:

The board of directors has adopted 2016 profit distribution proposal on April 28, 2017 to distribute cash dividends of NT$1.5 per share, all in the form of cash. The distribution will be made after the approval of the proposal at 2017 annual general shareholders' meeting.

(7) The impact of the issuance of bonus shares proposed in the present shareholders' meeting upon the Company's business performance and earnings per share (EPS): N/A.

(8) Employees compensation, and Directors and Supervisors remuneration

A. The percentage or scope of Employees compensation, and Directors and Supervisors remuneration as set forth under the Articles of Incorporation:

According to the Company's "Articles of Incorporation" Article 23, The Company shall appropriate 1 to 5% of the profit of the fiscal year (profit shall mean the income before income tax less Employees' compensation, and Directors' and Supervisors' remuneration) for employees' compensation and may appropriate no higher than 3% of the same profit as Directors' and Supervisors' remuneration. Such employees' compensation may be in the form of stock or cash by the resolution of the board of Directors. Employees eligible for such compensation may include those of the Company's subsidiaries meeting certain conditions.

In the presence of accumulated loss, the Company shall allocate an amount to recover such loss before appropriating any employees', Directors' and Supervisors' remuneration in accordance with the ratios prescribed by the preceding paragraph.

The remuneration for directors and supervisors in the preceding paragraph shall be revised as directors' remuneration after establishment of the Audit Committee.

B. The basis of estimated Employees' compensation, and Directors' remuneration in this fiscal period, the calculation basis of the compensation for employees in the form of shares, and the accounting policy of addressing any discrepancy between the amount of actual allocation and the estimated amount.

The amount of Employees' compensation, and Directors' remuneration is estimated based on past experiences and amount to be distributed will be estimated and recognized as expenses in current financial report. In the event of significant change to the distributed amount (i.e., the change of the amount reaches the threshold to restate a financial report under Article 6 of the "Securities and Exchange Act Enforcement Rules", which is the amount exceeding NT$10,000,000 and reaching 1% of the net operating revenue or 5% of the paid-in capital or more) determined by the board of directors after issuance of such financial report, the expenses recognized for that year (the year when the employee compensation is recognized as expenses) shall be adjusted accordingly. If the change does not meet the threshold of significant change, such change may be addressed as changes in accounting estimates, and be recognized in the following year. If the amount is also changed in the following year, such change shall be addressed as changes in accounting estimates on the date of the board of directors' meeting, and be recognized in the following year.

C. Information of distribution of remuneration adopted at the board of directors' meeting:

(A) The Company's board of directors has resolved on March 27, 2017 to allocate the profit in 2016 (the profit refers to the amount of pre-tax profit before distribution of Employees' compensation, and Directors' remuneration) for employee compensation and director remuneration; the addressing of the discrepancy between the actual distributed amount and the estimated amount recognized as follows:

(in NT$ thousands)

	Employee compensation	Remuneration for Directors	Status of addressing the discrepancy
Estimated amount in the year the remuneration is recognized as expenses (A)	255,108	127,554	No discrepancy
Amount proposed at the Board of Directors' Meeting (B)	255,108	127,554	
Discrepancy (B)-(A)	0	0	

(B) The amount of employee compensation distributed in the form of shares and its percentage among the aggregate amount of after-tax net income in the separated financial report and the amount of employee compensation: N/A.

D. The remuneration actually distributed to employees, directors and supervisors in the preceding year (including number, amount and price of shares distributed); if there is discrepancy between the distributed remuneration and the remuneration proposed to be distributed, the amount and reason of the discrepancy and the status of addressing such discrepancy:

The Company's distribution of remuneration to the employees, directors and supervisors with the Company's earnings of 2015, and addressing of the discrepancy between the actual distribution amount and the estimated amount recognized as fees as follows:

(in NT$ thousands)

	Employee compensation	Remuneration for Directors and Supervisors	Status of addressing the discrepancy
Estimated amount in the year the remuneration is recognized as expenses (A)	203,472	101,736	No discrepancy
Amount actually distributed (B)	203,472	101,736	
Discrepancy (B)-(A)	0	0	

(9) Shares repurchased by the Company: N/A.

4.2 Issuance of Corporate Bonds: N/A.

4.3 Issuance of Preferred Shares: N/A.

4.4 Issuance of Overseas Depository Receipts: N/A

4.5 Issuance of Employee Share Options:

(1) The Company's outstanding employee share options and its impact on shareholders' rights:

April 17, 2017

Type of employee share options	The 2^{nd} term of employee share options
Effective date	2007.11.05
Issuance date	2007.11.06
Number of issued units	149,392,469 shares
Percentage of number of shares such share options may subscribe in total issued shares (%)	5.07
Term of share options	10 years
Exercise method	Issuance of new shares
Term and ratio of share options	1/3 of the share options may be exercised upon expiration of two years 2/3 of the share options may be exercised upon expiration of three years 3/3 of the share options may be exercised upon expiration of four years
Number of shares acquired from exercising share options	3,602,291 shares
Amount of shares acquired from exercising share options	NT$66,936,279
Number of shares that may be subscribed by unexercised share options	145,790,178 shares
Exercise Price per share for unexercised share options	NT$17.40
Percentage of number of shares such unexercised share options may subscribe in total issued shares (%)	4.95
Impact on shareholders' rights	maximum dilution rate for existing shareholders is 4.95%

(2) List of Executives Receiving Employee Share Options and the Top Ten Employees with Share Options

A. Employee share options held by officers (issued on November 6, 2007)

April 17, 2017

Title	Name	Number of share options	Percentage of number of shares such share options may subscribe in total issued shares (%)	Exercised				Unexercised			
				Number of shares	Exercise Price	Amount	Percentage of number of shares such share options may subscribe in total issued shares (%)	Number of shares	Exercise Price	Amount	Percentage of number of shares such unexercised share options may subscribe in total issued shares (%)
President of Footwear Joint Venture Business Department	Kung, Sung-Yen	5,928,023 shares	0.20	482,000 shares	NT$18.00	NT$8,676,000	0.02	5,446,023 shares	NT$17.40	NT$ 94,760,800	0.18
President	Lu, Chin-Chu										
President of Administration Management Department	Chan, Lu-Min										
Executive Senior Manager	Ho, Ming-Kun										
Executive Senior Manager	Tsai, Ming-Lun										
Senior Manager	Chang, Yea-Fen										
Senior Manager	Wu, Hui-Chi										

B. Top ten employees obtaining employee share options (issued on November 6, 2007)

April 17, 2017

Title	Name	Number of share options	Percentage of number of shares such share options may subscribe in total issued shares (%)	Exercised				Unexercised			
				Number of shares	Exercise Price	Amount	Percentage of number of shares such share options may subscribe in total issued shares (%)	Number of shares	Exercise Price	Amount	Percentage of number of shares such unexercised share options may subscribe in total issued shares (%)
Employee	Wu, Pan-Tsu	11,594,179 shares	0.39	1,446,000 shares	NT$18.00	NT$ 26,028,000	0.05	10,148,170 shares	NT$17.40	NT$ 176,578,158	0.34
Employee	Shih, Chih-Hung										
Employee	Hu, Chia-Ho										
Employee	Tsai, Ming-Hung										
Employee	Sung, Chien-Shih										
Employee	Hsiao, Hsiu-Chen										
Employee	Kuo, Hsiu-Ping										
Employee	Hsu, Hsiang-Ming										
Employee	Yang, Ching-Ju										
Employee	Liang, Chia-Wen										

4.6 Issuance of New Restricted Employee Shares: N/A.

4.7 Status of Mergers and Acquisitions (including Mergers, Acquisitions and Spin-offs):N/A.

4.8 Implementation of Capital Utilization Plan: As of the date of this Annual Report, the Company has no pending capital utilization plan or completed capital utilization plan whose benefit has not yet materialized.

V. BUSINESS HIGHLIGHTS

5.1 Business Activities

(1) Scope of Business

A. Main Business：

(A) Manufacturing of shoes：

The Company is a manufacturer of footwear products, and is an original equipment manufacturer (OEM) for international brands including Nike, adidas, Reebok, Asics, Under Armour, New Balance, Puma, Converse, Salomon, and Timberland as well as an original design manufacturer (ODM) of athletic shoes, casual shoes, outdoor shoes, and sports sandals. The Company is primarily focused on athletic shoes, the total revenue of which accounts for more than 70% of the footwear manufacturing business. The Company also manufactures footwear accessories and apparel.

(B) Retailing of sporting goods：

The Company retails the products for international sport brands in the Greater China region by selling footwear, apparel, and accessories to consumers through either directly operated stores, or indirectly on a wholesale basis to sub-distributor operated stores. In addition, the Company is the brand licensee for certain international brands in China and Taiwan.

(C) Other Businesses：

In order to maximize the value of the Company, it also diversified into real estate development, hotel operation and other businesses.

B. Revenues by Product Category：

(in NT$ thousands)

Year / Primary business	2015		2016	
	Revenues	Ratio	Revenues	Ratio
Manufacturing of shoes and apparel	195,313,401	72.59%	194,830,122	70.87%
Retailing of sporting goods and brand licensing business	72,926,712	27.10%	78,880,234	28.69%
Other businesses	841,060	0.31%	1,184,990	0.44%
Total	269,081,173	100.00%	274,895,346	100.00%

C. Products and Services

The Company's current products include athletic shoes, casual shoes, outdoor shoes, sports sandals, footwear accessories, apparel and others. The Company is also involved in retail business, brand licensing, real estate development, hotel operation and others.

D. New Product (Service) Innovation

The Company is primarily engaged in the footwear manufacturing business, focusing on the development of innovative athletic shoes, casual shoes, and outdoor shoes, as well as the development and planning of footwear manufacturing technologies, process, and systems:

(A) Application of Industry 4.0 in supply chain integration

(B) Integration of digital manufacturing applications in design development and manufacturing processes

(C) Application of machine learning in solving manufacturing-related engineering problems

(D) Development of advanced warning systems for Internet of Things repair

(2) Industry Overview

A. Current Industry Status and Developments

The following is current industry status of the Company's two core business, footwear manufacturing and retail business:

(A) Global Footwear Market

In terms of production, the development of the footwear industry has been affected by multiple factors, including labor costs, land resources, raw material supply, environmental concerns, and the target market. As the economic environment changes, the production base of the footwear industry in the world has gradually shifted from European countries to Asian regions. According to the World Footwear Yearbook, the total global production output of footwear in 2015 reached 23 billion pairs, 87% of which were manufactured in Asia. China remains the leading country in the production of footwear (59.1%) in the world, despite a 5.5% reduction in its production from 64.6% in the previous year. Meanwhile, the competition among India, Vietnam, and Indonesia has escalated. In terms of the consumer market, Asia is not only the main production base for the global footwear industry, it also houses the largest consumer market, accounted 53% of world footwear consumption in 2015. This is attributed to the continual increase in national income per capita, urban development, and the strength of large population in Asia. The three leading countries with the largest consumer markets for footwear are China, United States, and India.

(B) Global Athletic Footwear Market

People used to exercise for the sake of maintaining their health. Now, many of them exercise every day as a part of their daily routines. According to Sporting Goods Intelligence (SGI), the global athletic footwear market has exhibited steady growth in the past 10 years, maintaining a high single-digit compound annual growth rate. The global sales of athletic shoes delivered another record-high performance in 2015, with a market scale of US$54.5 billion, with the top 5 brand companies accounting for approximately 75% of the global market share. This indicates an exceptionally high level of brand concentration, which highlights the importance of brand awareness in consumer behavior. Subsequently, large brands all endeavor to build their brand value and devise market strategies for enhancing consumer loyalty and identification, which in turn raises purchase intention. Regarding manufacturing, brand companies have largely commissioned professional footwear manufacturers to conduct production operation and plant management. Currently, the OEM and ODM of athletic shoes in the world are largely concentrated in China, Vietnam, and Indonesia. Taiwan had been the main production base of footwear industries in the past; however, as industries relocate to other countries, Taiwan became the central hub for developing new footwear models, materials, and manufacturing processes, and for managing the procurement of raw materials that to support the production demands overseas.

(C) China’s Sporting Goods Market

The sports industry in China exhibited continual growth in 2015. According to the General Administration of Sport of China and the National Bureau of Statistics of the People's Republic of China, the total output of the Chinese sports industry in 2015 (overall scale) increased by 26.02% compared with the previous year, reaching RMB1.7 trillion. The added value of the industry was RMB549.4 billion, accounting for 0.80% of the gross domestic product (GDP), an increase from the 0.64% in 2014. In terms of industry structure, almost 80% of the added industry value came from the manufacturing and sales of sporting goods and related products. During the rapid development of the sporting goods market in China, the number of sports brands once had reached 4,000 or more; however, the influence and size of these brands differed substantially. As the penetration rate of sports brands increased, the demand for such brands gradually stagnated, resulting in a loss of balance between supply and demand. Following years of adjustments, industry differentiation became relatively stable, with medium to small brands that lack competitiveness gradually exiting the market. International brands such as Nike and adidas have maintained their market status. According to Euromonitor International, the market share of Nike and adidas in the Greater China regions was respectively 14.3% and 13.8% in 2015. Local China brands such as Anta, Li Ning, Xtep, 361 Degrees, and Peak have increased their brand value and competed in the market by adopting different operational strategies, such as focus on research and development, and develop smart wearable devices.

B. Relevance of upstream, midstream and downstream companies

(A) Footwear Manufacturing

Upstream: Textile/Leather/Plastics/Petroleum/Rubber

Midstream: Footwear Manufacturers

Downstream: Brand Companies

The footwear industry is divided into three sectors: upstream material suppliers, midstream manufacturers and downstream brand companies. Though each sector usually has its own operations, there is still a high interdependence within the supply chain.

Because the cost of raw materials accounts for approximately 60% of footwear production costs, the Company has long been dedicating its efforts to vertically integrate upstream raw materials. Except for petroleum products, the Company provides almost all kinds of raw materials for footwear manufacturing, including leather, synthetic leather, adhesives, molds, cardboard boxes, and shoe soles not only to its own factories but also sells to other footwear manufacturers. This supply chain integration not only enables the Company to more precisely manage raw material quality and lead time, but also raises barriers to entry for other footwear manufacturers.

In addition, the Company has established a flexible information system which allows its major customers to stay up-to-date with information regarding product development, raw material specifications, order status, lead time, and other factors. Such information system enables the Company to have better preparation and capacity allocation flexibility to achieve lean production.

With the two above-mentioned advantages, the Company, as a professional manufacturer for midstream, has formed a complete supply chain by fully and successfully integrating the upstream, midstream and downstream companies and has gained a solid leading position in the industry.

(B) Retailing of sporting goods and brand licensing business

Upstream: Brand Companies/Sportswear Manufacturers/Sportswear wholesalers

Midstream: Sportswear Retailers and Licensees of Brand Merchandise

Downstream: Consumers

Retailing of sporting goods and brand licensing are considered a midstream process providing distribution channels for upstream vendors, including brand companies, sportswear manufacturers, and wholesalers to sell their products (footwear, apparel, and accessories) to downstream consumers. With a marketing network of sporting goods retailers and brand licensing agents, upstream vendors are able to focus on designing, developing, and manufacturing sportswear products, which will help them save selling and administration expenses and enter the target market to increase their market share. By contrast, downstream consumers will be able to easily access product-related information and buy sportswear products quickly, which subsequently increase consumers' purchase intentions.

Retailers of sporting goods and brand licensing agents may integrated consumers' opinions and suggestions of a product and providing real-time market information to upstream vendors so that they can fully understand consumer trends, flexibly adjust their product designs, and arrange their production schedules. Retailers of sporting goods and brand licensing agents can also leverage flexible procurement strategies in combination with professional inventory management and logistics systems to continuously improve product and service quality. Such division of labor can effectively increase the operational efficiency of the sportswear industry.

C. Product Development Trends

(A) Industry 4.0 Automated Smart Manufacturing

In the past, the footwear industry typically relied on manual operations because it was difficult for them to standardize and automate their work procedures, which is why such the industry was considered labor-intensive. As labor costs continue to rise and technological development matures, it is necessary to develop automated, smart manufacturing processes to ensure that high production quality is maintained and manufacturing costs are controlled.

Footwear manufacturers have shifted from making no-sew shoes to knitted shoes to one-piece shoes, which are now popular in the footwear industry. Simplified production procedures are adopted to enhance automated processing, thereby reducing the need for manual labor and elevating operational efficiency. In addition, the Speedfactory plan proposed by adidas has generated preliminary results. The first pair of adidas Futurecraft Made for Germany (MFG) was launched in the market in the second half of 2016. This model of sneaker was made using robot technology, which can quickly response and flexible produce products that are unique and customize. Automated manufacturing is gradually advancing, influencing the development of the entire industry.

Industry 4.0 has established brand new directions for the footwear manufacturing industry. It involves using the support of smart devices and innovative materials, as well as IoT, cloud computing, and big data applications to ensure that operational management is kept in line with global trends. Industry 4.0 facilitates optimizing production resources and creating environments suitable for humans and machines to work together, where products can be produced with flexibility and agility. The Company believes that continuously explore and seek possibilities for better footwear manufacturing processes, from an automated production line to an intelligent industry, in order to realize the vision of building an Industry 4.0 smart footwear factory.

(B) Product Innovation: From Athleisure to Wearable Technologies

In response to consumers' individual needs for novelty, materials used in the manufacturing of athletic footwear undergo continuous development to improve footwear features, including protection, shock absorption, slip resistance, comfort, light weight, flexibility, and eco-friendly characteristics. Meanwhile, innovative ideas, trendy designs, or wearable devices are incorporated in product development to add value to products, thereby providing consumers with greater variety of products and attracting more business opportunities for the athletic footwear market.

"Athleisure" is a combination of "athletic" and "leisure." After sport becomes a part of people's daily activities, athletic shoes are no longer worn during sports activities only. Athletic footwear is now integrated with trendy and unique designs that allow consumers to wear them at work, sport and social activities, thereby enabling consumers to live a fashionable lifestyle. For example, Nike and Germany's innovative brand Acronym, known for its technical experimentations, collaborated again to produce the AF1 Downtown, which uses innovative technologies and materials combined with powerful German designs to create a stylish, trendy product. adidas integrates features of celebrities and fashionistas to enhance its products, such as the adidas Stan Smith, which was worn by the Céline creative director during the final night of Céline's fashion show. This narrowed the gap between Stan Smith and high fashion for women.

An increasing number of smart athletic shoes are integrated with wearable devices, producing products with better functions and that feature technological designs. These products are more useful in practice and can help improve the sports performance of wearers. Nike introduced the Nike Mag, a self-lacing sneaker, in 2015. After a year of redesigning, Nike Mag was improved to create the HyperAdapt 1.0 in 2016, which features a heel sensor that automatically tightens the shoe's laces according to the size of the foot and ensures maximum comfort in the foot area. Puma proposed the Autodiscs concept sneaker, which features built-in motors that loosen or tighten internal laces wrapped around the front part of the foot. This is done with a push of a button on the shoes or in the companion smartphone App. Under Armour also introduced the Record Equipped Running Shoes. The greatest feature of this sneaker is its ability to analyze users' physical fitness based on a few simple jumps before running to offer running solutions that are suited to users' needs. As an increasing number of vendors invest in the research and development of smart athletic footwear to meet consumers' growing demand for this type of products, the smart athletic footwear industry exhibits promising prospects.

(C) Consumer Upgrade: Dawn of New Retailing Concept

Mobile IoT applications are most widely employed in China, specifically in the retail industry. In the past few years, the vigorous development of e-commerce systems has driven commercial activities toward prosperity; however, e-commerce applications have exerted considerable impact on physical retail models, particularly with respect to their strengths in low price and absence of temporal and spatial limitations. According to the overall size of the China retail market, physical retailers still occupy a large portion of the market, while pure-play e-commerce companies sustain profit losses because large online consumer groups have formed. Due to the pressure caused by stagnated growth, both physical retailers and e-commerce vendors initiated a response measure respectively by developing e-commerce applications and seeking strategic cooperation with physical retailers.

The National Bureau of Statistics of the People's Republic of China reported that the retailing of consumer products in the Chinese society exhibited continual but slow growth between 2010 and 2016. Although the growth of consumer spending remained relatively stable, a diversity of product options is presented to consumers over time, prompting them to pay attention to service quality, purchasing experience, brand value, and cultural implications. Subsequently, individual characteristics, user convenience, and consumer emotions are taken into consideration in product development. Thus, changes in consumer structure and spending methods will inevitably lead to the develop of new retailing.

In a mobile IoT environment where new economic models and consumption upgrades are emphasized, consumer-oriented retail models will be developed. This type of model can be used to analyze consumer behaviors and facilitate accelerating the integrated development of online/offline channels and logistics systems. Technological tools, particularly mobile devices and App resources, are employed to rebuild a novel business model that features the nature of the retail industry and provides better consumer experience and services.

D. Competition

The sports and leisure industries have garnered the attention of business vendors in recent years, which increased the intensity of competition among industries. The Company is the world’s largest footwear manufacturing group, with internationally renowned customers. With diversified production bases around the world, the Company has accumulated rich managerial experiences and has established a comprehensive supply chain. This Company also places high value on refining its footwear manufacturing technologies and processes, by continuously investing in the R&D of core technologies to strengthen the automation capability of its plants and enhance its R&D capabilities. Hence the Company holds a competitive advantage in its operational management and technological aspects to maintain a leading position in the footwear industry.

Additionally, the Company manages retailing of sporting goods and brand licensing businesses in the Greater China region where prestigious sports brands, brand agents, and retailers have extended their reach, each competing fiercely against one another. Having cultivating the athletic footwear markets in the Greater China region for years, the Company has established a considerably sizable retail network featuring an abundance of financial and labor resources as well as strong internal IT capabilities. A competitive pricing strategy and a close relationship with brand companies have facilitated building a competitive niche for the Company in retailing and brand licensing businesses.

(3) Research and Development (R&D) Overview

(A) Product and technology R&D Expenses

The Company’s R&D expenses in 2016 and as of March 31, 2017 were NT$ 6,683,347 thousand and NT$ 2,068,716 thousand respectively.

(B) Technology and Product Innovation Achievements

The Company continued to refine its operating procedures and application of e-system management tools to elevate our plants’ ability to optimize their production capacities. In 2016, the Company achieved the following accomplishments:

(1) R&D of customized digital tools, process improvement, integration of hardware and software systems, and establishment of a footwear manufacturing knowledge base, all of which can improve the Company’s abilities to develop products, automate plant processes, and increase production efficiency.

(2) Integration of lean management systems in supply chain development, product R&D, business processes, material procurement, mold development and production operations to lower costs and improve efficiency.

(3) Continual development of new production models and new manufacturing techniques to elevate operational efficiency.

(C) Future R&D Projects

The Company will keep on refining its automated production processes and Industry 4.0 applications to enhance the ability of its plants to optimize production capacity, thereby strengthening the plants' automation capability and production efficiency. With an integrated IoT system, manufacturing plants can incorporate IoT repair warning systems in their production equipment to maximize the utility of such equipment and ensure stable product quality, thereby achieving an uninterrupted, fully automated production process. By using an automated production system as the basis, the Company will commit to building a smart factory by incorporating machine learning designs in future automated equipment. The Company's future R&D plans are as follows:

R&D Project	Status	Estimated Mass Production or Development Schedule
Application of Industry 4.0 in supply chain integration	Design in progress	December 2017
Integration of digital manufacturing applications in design development and manufacturing processes	Design in progress	December 2017
Application of machine learning in solving manufacturing-related engineering problems	Design in progress	December 2017
Development of advanced warning systems for Internet of Things repair	Design in progress	December 2017

The future R&D expenses are estimated to account for 3% of the Company's annual revenues.

(4) Short-term and Long-term Business Development Plans

A. Short-term Business Development Plans

■ Footwear Manufacturing

(A) Leverage on local production advantages and flexibly allocate production resources.

(B) Integrate automated production and build a foundation of Industry 4.0.

(C) Integrate supply chain resources and improve added value.

(D) Strengthen relationship with brand customers and offer excellent, flexible production solutions.

■ Retailing and Brand Licensing Business

(A) Continue to strengthen internal management as a means of increasing overall operational efficiency.

(B) Increase product diversity to meet and lead consumer needs.

(C) Expand sales network to realize an omni-channel mode of operation.

B. Long-term Business Development Plans

■ Footwear Manufacturing

(A) Invest in product innovation and strengthen competitive advantages.

(B) Continue to train and develop human resource talents and create a sustainable business.

■ Retailing and Brand Licensing Business

(A) Establish a sales-to-manufacturing chain as an end-to-end operating model.

(B) Build a sporting service platform to promote healthy, leisurely lifestyles.

(C) Provide comprehensive range of consumer-oriented services that create unique consumption experiences, and become the best retailer for consumers and brand companies.

5.2 Market Analysis and Production and Sales

(1) Market Analysis

A. Sales of Products (Services) by Region

(in NT$ thousands)

Sales Area \ Year	2015		2016	
	Amount	Ratio	Amount	Ratio
Asia	129,987,620	48.31%	134,417,566	48.90%
USA	80,751,723	30.01%	79,484,350	28.91%
Europe	52,111,466	19.37%	54,210,053	19.72%
Other	6,230,364	2.31%	6,783,377	2.47%
Total	269,081,173	100.00%	274,895,346	100.00%

B. Market Share

The Company is the largest branded athletic and casual footwear manufacturer in the world, producing over 300 million pairs of shoes per year, which accounts for approximately 20% of the combined wholesale value in the global athletic and casual footwear market; it is also one of the leading sportswear retailers and distributors in the Greater China region. As of December 31, 2016, the Company had 8,759 stores in the Greater China region, including 5,560 directly operated retail stores and 3,199 sub-distributor operated.

C. Market Forecast and Growth

(A) Global Footwear and Athletic Footwear Market

Footwear is a daily necessity. Increases in the global population and disposable income will be conducive to increasing the market size of the footwear industry. According to a recent study by Euromonitor International, the global apparel and footwear market increased by 3.8% compared to the previous year, reaching US$1.67 trillion. Growth was mainly driven by sporting goods, with athletic footwear and apparel growing by 10% and 6% respectively compared to the previous year. Such growth was higher than that of the overall apparel and footwear markets. The rise in health awareness and prevalence of sporting activity elevated consumer demand for athletic footwear. Sports brands continue to increase product diversity and applicability, strengthen professional functions, and integrate trendy designs in their products. Footwear manufacturers also remain focused on improving their manufacturing procedures by integrating new production models to enhance the overall operational efficiency. In light of these phenomena, it is expected that the sports footwear market will maintain a steady growth in the future.

(B) China’s Sportswear Market

According to National Bureau of Statistics of the People's Republic of China, the retailing of consumer products in Chinese society measured RMB33.2 trillion in 2016, a 10.4% increase from the previous year. In addition, more than 60% of the final consumption expenditure contributed to the growth of the economy, which is an extension of the growth trend in 2015. The sports industry is a key driver in promoting consumption. The State Council of the People's Republic of China announced the Several Opinions of the State Council on Accelerating the Development of the Sports Industry to Promote Sports Consumption in October 2014, setting a goal to grow the sports industry in 2025 by over RMB 5 trillion. In July 2016, the year in which the Thirteenth Five-Year Plan was initiated, the General Administration of Sport of China published its Thirteenth Five-Year Plan for the development of the sports industry. This plan is aimed at increasing the overall size of the sports industry to RMB 3 trillion by 2020, raising the added value of the industry to 1.0% of the GDP, and elevating the sports consumption by more than 2.5% of the disposable income per capita. Subsequently, the Chinese government has also introduced a series of measures, including the National Fitness Program (2016－2020) and the Outline of the Plan for Healthy China 2030, providing a specific guideline for the development of the sports industry in China. As the economic structure of China emphasizes the importance of consumption, the disposable income per capita increases, and the consumption upgrade advances, consumers are becoming more capable of choosing valuable products and services, which is expected to generate a positive influence on the long-term development of the China’s sportswear market.

D. Competitive Advantages, Favorable and Unfavorable Factors of Development Objectives and Countermeasures

(A) Competitive Advantages and Favorable Factors

(a) Introducing automated production and continuously enhancing core technologies

The Company constantly invests in resources to establish automation R&D teams. Through industry–academic cooperation, the Company attempts to improve its R&D capacity, recruits outstanding talent, develops a robotic arm-based production model, and employs various digital management tools to integrate hardware and software systems to develop automated production equipment specifically for footwear manufacturing. These processes reduced the reliance on manual operations and facilitated achieving a diverse, continuous, automated production model. In addition to automated equipment, one piece materials are also used to manufacture shoes, which facilitates the use of automated equipment in production processes and increasing operational efficiency. The Company actively participates in smart footwear manufacturing alliances and cooperates with academia and research institutes as well as supply chain vendors to introduce innovative production models and manufacturing skills for new material R&D, process improvement, and the R&D of automated processes. The Company continues to accumulate experiences in related core technologies and apply them in innovation practices in order to produce valuable products and services more efficiently.

(b) Building a foundation of Industry 4.0 and developing industrial big data applications

Existing business models are based on small quantities of diverse ranges of products that can be produced in the shortest time possible. In response to this trend, the Company developed a smart factory concept that is characterized by flexible production, distributed manufacturing, and rapid response. The Company also integrated the Industry 4.0 concept in developing an IoT system for the footwear industry, and robots as well as big data analysis technologies to promote the R&D and application of smart, value-added functions in our plants, equipment, and production lines. The Company transformed the conventional production line model into a smart production approach that makes real-time adjustments according to plant or consumer requirements. The necessary information will be transmitted online between products and production equipment to produce products that conform to producers' principles or consumer needs. Thus, a flexible production line can be achieved to achieve production diversity.

(c) Providing specific services for internationally acclaimed brands

The Company is the world's largest manufacturer of athletic footwear and leisure shoe products. The Company is capable of serving multiple international brands and offering them a vast array of high-quality products. From mass production to customized production, the Company can flexibly adjust its production methods to fulfill the different needs of our brand customers. The Company values customers' confidentiality requirements toward product manufacturing techniques. In addition to establishing an independent production line, the Company can provide R&D teams and development centers exclusive to our brand customers. The Company works closely with these customers during every stage of the product development process, from product designing, improving product life cycles, developing innovative materials and technologies, to prototype development. The efforts of the Company have received widespread praise from customers.

(d) Capturing business opportunities in China's sportswear market and properly using big data

The large population in China, continual growth in disposable income per capita, prevalence of sporting activities, and implementation of specific measures for the development of sports industry in China has contributed to a persistent growth in the Chinese sports industry. The scale and scope of this industry will continue to increase, thus further perfecting the environment and structure of the sports industry. Thanks to the Company's rich experience in working with Chinese vendors as well as internationally renowned brands, and its extensive cultivation of the sporting industry, it has established a sizable sales network in China, providing a diverse array of products and services that create unique consumption experiences for its consumers across the world. In this new technological environment, the Company responds to the development trend of IoT application services by analyzing big data and communicating with its consumers to monitor the market trends and thereby create greater value for the Company.

(B) Unfavorable Factors and Countermeasures

(a) Labor costs continue to rise

With the basic salary has been continually increased in China, Indonesia, and Vietnam, in the recent years, and an increase of labor cost, such as employee benefits, and pension funds, poses a challenge to cost control and management.

Countermeasures: The Company will continue to promote supply chain integration, implement production optimization measures, refine manufacturing processes, strengthen plant automation capability, and flexible adjust production allocation and production models, in order to produce products more efficiently.

(b) Intense competition in China's sportswear industry

Large sports brands, agents, and retailers are actively competing with each other as they vie for a share in the sports goods market. Imbalance in supply and demand will negatively affect sales and elevate inventory risk.

Countermeasures: Focusing on consumer needs, the Company will employ IoT technologies and big data applications to analyze useful market information and formulate better procurement strategies. It will also integrate online and offline resources to realize an omni-channel mode of operation; strengthen information system and logistics operations to improve inventory management and product distribution; and build a sporting service platform to promote healthy, leisurely lifestyles, thereby optimizing our overall business performance.

(2) Purposes of Main Products and Production Process

A. Product Purpose

Athletic shoes, casual shoes, sports sandals and apparel manufactured by the Company are suitable for various specialist sports or casual wearing.

B. Production Process

Purchasing → Inspection → Storage → Requisition → Cutting → Sole Finishing → Preparation →Sewing and Stitching → Warehousing → Lasting and Finishing → Packaging → Shipment

(3) Raw Material Supply

The main materials required for the manufacturing of footwear comprise two categories: shoe sole and upper. The majority of the sole materials such as rubber and EVA foam are manufactured by the Company, with a small proportion purchased from independent suppliers. On the other hand, materials of the upper, including synthetic leather and fabric, are mainly supplied by the Company's subsidiaries, while genuine leather is either supplied by its subsidiaries or purchased from other domestic leather suppliers, or otherwise imported from overseas suppliers due to customer request or other considerations, such as price and quality. Therefore, there are no concerns surrounding supply sufficiency of the Company's raw materials.

(4) Suppliers/Customers Who Accounted for 10% or More of Total Purchase (Sales) in one of the last two fiscal years and Analysis of Changes

A. Suppliers accounted for 10% or more of our purchase for the last two fiscal years

(in NT$ thousands)

	2015				2016				As of March 31, 2017			
Item No.	Name	Amount	Percentage of net purchase for the year	Relationship with the Company	Name	Amount	Percentage of net purchase for the year	Relationship with the Company	Name	Amount	Percentage of net purchase as of the end of the previous quarter	Relationship with the Company
1	Supplier A	21,530,410	13.05	None	Supplier A	26,251,822	16.43	None	Supplier A	7,663,021	18.70	None
2	Supplier B	17,124,146	10.38	None	Supplier B	17,281,902	10.82	None	Supplier B	5,452,011	13.30	None
	Other suppliers	126,381,844	76.57		Other suppliers	116,223,280	72.75		Other suppliers	27,874,417	68.00	
	Net purchase	165,036,400	100.00		Net purchase	159,757,004	100.00		Net purchase	40,989,449	100.00	

There are only a couple of suppliers accounted for 10% or more of the purchasing of the Company in 2015, 2016 and the first quarter of 2017 and the percentage of net purchase accounted for by these suppliers remained moderate during the period. Other suppliers attributed to approximately 80% of the net purchase in total, which indicates that the Company has a stable source of supply from maintaining a mutually successful partnership with key suppliers and is able to avoid over-reliance on particular suppliers.

B. Customers accounted for 10% or more of our sales for the last two fiscal years

(in NT$ thousands)

	2015				2016				As of March 31, 2017			
Item No.	Name	Amount	Percentage of net sales for the year	Relationship with the Company	Name	Amount	Percentage of net sales for the year	Relationship with the Company	Name	Amount	Percentage of net sales as of the end of the previous quarter	Relationship with the Company
1	Customer A	53,428,639	19.86	None	Customer A	53,816,071	19.58	None	Customer A	13,122,214	20.01	None
2	Customer B	44,260,321	16.44	None	Customer B	52,176,821	18.98	None	Customer B	12,378,733	18.88	None
	Other customers	171,392,213	63.70		Other customers	168,902,454	61.44		Other customers	40,064,149	61.11	
	Net sales	269,081,173	100.00		Net sales	274,895,346	100.00		Net sales	65,565,096	100.00	

There are two customers who account for 10% or more of the sales of the Company in 2015, 2016 and the first quarter of 2017. The percentage of net sales accounted for by these two customers remains steady during the period. Other customer attributed to over 60% of the net sales, which indicates that the Company has maintained a mutually successful and close business relationship with key customers and is able to avoid over-reliance on particular customers.

(5) Production in 2015 and 2016

(in NT$ thousands; pairs)

Year / Production / Main Products	2015			2016		
	Capacity	Production	Value	Capacity	Production	Value
Manufacturing of shoes and apparel	-	317,526,000	161,778,735	-	321,993,000	153,974,135
Retailing of sporting goods and brand licensing business	-	-	50,357,325	-	-	50,831,163
Total	-	-	212,136,060	-	-	204,805,298

Note: Production refers to footwear production in pairs

(6) Sales Volume in 2015 and 2016

(in NT$ thousands; pairs)

Year / Sales / Main Products	2015				2016			
	Domestic sales		International sales		Domestic sales		International sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Manufacturing of shoes and apparel	3,107,000	2,285,999	314,419,000	193,027,402	3,096,000	2,978,875	318,897,000	191,851,247
Retailing of sporting goods and brand licensing business	-	668,744	-	72,257,968	-	611,319	-	78,268,915
Other businesses	-	841,060	-	-	-	1,184,990	-	-
Total	-	3,795,803	-	265,285,370	-	4,775,184	-	270,120,162

5.3 Human Resource

		2015	2016	As of April 30, 2017
Number of Employees	Direct labor	323,929	279,992	288,086
	Indirect labor	66,448	57,443	59,104
	Sales and Marketing	24,919	21,542	22,164
	Total	415,296	358,977	369,354
Average age of employees (in years)		31.88	32.36	32.34
Average length of service (in years)		5.11	5.78	5.74
Education(%)	Ph.D.	0.01	0.01	0.01
	Master's degree	0.34	0.21	0.29
	Bachelor's degree	4.93	5.00	5.62
	High school diploma	29.84	30.42	33.36
	Less than high school	64.88	64.36	60.72

5.4 Environmental Costs

Losses due to environmental pollution (including compensation) and total fines during the most recent year and up to the annual report publication date and an explanation of the measures and possible disbursements to be made in the future:

The Group's production operations strictly adhere to environmental laws and regulations. In 2016, our overseas production plants were reprimanded for four environmental incidents: two incidents involved environmental pollution caused by abnormal boiler operations, one incident involved one of our plants failing to implement employee safety and health training, and the other incident involved leakage of domestic wastewater into rain gutters, which was caused by negligence. Total fines of US$40,647 were imposed. These deficiencies have been fixed. There were no other potential expenditures.

5.5 Employee Relations

The Company places great value on employee relations, status on putting into practice as follows：

(1) Employee Benefits Measures

A. Employee Benefits Committee

The Company monthly appropriates 0.15% from its revenues and 0.5% from employee salary, as well as 40% from scrap sales as employee benefits funds. Other employee benefits include childbirth and wedding cash gifts, bereavement payments, consolation payments to hospitalized employees, birthday cash gifts, Dragon Boat Festival cash gifts, Mid-Autumn Festival cash gifts, travel allowances and group insurance coverage, and other benefits.

B. Transportation
The Company provides commuter shuttle service and rents parking spaces for its employees.

C. Meals and Housing
There is an employee cafeteria that provides lunch and dinner daily, as well as corporate housing for workers and others.

D. Club Activities
A variety of learning programs and club activities are provided to our employees to enrich their lives during their leisure time and deepen relationships between employees.

E. Vacation Time
Our leave policies are adopted in compliance with applicable laws and regulations. Employees may take personal leave or paid leave as needed according to the relevant policies and rules.

F. Other Benefits
(A) Celebrity presentations: The Company holds celebrity presentations from time to time and invites celebrities from different industries to share about their ideas of success and personal philosophies.

(B) Office massage service: The Company offers massage services provided by blind masseurs, which helps employees relax physically and mentally and supports charitable events.

(C) Pou Chen library: The Company offers a variety of magazines and books for employees to borrow free of charge, which increases their professional knowledge and expands their horizons on life.

(D) Corporate family day: The Company offers activities suitable for families to participate in and for parents to interact with their children, which helps employees understand the Company’s love and respect towards its employees. It is a one day activity where employees can take a break from work, relax and spend time with family.

(E) Promotion of healthy living: The Company alleviates potential and existing health issues of our employees, reducing risk of illness and improving the health of each individual by providing health programs and events.

G. The Company offers kindergartens and health clinics at our overseas factories, which provides proper child care and medical services.

(2) Pension System

A. The Company adopted the Employment Retirement Rules for the purpose of providing care for employees after retirement, promoting employee relations and increasing work efficiency.

B. The Employee Retirement Rules comply with Article 53 to Article 56 of the Labor Standards Act.

C. The Company is subject to the pension system under the Labor Standards Act, categorized as defined benefit pension plans, and has established a Supervisory Committee of Labor Retirement Reserve in accordance with the Act. The Company's asset value of its retirement benefit plan and present value of the obligation from defined pension plans are calculated by certified actuaries. In 2016, the Company set aside accrued pension liabilities for 3.29% of total employee salaries, including 2% of the total employee salaries as the pension fund deposited monthly into the Company's designated account at Taiwan Bank.

D. According to the Labor Pension Act, employees hired before June 30, 2005 and remained employed as of July 1, 2005 may choose to continue to be subject to the pension rules under the Labor Standards Act, or be subject to the pension system under the Labor Pension Act and retain their seniority accrued prior to the applicability of the Labor Pension Act. Employees hired after July 1, 2005 shall be solely subject to the pension system under the Labor Pension Act.

(3) Employee Learning and Training Programs

A. Training program is aimed at using systematic framework and methods to improve employee quality and skills and encourage employees to accept challenges, which can in turn create greater value for the company, achieve business goals, and facilitate devising future development plans. To implement the Company's training development policies and achieve goals, we take into consideration its business objectives and target requirements when planning training programs. We also evaluate the performance and competency gap of employees with the support of the Company's training system to build a training framework that can serve as a basis for planning a series of educational courses for new and old employees, including courses on core competency, management study, professional skills, self-development, and environmental safety. Physical or digital learning approach is employed to provide a comprehensive range of training courses that help employees improve their expertise and management skills and find their own foundation on which they can grow and work steadily together with the Company.

B. The Company plans its annual training programs according to our mission, vision, business strategies and goals. We collect and understand the development focus and training requirements of each of our business department; continuously engage in innovation and introduce new technologies, concepts, and tools; encourage employee development and organizational learning; offer a diversity of learning channels that encourage autonomous learning; while taking into consideration employees' individual development plans, competency training systems, quality management systems, related laws and regulations, and professional skills certification courses. Moreover, we have established the Training Program Management Guidelines, to provide a basis for compliance to be followed by relevant departments.

(A) Training Programs

To motivate employees to improve their work skills and realize a vision of lifelong learning, the Company plans different training courses according to the Group's core value and employees' competency. The Company constantly provides training programs for employees, beginning from the day they start working for the Company to their retirement, to help them acquire the skills they need for work in hopes of strengthening their employability. By arranging training courses for employees, we expect to establish a consensus among employees so that they can identify with our organizational value and commit toward creating the best business performance for the Company.

a. Course for New Employees: The Company provides training courses for new recruits, and arranges a Review Camp for new employees once every quarter.

b. Core Competency Course: A systematic training course focusing on employees' core thinking and core competencies is provided.

c. Management Course: The Company develops and plans management courses for various management levels according to their duties and competencies. In particularly, courses of varying types and levels are devised for management associates and department heads.

d. Professional Course: Based on work competencies and professional requirements, this course covers a wide range of professional skills.

e. Self-Development Course: This course is focused on the soft power required by employees and aims to encourage autonomous learning and improving individual capabilities.

(B) Personal Development Plans

The Company sets up employee personal development plans and annual training programs of each business unit by complementing function and performance evaluations. Besides increasing professional knowledge of employees, the Company also provides resources for the training of management skills, self-inspired soft power, and transferrable skills, in order to promote employee KSAOs and talents, and increase business performance.

(C) TTQS Evaluation

The Company participated in the Talent Quality - Management System (TTQS) evaluation held by the Workforce Development Agency of the Ministry of Labor, and received the "TTQS Training Quality Evaluation: Silver Medal Award." This achievement is a testament to the Company's performance in employee training and development. In the future, we will continue to further increase the breadth and depth of employee training and development.

(4) A summary of certifications received by personnel who are involved in the financial transparency of the Company are as follows:

A. General Competency Exam for Internal Control held by the Securities and Futures Institute: 1 from the Internal Audit Department.

B. Taiwan Certified Internal Auditors: 4 from the Accounting Department.

C. Taiwan Certified Public Accountants: 9 from the Accounting Department.

(5) Code of Conduct and Ethics Policy

A. The Company's Code of Conduct is adopted in compliance with local laws and regulations for all business areas and follows similar guidelines of our international brand customers and other leading companies as the core standards for all employees to adhere to while participating in the business of the Company. The Code of Conduct has also been made available and promoted on our intranet.

B. The Company’s Work Rules outline the corporate culture, our strong commitment to ethical behavior and the rights and obligations of employees. The Work Rules, along with other human resources policies are available on our intranet for employees’ access from time to time.

C. Each employee of the Company shall sign a Statement of Commitment to the Employee Ethical Conduct and a Non-Disclosure Agreement, and shall strictly comply with the rules governing conflicts of interest, fair dealing, protection and proper use of company assets, confidentiality and regulatory compliance, etc.

D. For the purpose of promoting legitimate use of personal data and avoid infringement of personality rights, the Company puts into practice "matters to be informed on regarding personal data collection " and shall respect the rights of employees. The Company may only use the information collected after the employees concerned have been adequately informed of the purpose of collection, processing and use of personal information, and given their written consent.

(6) Precautionary Measures for Workplace Health and Safety

A. Personnel Safety :

The Company remains devoted to strengthening various safety management practices. We focused on the following aspects in 2016:

(A) Machine safety management: we take measures in all aspects to ensure more comprehensive machine safety management, including defining high risk machinery, identifying safety guards and stipulating safe operation of machinery, reviewing and approving purchasing sources, onsite safety inspection, manufacturing safety, and routine audits of safety management.

(B) Construction project management: the uniform guidelines adopted by the Group stipulate requirements regarding site access control, disclosure of risks of injuries, management of hazardous manual tasks, onsite supervision and penalty for violations, and the guidelines have been gradually implemented in each business region.

(C) Abnormal incident management: create standardized management procedures in occupational accidents investigations to ensure incident reporting and tracking are properly executed, and continue to strengthen our abilities in factory accident investigations and improvements to avoid reoccurrence.

(D) Complete fire equipment: The Company has established fire prevention design regulations. Regarding any construction and addition of plant rooms or changes to plant rooms, the design, construction, acceptance, and maintenance of these rooms must comply with company regulations. We have also developed a standard management mechanism for these processes. The Company non-periodically conducts auditing of engineering quality and maintenance works.

(E) Increase fire department capabilities: the Company has 13 fire departments in procreation station; we have established and adopted general rules for their day-to-day duties and physical training, and routinely conducted inspection and certification to ensure that the fire departments are performing at their best.

(F) Implement fire safety inspection: the Company routinely conducts fire safety inspections at the factories for potential fire hazards, including operations and equipment, to prevent fire.

(G) Establish electrical technician school: the Company offers electrical technician training programs in each business area to train and certify electrical technicians working at the factories, increasing the electrical technical capabilities and lowering factory operation risks.

(H) Management of maintenance service provider: the Company has a template of a fire equipment maintenance contract and checklist to verify the capabilities of our maintenance service provider and to improve the quality of their services.

(I) Implementation of infrared scanning: electrical safety is a key step towards fire prevention; the Company has an infrared thermal imaging system for scanning electrical equipment and trains specialists for the purpose of detecting problems in advance and preventing future damages.

(J) Reinforce the activities in response to emergency: in order to equip employees with the ability of emergency response, the Group has established and adopted a set of guidelines to increase employees' capabilities in response to emergency, damage control and ensure personal safety. Each factory has an emergency response team in place that routinely runs drills and participates in the joint fire simulations and drills held by government fire departments from time to time to gain joint relief experience.

B. Personnel Sanitation：

The Company emphasizes of the importance of employee health management. We introduce a series of health-promoting activities, such as blood pressure measurement, health-related seminars, and self-health management, so that employees are made aware of their health conditions. Moreover, the Company provides a complete breastfeeding room for lactating employees. Regarding employee exposure to adverse environmental conditions (e.g., organic solvents, noise, lighting, and temperature), we regularly measure environmental index as required by laws and company requirements. We also track and make improvements upon work areas that measured abnormal readings. In compliance with laws and regulations, the Company ensures that its employees receive the care they need by arranging health checks for employees and providing medical advice and follow-up treatment for those who produced abnormal test results.

(7) List any loss sustained as a result of labor disputes in recent year up to the date of publication of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken: None.

5.6 Material Contracts

Type of Contract	Parties	Term	Summary	Restrictive Clauses
Service Agreement	Yue Yuen Industrial (Holdings) Limited	April 1997 ~	To provide the following services: Product design and development, know-how, technical knowledge and expertise, marketing services, raw material sourcing and staff recruitment.	None
Syndicated Loan Agreement	First Commercial Bank, Taichung branch and 12 other banks	June 29, 2011 ~ September 29, 2016	A NT$13 billion syndicated term loan for repayment of the outstanding indebtedness under the 2008 Loan Agreement and financing the general working capital.	So long as any sum remains outstanding under the Loan Agreement, the Company shall maintain its status in good standing and subject to certain limitations on merger, assets disposition or grant any loan in favor of any third party, except where such limitation will not materially and adversely affect the financial or business condition of the Company or it arises in the ordinary course of its business and in accordance with the Company's Guidelines.
Syndicated Loan Agreement	Bank of Taiwan, Chang Hwa branch and 18 other banks	April 11, 2013~ June 3, 2018	A NT$10 billion syndicated term loan for repayment of the outstanding indebtedness under the 2009 Loan Agreement and financing the mid-term general working capital.	So long as any sum remains outstanding under the Loan Agreement, the Company shall maintain its status in good standing and subject to certain limitations on merger, assets disposition or grant any loan in favor of any third party, except where such limitation will not materially and adversely affect the financial or business condition of the Company or it arises in the ordinary course of its business and in accordance with the Company's Guidelines.
Syndicated Loan Agreement	CTBC Bank and 13 other banks	May 12, 2011~ June 10, 2016	A US$300 million syndicated term loan for repayment of the outstanding indebtedness under the 2007 Loan Agreement and financing the borrower's general working capital, provided that no more than an aggregate principal amount of US$44.25 million borrowed under the facility shall be applied towards the	So long as any sum remains outstanding under the Loan Agreement, the Company and borrower shall maintain its status in good standing and subject to certain limitations on merger, assets disposition or grant any loan in favor of any third party, except where such limitation will not materially and adversely affect the financial or business condition of the Company or borrower. Or it arises in the ordinary course of their business and in accordance with the Company's or borrower's Guidelines.

Type of Contract	Parties	Term	Summary	Restrictive Clauses
			financing of general corporate requirements of borrower.	
Syndicated Loan Agreement	Bank of Taiwan and 10 other banks	November 12, 2014 ~ January 10, 2020	A US$200 million syndicated term loan for repayment of the outstanding indebtedness under the 2011 Loan Agreement and financing the borrower's general working capital.	So long as any sum remains outstanding under the Loan Agreement, the Company and borrower shall maintain its status in good standing and subject to certain limitations on merger, assets disposition or grant any loan in favor of any third party, except where such limitation will not materially and adversely affect the financial or business condition of the Company or borrower. Or it arises in the ordinary course of their business and in accordance with the Company's or borrower's Guidelines.
Syndicated Loan Agreement	Mizuho Bank and 2 other banks	November 12, 2014 ~ January 10, 2020	A US$100 million syndicated term loan for repayment of the outstanding indebtedness under the 2011 Loan Agreement.	So long as any sum remains outstanding under the Loan Agreement, the Company and borrower shall maintain its status in good standing and subject to certain limitations on merger, assets disposition or grant any loan in favor of any third party, except where such limitation will not materially and adversely affect the financial or business condition of the Company or borrower. Or it arises in the ordinary course of their business and in accordance with the Company's or borrower's Guidelines.

VI. FINANCIAL INFORMATION

6.1Financial Summary foe the Past Five Fiscal Years

6.1.1Condensed balance sheet and statement of comprehensive income - IFRS

A. Condensed consolidated balance sheet - IFRS

(in NT$ thousands)

Item \ Year		Financial summary within five years					Financial summary as of March 31,2017 【Note 1】
		2012 【Note 1】	2013 【Note 1】	2014 【Note 1】	2015 【Note 1】	2016 【Note 1】	
Current assets		119,864,082	131,246,086	143,594,963	145,663,287	151,320,571	151,625,397
Property, plant and equipment		61,375,481	59,099,839	63,500,454	69,778,999	71,464,806	68,128,659
Intangible assets		12,275,402	12,123,200	12,726,168	12,817,838	11,954,099	11,204,675
Other assets		50,197,358	45,660,101	53,220,360	52,363,795	59,150,385	57,373,789
Total assets		243,712,323	248,129,226	273,041,945	280,623,919	293,889,861	288,332,520
Current liabilities	Before distribution	70,529,978	67,273,859	74,638,733	90,656,392	74,732,364	78,575,320
	After distribution【Note 2】	74,946,183	70,217,996	79,054,939	95,076,573	79,152,545	78,575,320
Non-current liabilities		40,637,473	43,235,190	46,277,617	35,163,860	56,146,793	53,269,380
Total liabilities	Before distribution	111,167,451	110,509,049	120,916,350	125,820,252	130,879,157	131,844,700
	After distribution【Note 2】	115,583,656	113,453,186	125,332,556	130,240,433	135,299,338	131,844,700
Equity attributable to owners of the Company	Before distribution	62,199,363	61,210,882	70,714,219	69,270,113	75,705,144	75,026,041
	After distribution【Note 2】	57,783,158	58,266,745	66,298,013	64,849,932	71,284,963	75,026,041
Share Capital		29,431,849	29,441,372	29,441,372	29,467,872	29,467,872	29,467,872
Capital surplus		4,298,105	4,366,099	4,627,549	4,631,708	4,540,163	4,540,694
Retained earnings	Before distribution	30,683,911	36,772,186	42,253,851	47,076,127	55,333,477	56,960,267
	After distribution【Note 2】	26,267,706	33,828,049	37,837,645	42,655,946	50,913,296	56,960,267
Other equity		(2,025,774)	(9,180,047)	(5,608,553)	(11,905,594)	(13,636,368)	(15,942,792)
Treasury shares		(188,728)	(188,728)	-	-	-	-
Non-controlling interests		70,345,509	76,409,295	81,411,376	85,533,554	87,305,560	81,461,779
Total equity	Before distribution	132,544,872	137,620,177	152,125,595	154,803,667	163,010,704	156,487,820
	After distribution【Note 2】	128,128,667	134,676,040	147,709,389	150,383,486	158,590,523	156,487,820

Note1: The financial statements for 2012 to 2016 have been audited by independent auditors and the financial statement for Q1 of 2017 has been reviewed by independent auditors.

Note2: The amounts after distributed are resolved by the Shareholders' Meeting of the following year. The Proposal of 2016 Profits Distribution was adopted by the Board of Directors on April 28, 2017, and now pending the approval of the Shareholders' Meeting.

B. Condensed consolidated statement of comprehensive income - IFRS

(in NT$ thousands, except earnings per share)

Item \ Year	Financial summary within five years					Financial summary as of March 31,2017 【Note】
	2012 【Note】	2013 【Note】	2014 【Note】	2015 【Note】	2016 【Note】	
Operating revenue	276,107,669	226,664,569	243,976,298	269,081,173	274,895,346	65,565,096
Gross profit	65,279,185	50,527,932	55,268,748	64,505,418	70,382,794	16,744,013
Profit from operations	15,968,107	10,098,989	7,920,621	12,353,394	17,628,501	3,904,983
Non-operating income and expenses	4,788,670	8,633,104	7,953,758	7,886,880	8,651,301	742,518
Income before income tax	20,756,777	18,732,093	15,874,379	20,240,274	26,279,802	4,647,501
Net income	19,078,068	16,910,950	13,859,449	16,601,466	23,001,919	3,788,837
Other comprehensive (loss) income	(1,538,249)	(6,713,194)	2,677,034	(7,816,031)	(3,312,203)	(1,896,822)
Total comprehensive income	17,539,819	10,197,756	16,536,483	8,785,435	19,689,716	1,892,015
Net income attribute to owners of the Company	10,217,689	10,619,449	8,615,506	9,531,358	13,057,050	1,626,790
Net income attribute to non-controlling interests	8,860,379	6,291,501	5,243,943	7,070,108	9,944,869	2,162,047
Total comprehensive income attribute to owners of the Company	8,869,145	3,350,207	11,997,296	2,941,441	10,946,757	(679,634)
Total comprehensive income attribute to non-controlling interests	8,670,674	6,847,549	4,539,187	5,843,994	8,742,959	2,571,649
Earnings per share	3.49	3.62	2.93	3.24	4.43	0.55

Note：The financial statements for 2012 to 2016 have been audited by independent auditors and the financial statement for Q1 of 2017 has been reviewed by independent auditors.

C. Condensed separate balance sheet - IFRS

(in NT$ thousands)

Item		Financial summary within five years				
	Year	2012 【Note 1】	2013 【Note 1】	2014 【Note 1】	2015 【Note 1】	2016 【Note 1】
Current assets		7,904,656	8,374,271	9,515,961	7,036,621	7,541,527
Property, plant and equipment		3,724,076	4,145,123	4,103,169	4,187,849	4,503,791
Other assets		78,142,032	77,572,255	86,712,842	86,649,577	93,482,043
Total assets		89,770,764	90,091,649	100,331,972	97,874,047	105,527,361
Current liabilities	Before distribution	8,017,238	9,764,302	13,679,537	13,771,920	10,210,516
	After distribution 【Note 2】	12,433,443	12,708,439	18,095,743	18,192,101	14,630,697
Non-current liabilities		19,554,163	19,116,465	15,938,216	14,832,014	19,611,701
Total Liabilities	Before distribution	27,571,401	28,880,767	29,617,753	28,603,934	29,822,217
	After distribution 【Note 2】	31,987,606	31,824,904	34,033,959	33,024,115	34,242,398
Share capital		29,431,849	29,441,372	29,441,372	29,467,872	29,467,872
Capital surplus		4,298,105	4,366,099	4,627,549	4,631,708	4,540,163
Retained earnings	Before distribution	30,683,911	36,772,186	42,253,851	47,076,127	55,333,477
	After distribution 【Note 2】	26,267,706	33,828,049	37,837,645	42,655,946	50,913,296
Other equity		(2,025,774)	(9,180,047)	(5,608,553)	(11,905,594)	(13,636,368)
Treasury shares		(188,728)	(188,728)	-	-	-
Total equity	Before distribution	62,199,363	61,210,882	70,714,219	69,270,113	75,705,144
	After distribution 【Note 2】	57,783,158	58,266,745	66,298,013	64,849,932	71,284,963

Note1: The financial statements for 2012 to 2016 have been audited by independent auditors.

Note2: The amounts after distributed are resolved by the Shareholders' Meeting of the following year. The Proposal of 2016 Profits Distribution was adopted by the Board of Directors on April 28, 2017, and now pending the approval of the Shareholders' Meeting.

D. Condensed separate statement of comprehensive income - IFRS

(in NT$ thousands, except earnings per share)

Item \ Year	Financial summary within five years				
	2012 【Note】	2013 【Note】	2014 【Note】	2015 【Note】	2016 【Note】
Operating revenue	10,916,775	12,051,187	12,661,506	12,748,522	12,294,428
Gross profit	2,849,671	3,238,539	3,471,849	3,744,483	3,833,146
Income from operations	115,555	604,920	200,408	448,660	244,462
Non-operating income and expenses	10,914,935	11,074,721	9,284,973	10,550,154	13,545,565
Income before income tax	11,030,490	11,679,641	9,485,381	10,998,814	13,790,027
Net income	10,217,689	10,619,449	8,615,506	9,531,358	13,057,050
Other comprehensive (loss) income	(1,348,544)	(7,269,242)	3,381,790	(6,589,917)	(2,110,293)
Total comprehensive income	8,869,145	3,350,207	11,997,296	2,944,441	10,946,757
Earnings per share	3.49	3.62	2.93	3.24	4.43

Note：The financial statements for 2012 to 2016 have been audited by independent auditors.

6.1.2 Condensed balance sheet and income statement - ROC GAAP

A. Condensed consolidated balance sheet - ROC GAAP

(in NT$ thousands)

Item \ Year		Financial summary within five years				
		2012【Note 1】	2013	2014	2015	2016
Current assets		120,365,449	【Note 2】			
Funds & long-term investments		41,817,182				
Fixed assets		62,063,458				
Intangible assets		17,781,297				
Other assets		2,032,964				
Total assets		244,060,350				
Current liabilities	Before distribution	71,148,805				
	After distribution【Note 3】	75,565,010				
Long-term liabilities		37,390,554				
Reserve for land revaluation incremental tax		86,547				
Other liabilities		2,204,363				
Total Liabilities	Before distribution	110,830,269				
	After distribution【Note 3】	115,246,474				
Share capital		29,431,849				
Capital surplus		9,040,448				
Retained earnings	Before distribution	29,228,074				
	After distribution【Note 3】	24,811,869				
Cumulative translation adjustments		(4,001,864)				
Unrealized (loss) gain on financial instrument		(173,440)				
Unrealized revaluation increments		134,641				
Treasury stocks		(153,449)				
Net loss unrecognized as pension cost		(259,786)				
Minority interest		69,983,608				
Total equity	Before distribution	133,230,081				
	After distribution【Note 3】	128,813,876				

Note1： The financial statement for 2012 has been audited by independent auditors.

Note2： For the data of 2013 to 2016, please refer to 6.1.1 A. Condensed consolidated balance sheet – IFRS.

Note3： The amounts after distributed are resolved by the Shareholders' Meeting of the following year.

B. Condensed consolidated income statement - ROC GAAP

(in NT$ thousands)

Item \ Year	Financial summary within five years				
	2012 【Note 1】	2013	2014	2015	2016
Net operating income	276,107,669	【Note 2】			
Gross profit	65,230,903				
Net income	15,894,576				
Non-operating income	9,407,525				
Non-operating expenses	4,731,852				
Income before tax	20,570,249				
Consolidated net income	18,939,822				
Consolidated net income attributed to shareholders of the parent company	10,156,335				
Consolidated net income attributed to non-controlling interest	8,783,487				
Earnings per share【Note 3】	3.47				

Note1： The financial statement for 2012 has been audited by independent auditors.

Note2： For the data of 2013 to 2016, please refer to 6.1.1 B. Condensed consolidated statement of comprehensive income – IFRS.

Note3： The calculation is based on weighted average shares outstanding minus stock grants in each year.

C. Condensed separate balance sheet - ROC GAAP

(in NT$ thousands)

Item \ Year		Financial summary within five years				
		2012 【Note 1】	2013	2014	2015	2016
Current assets		7,904,656	【Note 2】			
Funds & long-term investments		76,296,210				
Fixed assets		3,650,363				
Other assets		2,635,635				
Total assets		90,486,864				
Current liabilities	Before distribution	8,643,634				
	After distribution【Note 3】	13,059,839				
Long-term liabilities		17,500,000				
Reserve for land revaluation incremental tax		86,547				
Other liabilities		1,010,210				
Total Liabilities	Before distribution	27,240,391				
	After distribution【Note 3】	31,656,596				
Share capital		29,431,849				
Capital surplus		9,040,448				
Retained earnings	Before distribution	29,228,074				
	After distribution【Note 3】	24,811,869				
Cumulative translation adjustments		(4,001,864)				
Unrealized (loss) gain on financial instrument		(173,440)				
Unrealized revaluation increments		134,641				
Treasury stocks		(153,449)				
Net loss unrecognized as pension cost		(259,786)				
Total equity	Before distribution	63,246,473				
	After distribution【Note 3】	58,830,268				

Note1： The financial statement for 2012 has been audited by independent auditors.

Note2： For the data of 2013 to 2016, please refer to 6.1.1 C. Condensed separate balance sheet – IFRS.

Note3： The amounts after distributed are resolved by the Shareholders' Meeting of the following year.

D. Condensed separate income statement - ROC GAAP

(in NT$ thousands, except earnings per share)

Item \ Year	Financial summary within five years				
	2012 【Note 1】	2013	2014	2015	2016
Net operating income	10,916,775	【Note2】			
Gross profit	2,849,671				
Net income	97,412				
Non operating income	12,196,275				
Non operating expenses	1,324,551				
Income before tax	10,969,136				
Income after tax	10,156,335				
Earnings per share【Note 3】	3.47				

Note1：The financial statement for 2012 has been audited by independent auditors.

Note2：For the data of 2013 to 2016, please refer to 6.1.1 D. Condensed separate statement of comprehensive income – IFRS.

Note3：The calculation is based on weighted average shares outstanding minus stock grants in each year.

6.1.3 Auditors' Opinions from 2012 to 2016

Year \ Opinion	Accounting Firm	CPA	Audit Opinion
2012	Deloitte & Touche	HONG, KUO-TYAN SHIN, CHING-PIN	Modified Unqualified Opinion
2013	Deloitte & Touche	WU, KER-CHANG YU, HUNG-BIN	Modified Unqualified Opinion
2014	Deloitte & Touche	WU, KER-CHANG YU, HUNG-BIN	Modified Unqualified Opinion
2015	Deloitte & Touche	WU, KER-CHANG YU, HUNG-BIN	Modified Unqualified Opinion
2016	Deloitte & Touche	WU, KER-CHANG YU, HUNG-BIN	Unqualified Opinion

6.2 Financial Analysis for the Past Five Fiscal Years

6.2.1 A. Consolidated financial analysis – IFRS

Item	Year	Financial summary within five years (Note1) 2012	2013	2014	2015	2016	As of March 31,2017 (Note 1)
Financial structure (%)	Debt Ratio	45.61	44.53	44.28	44.83	44.53	45.72
	Ratio of long-term funds to property, plant and equipment	282.16	306.01	312.44	272.24	306.66	307.88
Liquidity (%)	Current ratio	169.94	195.09	192.38	160.67	202.48	192.96
	Quick ratio	108.73	125.27	123.22	104.38	134.23	125.82
	Time interest earned	12.11	15.98	15.76	19.05	20.96	12.90
Operating performance	Average collection turnover (times)	10.14	7.48	7.69	8.00	7.45	7.30
	Average collection period	36	49	47	46	49	50
	Average inventory turnover (times)	5.50	4.30	4.15	4.24	4.29	4.09
	Average payment turnover (times)	14.76	13.25	12.79	12.58	12.77	12.60
	Average inventory turnover period	67	85	88	86	85	89
	Property, plant and equipment turnover (times)	4.43	3.76	3.98	4.03	3.89	3.75
	Total assets turnover (times)	1.14	0.92	0.93	0.97	0.95	0.90
Profitability (%)	Return on total assets	8.53	7.29	5.66	6.33	8.38	5.65
	Return on shareholders' equity	14.77	12.51	9.56	10.81	14.47	9.48
	Profit before income tax to paid-in capital	70.52	63.62	53.91	68.68	89.18	63.08
	Profit ratio	6.90	7.46	5.68	6.16	8.36	5.77
	Earnings per share (NT$)	3.49	3.62	2.93	3.24	4.43	0.55
Cash flow (%)	Cash flow ratio	32.26	21.18	18.43	24.31	21.01	28.26
	Cash flow adequacy ratio	(Note 2)				86.70	81.33
	Cash flow reinvestment ratio	8.45	4.27	4.25	6.96	3.99	8.21
Leverage	Operating leverage	1.60	1.77	1.96	1.67	1.49	1.59
	Financial leverage	1.13	1.14	1.15	1.09	1.08	1.11

Note 1: The financial statements for 2012 to 2016 have been audited by independent auditors and the financial statement for Q1 of 2016 has been reviewed by independent auditors.

Note 2：Our company has adopted the IFRS approved by the Financial Supervisory Commission to construct financial statements for less than 5 years, so the cash flow adequacy ratio is not calculated.

Analysis of changes in financial ratios which show a difference of more than 20% for the past two years :

1. Liquidity:

(1) Increase in current ratio:

Mainly caused by the increase in current assets (3.88%) and the decrease in current liabilities (17.57%). Explanations are as follows:

The increase in current assets is mainly caused by the increase in accounts receivable for the current period and the noncurrent assets held for sale; the decrease in current liabilities is mainly caused by the increase in short-term borrowings and the decrease in current portion of long-term borrowings.

(2) Increase in quick ratio:

Mainly caused by the increase in quick assets (6.01%) and the decrease in current liabilities (17.57%). Explanations are as follows:

For the causes of the increase in quick assets, please refer to 1. (1) Explanations for the increase in current assets; for the causes of the decrease in current liabilities, please refer to 1.(1) Explanation for the decrease in current liabilities.

2. Profitability:

All profitability ratios have risen mainly due to the stable development of the footwear manufacturing business and the fact that sporting goods retailing and wholesaling benefit from expansion of sales networks and the leveling up of operating benefits, enabling the overall revenue to grow. In addition, our company is actively improving the overall internal operating efficiency and managing the operating expenses well, hence the growth in net income for the year.

3. Cash flow:

The cash reinvestment ratio has decreased mainly due to the decrease in net cash flow from the year's operating activities (28.75%) and the increase in working capital (39.23%). Explanations are as follows:

The decrease in net cash flow from operating activities for the year is mainly due to the increase in income taxes paid, accounts receivable from operating activities and other receivables, and the decrease in accounts payable and other payables; the increase in working capital is mainly caused by the increase in current assets and the decrease in current liabilities for the current period.

6.2.1B. Separate financial analysis - IFRS

Item \ Year		Financial summary within five years (Note 1)				
		2012	2013	2014	2015	2016
Financial structure (%)	Debt ratio	30.71	32.05	29.51	29.22	28.26
	Ratio of long-term funds to property, plant and equipment	2,195.27	1,937.87	2111.84	2008.24	2116.36
Liquidity (%)	Current ratio	98.59	85.76	69.56	51.09	73.86
	Quick ratio	96.36	84.27	68.37	50.27	72.69
	Times interest earned	31.47	32.15	27.61	31.71	41.75
Operating performance	Average collection turnover (times)	7.29	7.85	7.67	7.67	7.13
	Average collection period	51	47	48	48	51
	Average inventory turnover (times)	34.53	42.53	53.55	78.37	113.89
	Average payment turnover (times)	6.45	6.90	6.29	5.65	5.64
	Average inventory turnover period	11	9	7	5	3
	Property, plant and equipment turnover (times)	2.88	3.06	3.07	3.07	2.82
	Total assets turnover (times)	0.12	0.13	0.13	0.12	0.12
Profitability (%)	Return on total assets	12.24	12.15	9.35	9.91	13.11
	Return on shareholders' equity	17.21	17.20	13.06	13.61	18.01
	Pre-tax income to paid-in capital	37.47	39.67	32.21	37.32	46.79
	Profit ratio	93.59	88.11	68.04	74.76	106.20
	Earnings per share (NT$)	3.49	3.62	2.93	3.24	4.43
Cash flow (%)	Cash flow ratio	(1.22)	1.19	(1.78)	1.33	(17.85)
	Cash flow adequacy ratio	(Note 2)				(7.53)
	Cash flow reinvestment ratio	-	-	-	-	-
Leverage	Operating leverage	3.25	1.39	2.16	1.50	1.99
	Financial leverage	(0.46)	2.62	(1.28)	4.95	(2.60)

Note 1: The financial statements for 2012 to 2016 have been audited by independent auditors.

Note 2: Our company has adopted the IFRS approved by the Financial Supervisory Commission to construct financial statements for less than 5 years, so the cash flow adequacy ratio is not calculated.

Analysis of changes in financial ratios which show a difference of more than 20% for the past two years:

1. Liquidity:

 (1) Increase in current ratio:

  Mainly caused by the increase in current assets (7.18%) and the decrease in current liabilities (25.86%). Explanations are as follows:

  The increase in current assets is mainly caused by the increase in available-for-sale financial assets, accounts receivable for the current period and the decrease in investments in debt securities with no active market; the decrease in current liabilities is mainly caused by the decrease in current portion of long-term borrowings and the increase in short-term borrowings.

 (2) Increase in quick ratio:

  Mainly caused by the increase in quick assets (7.2%) and the decrease in current liabilities (25.86%). Explanations are as follows:

  For the causes of the increase in quick assets, please refer to 1.(1) Explanations for the increase in current assets; for the causes of the decrease in current liabilities, please refer to 1.(1) Explanation for the decrease in current liabilities.

 (3) Increase in interest earned:

  Mainly caused by the increase in earnings before interest and taxes (24.4%), and the decrease in interest expenses (5.51%). Explanations are as follows:

  The increase in the year's earnings before interest and taxes was mainly due to the share of the profit of subsidiaries and associates accounted for using the equity method was increased in 2016.

2. Operating ability:

 (1) Increase in inventory turnover:

  Mainly caused by the cost of sales for the year decreased degree (6.03%) lower than the average inventory decreased degree (35.34%).

 (2) Decrease in average days of sales:

  Mainly caused by the increase in inventory turnover (45.32%).

3. Profitability:

 All profitability ratios have risen mainly due to the increase in the share of profit of subsidiaries and associates accounted for using the equity method.

4. Cash flow:

 The cash flow ratio decreased mainly because net cash flow from operating activities decreased degree (1,088.63%) higher than the current liabilities decreased degree (25.86%). Explanations are as follows:

 The decrease in net cash flow from operating activities of the year is mainly due to the increase in income taxes paid and accounts receivable from operating activities; for the causes of the decrease in current liabilities, please refer to 1.(1) Explanation for the decrease in current liabilities.

5. Leverage

 (1) Increase in operating leverage:

  Mainly because the year's operating revenue—deducted by variable operating costs and expenses—decreased at a lower degree (27.81%) than the degree at which operating income decreased (45.51%).

 (2) Decrease in financial leverage:

  Mainly because operating income for the year decreased at a higher degree (45.51%) than the degree at which interest expenses decreased (5.51%).

1. Financial Structure
   (1) Debt ratio =total liabilities/total assets
   (2) Ratio of long-term funds to property, plant and equipment = (net shareholder's equity+ non-current liabilities)/net property, plant and equipment
2. Liquidity
   (1) Current ratio=current assets/current liabilities
   (2) Quick ratio= (current assets-inventory-prepaid expense)/current liabilities
   (3) Times interest earned =net income before tax and interest expense/interest expense
3. Operating performance
   (1) Average collection turnover (including accounts receivable and notes receivable resulted from business operation) = net sales/average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)
   (2) Average collection period=365/average collection turnover
   (3) Average inventory turnover=cost of goods sold/average inventory
   (4) Average payment turnover (including accounts payable and notes payable resulted from business operation) = operating costs/average balance of account payable (including accounts payable and notes payable resulted from business operation)
   (5) Average inventory turnover period=365/average inventory turnover
   (6) Property, plant and equipment turnover=net sales/average net property, plant and equipment
   (7) Total assets turnover=net sales/average total assets
4. Profitability
   (1) Return on total assets= [net income + interest expense*(1-tax rate)]/average total assets
   (2) Return on shareholder's equity=net income/average net shareholder's equity
   (3) Profit ratio=net income/net sales
   (4) Earnings per share= (equity attributable to owners of the Company-preferred share dividend)/weighted average shares issued
5. Cash flow
   (1) Cash flow ratio=net cash flow from operating activity/current liabilities
   (2) Cash flow adequacy ratio= (net cash flow from operating activities within five year/ (capital expenditure +inventory increase +cash dividend) within five year
   (3) Cash flow reinvestment ratio= (net cash flow from operating activity -cash dividend)/ (total property, plant and equipment +long-term investment + other non-current assets + working capital)
6. Leverage
   (1) Operating leverage= (net operating income-operating variable cost and expense)/operating income
   (2) Financial leverage= operating income/ (operating income-interest expense)

6.2.2 A. Consolidated financial analysis – ROC GAAP

Item			Year: Financial summary within five years 2012 (Note 1)	2013	2014	2015	2016
Financial structure (%)	Debt ratio		45.41	(Note 2)			
	Ratio of long-term funds to fixed assets		274.91				
Liquidity (%)	Current ratio		169.17				
	Quick ratio		106.85				
	Times interest earned ratio		12.01				
Operating performance	Average collection turnover (times)		10.15				
	Average collection period		36				
	Average inventory turnover (times)		5.36				
	Average payment turnover (times)		14.73				
	Average inventory turnover period		69				
	Fixed assets turnover (times)		4.37				
	Total assets turnover (times)		1.14				
Profitability (%)	Return on total assets		8.47				
	Return on shareholders' equity		14.59				
	Percentage to paid-in capital	Operating income	54.00				
		Income before tax	69.89				
	Profit ratio		6.85				
	Earnings per share (NT$)		3.47				
Cash flow (%)	Cash flow ratio		35.27				
	Cash flow adequacy ratio		97.02				
	Cash flow reinvestment ratio		10.32				
Leverage	Operating leverage		1.61				
	Financial leverage		1.13				

Note1: The financial statement for 2012 has been audited by independent auditors.
Note2: For the data 2013 to 2016, please refer to 6.2.1 A. Consolidated financial analysis – IFRS.

6.2.2B. Separate financial analysis - ROC GAAP

Item			Year: Financial summary within five years				
			2012 (Note 1)	2013	2014	2015	2016
Financial structure (%)	Debt ratio		30.10	(Note 2)			
	Ratio of long-term funds to fixed assets		2,212.01				
Liquidity (%)	Current ratio		91.45				
	Quick ratio		89.38				
	Times interest earned ratio		31.30				
Operating performance	Average collection turnover (times)		7.29				
	Average collection period		50				
	Average inventory turnover (times)		34.53				
	Average payment turnover (times)		6.44				
	Average inventory turnover period		11				
	Fixed assets turnover (times)		2.94				
	Total assets turnover (times)		0.13				
Profitability (%)	Return on total assets		12.08				
	Return on shareholders' equity		16.84				
	Percentage to paid-in capital	Operating income	0.33				
		Income before tax	37.27				
	Profit ratio		93.03				
	Earnings per share (NT$)		3.47				
Cash flow (%)	Cash flow ratio		38.22				
	Cash flow adequacy ratio		45.92				
	Cash flow reinvestment ratio		-				
Leverage	Operating leverage		3.48				
	Financial leverage		(0.37)				

Note1: The financial statement for 2012 has been audited by independent auditors.
Note2: For the data of 2013 to 2016, please refer to 6.2.1 B. Separate financial analysis – IFRS.

1. Financial Structure

(1) Debt ratio =total liabilities/total assets

(2) Ratio of long-term funds to fixed assets = (net shareholder's equity+ non-current liabilities)/net fixed assets

2. Liquidity

(1) Current ratio=current assets/current liabilities

(2) Quick ratio= (current assets-inventory-prepaid expense)/current liabilities

(3) Times interest earned =net income before tax and interest expense/interest expense

3. Operating performance

(1) Average collection turnover (including accounts receivable and notes receivable resulted from business operation) = net sales/average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)

(2) Average collection period=365/average collection turnover

(3) Inventory turnover=cost of goods sold/average inventory

(4) Average payment turnover (including accounts payable and notes payable resulted from business operation) = operating costs/average balance of account payable (including accounts payable and notes payable resulted from business operation)

(5) Average inventory turnover period=365/average inventory turnover

(6) Fixed assets turnover=net sales/average net fixed assets

(7) Total assets turnover=net sales/average total assets

4. Profitability

(1) Return on total assets= [net income + interest expense*(1-tax rate)]/average total assets

(2) Return on shareholder's equity=net income/average net shareholder's equity

(3) Profit ratio=net income/net sales

(4) Earnings per share= (equity attributable to owners of the Company-preferred share dividend)/weighted average shares issued

5. Cash flow

(1) Cash flow ratio=net cash flow from operating activity/current liabilities

(2) Cash flow adequacy ratio= (net cash flow from operating activities within five year/ (capital expenditure +inventory increase +cash dividend) within five year

(3) Cash flow reinvestment ratio= (net cash flow from operating activity -cash dividend)/ (total property, plant and equipment +long-term investment + other non-current assets + working capital)

6. Leverage

(1) Operating leverage= (net operating income-operating variable cost and expense)/operating income

(2) Financial leverage= operating income/ (operating income-interest expense)

Audit Committee's Review Report

The Board of Directors has prepared and submitted the Company's 2016 business report and financial statements. Commissioned by the Board of Directors, The CPA firm Deloitte & Touch has audited the financial statements and issued an audit report relating to the Financial Statements.

These have been reviewed by the Audit Committee as conforming to relevant laws and regulations. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this Report.

To:

2017 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:

Chen, Jung-Tung

Date : March 27, 2017

Audit Committee's Review Report on Profit Distribution Plan

The Board of Directors has prepared and submitted the 2016 profit distribution plan. This has been reviewed by the Audit Committee as conforming to relevant laws and regulations. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this Report.

To:

2017 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:

Chen, Jung-Tung

Date : April 28, 2017

6.4 Financial Statements for the Most Recent Fiscal Year

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan

Tel :+886 (2) 2545-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Pou Chen Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Write-down of Inventory

As of December 31, 2016, inventories of the Group amounted to $45,605,153 thousand. For the related critical accounting judgments, key sources of estimation, and significant accounting policies, refer to Notes 4 and 5 of the consolidated financial statements.

The inventory of the Group is stated at the lower of cost or net realizable value. The valuation of net realizable value required consideration of the condition of the product market sales and quality status, which involved significant judgments and estimations made by management. As a result, the write-down of inventory is regarded as a key audit matter of the 2016 consolidated financial statements.

We obtained the inventory valuation sheets prepared by the management, selected samples of estimated selling prices and traced them to the recent sales records to assess the rationale of the net realizable value determined by the management. In addition, we selected samples from the inventory aging report prepared by the management to verify the correctness of its classification and the reasonableness of the amount of inventory write-downs.

Impairment of Goodwill and Intangible Assets

As of December 31, 2016, goodwill and intangible assets - brands of the Group amounted to $9,103,660 thousand and $1,890,592 thousand, respectively. For the related critical accounting judgments, key sources of estimation, and significant accounting policies, refer to Notes 4 and 5 of the consolidated financial statement.

The management evaluated the impairment of the assets above based on their recoverable amount. The recoverable amount is determined according to the forecast of the trading performance and future cash flows and the discount rate. As a result, the test of impairment involved significant judgments and estimations made by management. As a result, the impairment of goodwill and intangible assets is regarded as a key audit matter of the 2016 consolidated financial statements.

Our audit procedures in response to this key audit matter were to evaluate the reasonableness of the significant assumptions, evaluation model, and basic information of the impairment test used by management and to recalculate the impairment.

Other Matter

The Group's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method in the consolidated financial statements and were based on its financial statements, which were audited by other auditors. Our opinion, insofar as it relates to the Group's investments in Ruen Chen Investment Holding Co., Ltd., is based solely on the report of other auditors. As of December 31, 2016 and 2015, the carrying value of the investments was 3.03% ($8,912,633 thousand) and 2.08% ($5,846,585 thousand) of the total assets, respectively. For the years ended December 31, 2016 and 2015, the share of profit of the associate was 16.19% ($4,255,105 thousand) and 18.25% ($3,693,799 thousand) of the income before income tax, respectively.

We have also audited the parent company only financial statements of Pou Chen Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unqualified opinion and an unqualified modified opinion, respectively.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2017

<u>Notice to Readers</u>

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

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

POU CHEN CORPORATION AND SUBSIDIARIES

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

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 35,635,653	12	$ 37,820,911	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,110,141	-	581,288	-
Available-for-sale financial assets - current (Notes 4 and 8)	13,875,320	5	12,622,099	5
Held-to-maturity financial assets - current (Notes 4 and 9)	972,124	-	49,567	-
Debt investments with no active market - current (Notes 4 and 10)	793,924	-	1,390,697	1
Notes receivable (Notes 4 and 11)	22,743	-	12,221	-
Notes receivable from related parties (Notes 4, 11 and 38)	17	-	20	-
Accounts receivable (Notes 4 and 11)	38,073,679	13	33,796,622	12
Accounts receivable from related parties (Notes 4, 11 and 38)	54,156	-	78,106	-
Other receivables (Notes 4 and 11)	4,328,034	2	3,604,286	1
Inventories - manufacturing and retailing (Notes 4 and 12)	40,709,470	14	41,228,992	15
Inventories - construction (Notes 4 and 12)	4,895,683	2	5,029,350	2
Prepayments for leases (Note 4)	152,980	-	158,911	-
Non-current assets held for sale (Notes 4 and 13)	1,386,879	-	-	-
Other current assets (Notes 4 and 14)	9,309,768	3	9,290,217	3
Total current assets	151,320,571	51	145,663,287	52
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	328,492	-	654,795	-
Available-for-sale financial assets - non-current (Notes 4 and 8)	908,711	-	692,074	-
Held-to-maturity financial assets - non-current (Notes 4 and 9)	5,191,289	2	1,401,726	1
Financial assets measured at cost - non-current (Notes 4 and 15)	592,550	-	659,395	-
Debt investments with no active market - non-current (Notes 4, 10 and 39)	35,205	-	32,771	-
Investments accounted for using equity method (Notes 4 and 17)	39,108,525	13	37,437,669	13
Property, plant and equipment (Notes 4 and 18)	71,464,806	25	69,778,999	25
Investment properties (Notes 4, 19 and 39)	2,309,447	1	2,316,581	1
Goodwill (Notes 4 and 20)	9,103,660	3	9,535,733	4
Other intangible assets (Notes 4 and 21)	2,850,439	1	3,282,105	1
Deferred tax assets (Notes 4 and 29)	861,151	-	612,351	-
Long-term prepayments for leases (Note 4)	5,575,613	2	5,615,916	2
Other non-current assets (Notes 4 and 14)	4,239,402	2	2,940,517	1
Total non-current assets	142,569,290	49	134,960,632	48
TOTAL	$ 293,889,861	100	$ 280,623,919	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 22)	$ 24,031,120	8	$ 15,708,753	6
Short-term bills payable (Note 22)	2,544,755	1	2,589,343	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	915,676	-	1,404,523	-
Notes payable (Notes 4 and 23)	19,526	-	21,337	-
Notes payable to related parties (Notes 4, 23 and 38)	26,809	-	15,080	-
Accounts payable (Notes 4 and 23)	13,189,428	4	15,430,256	5
Accounts payable to related parties (Notes 4, 23 and 38)	1,450,017	1	1,866,283	1
Other payables (Note 24)	25,218,684	9	25,724,377	9
Current tax liabilities (Notes 4 and 29)	1,574,657	1	2,354,742	1
Liabilities directly associated with non-current assets held for sale (Notes 4 and 13)	1,067,765	-	-	-
Current portion of long-term borrowings (Note 22)	-	-	21,159,324	7
Other current liabilities	4,693,927	2	4,382,374	2
Total current liabilities	74,732,364	26	90,656,392	32
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 22)	50,363,126	17	29,770,315	11
Deferred tax liabilities (Notes 4 and 29)	1,774,228	1	1,822,808	1
Long-term payables (Note 24)	159,330	-	177,187	-
Net defined benefit liabilities (Notes 4 and 25)	3,810,791	1	3,355,127	1
Other non-current liabilities	39,318	-	38,423	-
Total non-current liabilities	56,146,793	19	35,163,860	13
Total liabilities	130,879,157	45	125,820,252	45
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 26)				
Share capital				
Common shares	29,467,872	10	29,467,872	10
Capital surplus	4,540,163	2	4,631,708	2
Retained earnings				
Legal reserve	11,213,184	4	10,260,048	4
Special reserve	11,905,595	4	5,608,553	2
Unappropriated earnings	32,214,698	11	31,207,526	11
Total retained earnings	55,333,477	19	47,076,127	17
Other equity	(13,636,368)	(5)	(11,905,594)	(4)
Total equity attributable to owners of the Company	75,705,144	26	69,270,113	25
NON-CONTROLLING INTERESTS	87,305,560	29	85,533,554	30
Total equity	163,010,704	55	154,803,667	55
TOTAL	$ 293,889,861	100	$ 280,623,919	100

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

(With Deloitte & Touche audit report dated March 27, 2017)

POU CHEN CORPORATION AND SUBSIDIARIES

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

	2016		2015	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 27 and 38)	$ 274,895,346	100	$ 269,081,173	100
OPERATING COSTS (Notes 25, 28 and 38)	204,512,552	75	204,575,755	76
GROSS PROFIT	70,382,794	25	64,505,418	24
OPERATING EXPENSES (Notes 25 and 28)				
Selling and marketing expenses	27,004,453	10	24,784,935	9
General and administrative expenses	19,066,493	7	21,358,105	8
Research and development expenses	6,683,347	2	6,008,984	3
Total operating expenses	52,754,293	19	52,152,024	20
INCOME FROM OPERATIONS	17,628,501	6	12,353,394	4
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 28)	4,338,239	2	3,868,364	1
Other gains and losses (Note 28)	(642,987)	-	(1,346,843)	-
Finance costs (Note 28)	(1,316,016)	(1)	(1,121,294)	-
Share of the profit of associates and joint ventures (Notes 4 and 17)	6,272,065	2	6,486,653	2
Total non-operating income and expenses	8,651,301	3	7,886,880	3
INCOME BEFORE INCOME TAX	26,279,802	9	20,240,274	7
INCOME TAX EXPENSE (Notes 4 and 29)	(3,277,883)	(1)	(3,638,808)	(1)
NET INCOME FOR THE YEAR	23,001,919	8	16,601,466	6
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial loss arising from defined benefit plans (Note 25)	(441,804)	-	(216,694)	-
Share of the other comprehensive loss of associates and joint ventures	(26,353)	-	(76,182)	-

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

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

	2016		2015	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (3,059,800)	(1)	$ 390,145	-
Unrealized gain (loss) on available-for-sale financial assets	1,473,111	-	(1,650,970)	(1)
Share of the other comprehensive loss of associates and joint ventures	(1,257,357)	-	(6,262,330)	(2)
Other comprehensive loss for the year, net of income tax	(3,312,203)	(1)	(7,816,031)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 19,689,716	7	$ 8,785,435	3
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 13,057,050	5	$ 9,531,358	3
Non-controlling interests	9,944,869	3	7,070,108	3
	$ 23,001,919	8	$ 16,601,466	6
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 10,946,757	4	$ 2,941,441	1
Non-controlling interests	8,742,959	3	5,843,994	2
	$ 19,689,716	7	$ 8,785,435	3
EARNINGS PER SHARE (Note 30)				
Basic	$ 4.43		$ 3.24	
Diluted	$ 4.29		$ 3.14	

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

(With Deloitte & Touche audit report dated March 27, 2017) (Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company									
			Retained Earnings			Other Equity				
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation Foreign Operation	Unrealized Loss on Available-for-sale Financial Assets	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2015	$ 29,441,372	$ 4,627,549	$ 9,398,498	$ 9,180,047	$ 23,675,306	$ 3,345,749	$ (8,954,302)	$ 70,714,219	$ 81,411,376	$ 152,125,595
Appropriation of 2014 earnings (Note 26)										
Legal reserve	-	-	861,550	-	(861,550)	-	-	-	-	-
Special reserve	-	-	-	(3,571,494)	3,571,494	-	-	-	-	-
Cash dividends	-	-	-	-	(4,416,206)	-	-	(4,416,206)	-	(4,416,206)
	-	-	861,550	(3,571,494)	(1,706,262)	-	-	(4,416,206)	-	(4,416,206)
Net income for the year ended December 31, 2015	-	-	-	-	9,531,358	-	-	9,531,358	7,070,108	16,601,466
Other comprehensive (loss) income for the year ended December 31, 2015	-	-	-	-	(292,876)	1,675,137	(7,972,178)	(6,589,917)	(1,226,114)	(7,816,031)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	9,238,482	1,675,137	(7,972,178)	2,941,441	5,843,994	8,785,435
Execution of employee share options (Notes 26 and 31)	26,500	21,200	-	-	-	-	-	47,700	-	47,700
Share of changes in net assets of associates or joint ventures (Notes 4 and 26)	-	624	-	-	-	-	-	624	-	624
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 26)	-	(18,814)	-	-	-	-	-	(18,814)	-	(18,814)
Share of changes in equities of subsidiaries (Notes 4 and 26)	-	1,149	-	-	-	-	-	1,149	-	1,149
Change in non-controlling interests	-	-	-	-	-	-	-	-	(1,721,816)	(1,721,816)
Change in equity for the year ended December 31, 2015	26,500	4,159	861,550	(3,571,494)	7,532,220	1,675,137	(7,972,178)	(1,444,106)	4,122,178	2,678,072
BALANCE AT DECEMBER 31, 2015	29,467,872	4,631,708	10,260,048	5,608,553	31,207,526	5,020,886	(16,926,480)	69,270,113	85,533,554	154,803,667
Appropriation of 2015 earnings (Note 26)										
Legal reserve	-	-	953,136	-	(953,136)	-	-	-	-	-
Special reserve	-	-	-	6,297,042	(6,297,042)	-	-	-	-	-
Cash dividends	-	-	-	-	(4,420,181)	-	-	(4,420,181)	-	(4,420,181)
	-	-	953,136	6,297,042	(11,670,359)	-	-	(4,420,181)	-	(4,420,181)
Net income for the year ended December 31, 2016	-	-	-	-	13,057,050	-	-	13,057,050	9,944,869	23,001,919
Other comprehensive (loss) income for the year ended December 31, 2016	-	-	-	-	(379,519)	(1,911,713)	180,939	(2,110,293)	(1,201,910)	(3,312,203)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	12,677,531	(1,911,713)	180,939	10,946,757	8,742,959	19,689,716
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 26)	-	(93,840)	-	-	-	-	-	(93,840)	-	(93,840)
Share of changes in equities of subsidiaries (Notes 4 and 26)	-	2,295	-	-	-	-	-	2,295	-	2,295
Change in non-controlling interests	-	-	-	-	-	-	-	-	(6,970,953)	(6,970,953)
Change in equity for the year ended December 31, 2016	-	(91,545)	953,136	6,297,042	1,007,172	(1,911,713)	180,939	6,435,031	1,772,006	8,207,037
BALANCE AT DECEMBER 31, 2016	$ 29,467,872	$ 4,540,163	$ 11,213,184	$ 11,905,595	$ 32,214,698	$ 3,109,173	$ (16,745,541)	$ 75,705,144	$ 87,305,560	$ 163,010,704

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

(With Deloitte & Touche audit report dated March 27, 2017)

POU CHEN CORPORATION AND SUBSIDIARIES

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax for the year	$ 26,279,802	$ 20,240,274
Adjustments for:		
Depreciation expenses	8,427,917	7,961,099
Amortization expenses	365,488	390,664
Recognized impairment losses on accounts receivable	65,832	210,589
Net (gain) loss on fair value change of financial instruments at fair value through profit or loss	(781,268)	787,869
Finance costs	1,316,016	1,121,294
Interest income	(530,490)	(428,575)
Dividends income	(874,208)	(758,064)
Compensation cost of employee share options	58,890	69,173
Share of profit of associates and joint ventures	(6,272,065)	(6,486,653)
Net loss on disposal of property, plant and equipment	251,490	393,827
Net gain on disposal of investments	(31,530)	(125,979)
Net gain on disposal of subsidiaries, associates and joint ventures	(26,489)	(159,898)
Recognized of impairment loss	228,320	607,272
Changes in operating assets and liabilities		
Financial instruments held for trading	(289,872)	(433,321)
Notes receivable	(10,522)	6,028
Notes receivable from related parties	3	33
Accounts receivable	(4,342,889)	(2,775,683)
Accounts receivable from related parties	23,950	111,394
Other receivables	(600,687)	538,138
Inventories	653,189	182,368
Other current assets	(19,551)	96,658
Other operating assets	186,924	222,347
Notes payable	(1,811)	(16,965)
Notes payable to related parties	11,729	(21,435)
Accounts payable	(2,240,828)	2,051,231
Accounts payable to related parties	(416,266)	147,273
Other payables	(660,928)	3,150,578
Other current liabilities	311,553	(598,768)
Net defined benefit liabilities	13,860	(89,226)
Other operating liabilities	(17,857)	(493,993)
Cash generated from operations	21,077,702	25,899,549
Interest paid	(1,297,091)	(1,108,547)
Income tax paid	(4,074,686)	(2,746,823)
Net cash generated from operating activities	15,705,925	22,044,179
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets design at FVTPL	-	(314,198)
Proceeds on sale of financial assets design at FVTPL	379,743	18,990
Acquisition of available-for-sale financial assets	-	(935,745)

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

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

	2016	2015
Proceeds on sale of available-for-sale financial assets	$ -	$ 209,223
Acquisition of debt investments with no active market	(766,383)	(2,553,718)
Proceeds on sale of debt investments with no active market	1,360,722	4,060,176
Acquisition of held-to-maturity financial assets	(5,024,724)	(1,526,719)
Proceeds on held-to-maturity financial assets	49,960	33,806
Acquisition of financial assets measured at cost	(12,191)	(4,927)
Proceed on sale of financial assets measured at cost	99,844	154,457
Acquisition of associates and joint ventures	(118,514)	-
Proceeds from disposal of associates and joint ventures	12,467	2,145,587
Net cash outflow on acquisition of subsidiaries	-	(63,572)
Net cash (outflow) inflow on disposal of subsidiaries	(37,557)	88,007
Acquisition of property, plant and equipment	(13,569,790)	(13,342,832)
Proceeds from disposal of property, plant and equipment	1,760,564	494,540
Increase in refundable deposits	(201,540)	-
Decrease in refundable deposits	-	21,158
Acquisition of investment properties	(57,094)	(21,775)
Increase in prepayments for equipment	(1,284,269)	(1,201,908)
Acquisition of long-term prepayments for leases	(59,313)	(92,928)
Proceeds from disposal of long-term prepayments for leases	75,693	115,940
Interest received	402,892	512,097
Dividends received	3,141,728	2,740,878
Cash dividends from reduction of capital surplus from associates	5,435	-
Net cash used in investing activities	(13,842,327)	(9,463,463)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	8,322,367	-
Repayments of short-term borrowings	-	(2,713,921)
Proceeds from short-term bills payable	-	838,500
Repayments of short-term bills payable	(45,500)	-
Proceeds from long-term borrowings	-	698,500
Repayments of long-term borrowings	(586,500)	-
Increase in guarantee deposits	895	-
Decrease in guarantee deposits	-	(2,315)
Cash dividend	(4,420,181)	(4,416,206)
Execution of employee share options	-	47,700
Change in non-controlling interests	(6,970,953)	(1,721,816)
Net cash used in financing activities	(3,699,872)	(7,269,558)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(305,479)	(2,284,974)

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

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

	2016	2015
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$ (2,141,753)	$ 3,026,184
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	37,820,911	34,794,727
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 35,679,158	$ 37,820,911

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2016 and 2015:

	December 31	
	2016	2015
Cash and cash equivalents in consolidated balance sheets	$ 35,635,653	$ 37,820,911
Cash and cash equivalents included in a disposal group held for sale	43,505	-
Cash and cash equivalents in consolidated statements of cash flow	$ 35,679,158	$ 37,820,911

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

(With Deloitte & Touche audit report dated March 27, 2017) (Concluded)

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 27, 2017.

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

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

   Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016

(Continued)

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

(Concluded)

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

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

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

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

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

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

2) Annual Improvements to IFRSs: 2010-2012 Cycle

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

   The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period.

In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

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

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

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of no discounting is immaterial.

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

3) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

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

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

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

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

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018

(Continued)

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

(Concluded)

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

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

i. For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

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

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

The impairment of financial assets

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

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

Transition

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

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

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

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

3) IFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

4) IFRS 16 "Leases"

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

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

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

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

5) Annual Improvements to IFRSs 2014-2016 Cycle

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

6) Amendments to IAS 40 "Transfers of Investment Property"

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

The Group engages in the construction business, which has an operating cycle of over one year; the normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

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

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

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

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

g. Inventories

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

Investments in real estate, and land and buildings for development are measured initially at cost or related development costs. Cost includes borrowing costs capitalized before the assets are ready for development.

h. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as joint venture.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, the investment in associates or joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. The Group also recognizes the changes in the Group's share of equity of associates and joint ventures.

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

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

When the Group's share of losses of an associate and joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

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

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

i. Property, plant and equipment

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

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

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

j. Investment properties

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

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

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

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the development phase of an internal project is recognized in accordance with the IAS 38 “Intangible Assets”. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment loss.

3) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss.

4) Derecognition of intangible assets

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

m. Impairment of tangible and intangible assets other than goodwill

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

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 asset may be impaired.

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

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

n. Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When a sale plan would result in loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in that subsidiary after the sale.

When the Group is committed to a sale plan involving the disposal of an investment, or a portion of an investment, in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Group ceases to have significant influence nor joint control over the investment after the disposal takes place, the Group accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

o. 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 fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

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

1) Measurement category

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

a) Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 37.

b) Held-to-maturity financial assets

Commercial paper and foreign corporate bonds, which are above specific credit ratings and the Group has positive intent and ability to hold to maturity, are classified as held-to-maturity financial assets.

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

c) Available-for-sale financial assets

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

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

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

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

d) Loans and receivables

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

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

2) Impairment of financial assets

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

For financial assets measured at amortized cost, such as trade receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the 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 the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of 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 except for uncollectible accounts receivable that are written off against the allowance account.

3) Derecognition of financial assets

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

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

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 and deducted directly in 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.

Financial liabilities

1) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading and 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 37.

2) Derecognition of financial liabilities

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

Derivative financial instruments

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

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

p. Revenue recognition

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 future returns and based on past experience and other relevant factors.

1) Sale of goods

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

2) 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.

3) 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 effective interest rate applicable.

q. Construction contracts

Revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as "amounts due from customers for contract work". For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as the "amounts due to customers for contract work".

r. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Lease incentives received under operating leases are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

A liability for a termination benefit is recognized when the Group can no longer withdraw the offer of the termination benefit.

t. Share-based payment arrangements

The fair value at the grant date of the employee share options the Group granted to employee is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

u. Taxation

Income tax expense represents the sum of the current tax liabilities and deferred tax liabilities.

1) Current tax

According to the Income Tax Law in the Republic of China ("ROC"), an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred tax for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and intangible assets have been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Useful lives of tangible assets

The Group reviews the estimated useful lives of assets at each balance sheet date. The impairment of equipment is assessed based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses.

d. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash on hand	$ 37,039	$ 37,340
Checking accounts and demand deposits	21,881,193	27,468,867
Cash equivalent (investments with original maturities of less than three months)		
Time deposits	12,451,531	9,618,294
Repurchase agreements collateralized by bonds	1,265,890	696,410
	$ 35,635,653	$ 37,820,911

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	**2015**
Financial assets designated as at FVTPL		
Structured deposit (a)	$ 328,492	$ 654,795
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts (b)	55,324	8,564
Exchange rate option contracts (c)	-	24,257

(Continued)

	December 31	
	2016	2015
Exchange rate swap contracts (d)	$ 118,917	$ 36,129
Cross-currency swap contracts (e)	12,998	52,336
Interest rate swap contracts (f)	33,365	-
Non-derivative financial assets		
Domestic open-ended mutual funds	889,537	460,002
	$ 1,438,633	$ 1,236,083
Current	$ 1,110,141	$ 581,288
Non-current	328,492	654,795
	$ 1,438,633	$ 1,236,083
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts (b)	$ -	$ 63,656
Exchange rate option contracts (c)	768,646	1,263,044
Exchange rate swap contracts (d)	129,784	33,702
Interest rate swap contracts (f)	17,246	44,121
	$ 915,676	$ 1,404,523
Current	$ 915,676	$ 1,404,523

(Concluded)

a. Structured deposits

1) Wealthplus entered into a five years USD structured time deposit contract with a bank in January 2013. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract, recorded under “financial assets at FVTPL - non-current”.

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

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

December 31, 2016

Notional Amount	Forward Exchange Rates
USD 116,000,000	Sell USD/buy IDR at 13,725 to 14,389

December 31, 2015

Notional Amount	Forward Exchange Rates
USD 50,000,000	Sell USD/buy RMB at 6.1500 to 6.4465
USD 10,018,961	Sell RMB/buy USD at 6.4343

The Group entered into forward exchange contracts for the years ended December 31, 2016 and 2015 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:

December 31, 2016

Notional Amount	Type	Buy/Sale	Premium Amount Received	Fair Value
US$ 8,000,000	Put	Sell	$ -	$ (11,394)
US$ 10,000,000	Put	Sell	-	(10,854)
US$ 20,000,000	Put	Sell	-	(25,885)
US$ 8,000,000	Put	Sell	-	(11,128)
US$ 24,000,000	Put	Sell	-	(37,784)
US$ 24,000,000	Put	Sell	-	(45,287)
US$ 12,000,000	Put	Sell	-	(22,791)
US$ 14,000,000	Put	Sell	-	(23,054)
US$ 28,000,000	Put	Sell	-	(46,155)
US$ 42,000,000	Put	Sell	-	(57,173)
US$ 48,000,000	Put	Sell	-	(55,242)
US$ 48,000,000	Put	Sell	15,480	(48,207)
US$ 24,000,000	Put	Sell	-	(4,569)
US$ 24,000,000	Put	Sell	-	(2,170)
US$ 82,000,000	Put	Sell	-	(20,505)
US$ 92,000,000	Put	Sell	-	(23,436)
US$ 42,000,000	Put	Sell	-	(69,577)
US$ 28,000,000	Put	Sell	-	(45,731)
US$ 28,000,000	Put	Sell	-	(46,867)
US$ 42,000,000	Put	Sell	-	(74,054)
US$ 48,000,000	Put	Sell	13,438	(79,328)
US$ 10,000,000	Put	Sell	2,240	(2,170)
US$ 20,000,000	Put	Sell	5,505	(5,285)
				$ (768,646)

December 31, 2015

Notional Amount	Type	Buy/Sale	Premium Amount (Paid) Received	Fair Value
US$ 6,000,000	Call	Buy	$ (3,523)	$ 4,034
US$ 6,000,000	Call	Buy	(3,654)	4,193
US$ 12,000,000	Call	Buy	(7,503)	8,473
US$ 6,000,000	Call	Buy	(2,545)	2,468
US$ 6,000,000	Call	Buy	(2,577)	2,480
US$ 6,000,000	Call	Buy	(2,708)	2,609
US$ 8,000,000	Put	Sell	-	(12,337)
US$ 24,000,000	Put	Sell	-	(7,384)
US$ 48,000,000	Put	Sell	-	(32,534)
US$ 44,000,000	Put	Sell	-	(42,958)
US$ 20,000,000	Put	Sell	-	(18,967)
US$ 72,000,000	Put	Sell	-	(54,082)
US$ 14,000,000	Put	Sell	-	(10,755)
US$ 24,000,000	Put	Sell	-	(15,764)
US$ 22,000,000	Put	Sell	-	(21,904)
US$ 2,000,000	Put	Sell	-	(2,926)
US$ 2,000,000	Put	Sell	-	(3,242)
US$ 8,000,000	Put	Sell	-	(3,911)
US$ 14,000,000	Put	Sell	-	(7,584)
US$ 18,000,000	Put	Sell	-	(12,845)
US$ 24,000,000	Put	Sell	-	(1,537)
US$ 24,000,000	Put	Sell	-	(15,070)
US$ 40,000,000	Put	Sell	-	(36,932)
US$ 44,000,000	Put	Sell	-	(43,290)
US$ 24,000,000	Put	Sell	-	(14,595)
US$ 48,000,000	Put	Sell	-	(37,919)
US$ 40,000,000	Put	Sell	-	(35,775)
US$ 14,000,000	Put	Sell	-	(12,128)
US$ 18,000,000	Put	Sell	-	(18,554)
US$ 56,000,000	Put	Sell	-	(18,966)
US$ 18,000,000	Put	Sell	-	(16,650)
US$ 32,000,000	Put	Sell	-	(28,406)
US$ 48,000,000	Put	Sell	-	(23,869)
US$ 18,000,000	Put	Sell	-	(17,907)
US$ 48,000,000	Put	Sell	-	(23,426)
US$ 48,000,000	Put	Sell	-	(24,850)
US$ 2,000,000	Put	Sell	385	(2,203)
US$ 264,000,000	Put	Sell	-	(29,865)
US$ 39,000,000	Put	Sell	-	(97,044)
US$ 114,000,000	Put	Sell	-	(89,356)
US$ 76,000,000	Put	Sell	-	(56,789)
US$ 76,000,000	Put	Sell	-	(58,614)
US$ 114,000,000	Put	Sell	-	(90,600)
US$ 120,000,000	Put	Sell	33,982	(90,068)
US$ 120,000,000	Put	Sell	29,905	(75,914)
US$ 126,000,000	Put	Sell	-	(52,358)
US$ 30,000,000	Put	Sell	2,357	(3,166)
				$ (1,238,787)

The Group entered into exchange rate option contracts for the years ended December 31, 2016 and 2015 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:

December 31, 2016

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

December 31, 2015

Notional Amount		Maturity Date	Rate	Fair Value
US$	48,000,000	2016.01.07	32.8110	$ 6,349
US$	11,600,000	2016.01.07	32.8110	1,534
US$	8,600,000	2016.01.07	32.8110	1,138
US$	26,000,000	2016.01.14	32.7860	4,066
US$	30,000,000	2016.01.14	32.7860	4,691
US$	30,000,000	2016.01.12	32.7622	4,643
US$	30,000,000	2016.01.12	32.7272	9,934
US$	2,000,000	2016.01.12	32.7272	662

(Continued)

Notional Amount	Maturity Date	Rate	Fair Value
RMB 50,000,000	2016.07.11	4.8257	$ 2,797
RMB 123,900,000	2016.03.14	4.9590	93
RMB 50,208,000	2016.01.19	6.5864	4
RMB 12,590,000	2016.06.22	6.7092	118
RMB 12,560,000	2016.01.29	6.6055	100
RMB 30,000,000	2016.03.11	4.9971	(321)
RMB 45,000,000	2016.03.11	4.9971	(648)
RMB 53,000,000	2016.03.14	4.9684	(458)
RMB 50,208,000	2016.03.17	6.6246	(562)
RMB 110,952,000	2016.03.24	6.6359	(805)
RMB 13,245,000	2016.03.24	6.6337	(82)
RMB 40,000,000	2016.01.19	6.4240	(4,971)
RMB 50,744,000	2016.03.24	6.6329	(481)
RMB 12,560,000	2016.04.11	6.4730	(1,749)
RMB 91,000,000	2016.01.19	6.4005	(13,219)
RMB 60,000,000	2016.02.17	6.4454	(7,750)
RMB 50,744,000	2016.03.24	6.6329	(481)
RMB 50,744,000	2016.03.24	6.6329	(936)
CHF 29,754,000	2016.01.11	0.9900	(1,239)
			$ 2,427

(Concluded)

The Group entered into exchange rate swap contracts for the years ended December 31, 2016 and 2015 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:

December 31, 2016

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

December 31, 2015

Notional Amount	Maturity Date	Rate	Interest %	Fair Value
US$ 20,000,000	2016.05.18	US$:NT$30.560	1.05	$ 45,179
US$ 10,000,000	2016.03.16	US$:NT$32.506	0.79	3,921
US$ 10,000,000	2016.05.27	US$:NT$32.520	0.78	3,236
				$ 52,336

The Group entered into cross-currency swap contracts for the years ended December 31, 2016 and 2015 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:

December 31, 2016

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
$ 375,000	2018.06.01	1.340	0.65922	$ (2,323)
675,000	2018.06.01	1.310	0.65922	(3,934)
450,000	2018.06.01	1.310	0.65922	(2,627)
375,000	2018.06.01	1.290	0.65922	(2,137)
375,000	2018.06.01	1.278	0.65922	(2,066)
225,000	2018.06.01	1.265	0.65922	(1,211)
375,000	2018.06.01	1.280	0.65922	(2,127)
150,000	2018.06.01	1.260	0.65922	(821)
US$ 60,000,000	2020.01.10	1.545	0.93417	7,081
US$ 50,000,000	2021.03.14	1.500	0.84000	26,284
				$ (16,119)

December 31, 2015

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
$ 437,500	2016.09.29	1.066	0.80956	$ (766)
437,500	2016.09.29	1.066	0.80956	(770)
350,000	2016.09.29	1.180	0.80956	(862)
350,000	2016.09.29	1.183	0.80956	(864)
350,000	2016.09.29	1.183	0.80956	(866)
350,000	2016.09.29	1.183	0.80956	(761)
250,000	2016.09.29	0.967	0.80956	(287)
350,000	2016.09.29	0.990	0.80956	(452)
350,000	2016.09.29	0.990	0.80956	(475)
300,000	2016.09.29	0.990	0.80956	(385)
500,000	2018.06.01	1.340	0.80767	(5,126)
900,000	2018.06.01	1.310	0.80767	(8,638)
600,000	2018.06.01	1.310	0.80767	(5,810)
500,000	2018.06.01	1.290	0.80767	(4,672)
500,000	2018.06.01	1.278	0.80767	(4,521)
300,000	2018.06.01	1.265	0.80767	(2,645)
500,000	2018.06.01	1.280	0.80767	(4,493)
200,000	2018.06.01	1.260	0.80767	(1,728)
				$ (44,121)

The Group entered into interest rate swap contracts for the years ended December 31, 2016 and 2015 to manage exposures to interest rate fluctuations.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31 2016	December 31 2015
Domestic investments		
Listed shares	$ 14,264,621	$ 12,859,057
Foreign investments		
Listed shares	519,410	455,116
	$ 14,784,031	$ 13,314,173
Current	$ 13,875,320	$ 12,622,099
Non-current	908,711	692,074
	$ 14,784,031	$ 13,314,173

9. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31 2016	December 31 2015
Domestic investments		
Corporate bonds	$ 749,828	$ -
Foreign investments		
Corporate bonds	1,918,939	967,708
Commercial paper	2,518,046	483,585
Structured product	976,600	-
	$ 6,163,413	$ 1,451,293
Current	$ 972,124	$ 49,567
Non-current	5,191,289	1,401,726
	$ 6,163,413	$ 1,451,293

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31 2016	December 31 2015
Time deposits with original maturity more than three months	$ 793,924	$ 1,360,761
Others	35,205	62,707
	$ 829,129	$ 1,423,468
Current	$ 793,924	$ 1,390,697
Non-current	35,205	32,771
	$ 829,129	$ 1,423,468

Refer to Note 39 for information relating to debt investments with no active market pledged as security.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31 2016	December 31 2015
Notes receivable (included related parties)		
Notes receivable - operating	$ 22,514	$ 12,209
Notes receivable - non-operating	246	32
Less: Allowance for doubtful accounts	-	-
	$ 22,760	$ 12,241
Accounts receivable (included related parties)		
Accounts receivable	$ 38,867,053	$ 34,859,882
Less: Allowance for doubtful accounts	(739,218)	(985,154)
	$ 38,127,835	$ 33,874,728
Other receivables		
Tax refund receivables	$ 1,632,482	$ 1,439,872
Others	2,696,410	2,166,111
Less: Allowance for doubtful accounts	(858)	(1,697)
	$ 4,328,034	$ 3,604,286

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

a. Notes receivable

The notes receivable balances at December 31, 2016 and 2015 were not past due.

b. Accounts receivable

1) The aging analysis tables of the accounts receivable as at December 31, 2016 and 2015 were as follows:

December 31, 2016

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

December 31, 2015

	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	$ 23,239,428	$ -	$ -	$ -	$ 23,239,428
31-90 days	8,706,109	-	1,644,303	25,792	10,376,204
More than 90 days	-	-	284,888	959,362	1,244,250
	$ 31,945,537	$ -	$ 1,929,191	$ 985,154	$ 34,859,882

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, 2016	$ 985,154	$ -	$ 985,154
Add: Recognized impairment losses	65,832	-	65,832
Less: Amounts written off during the year as uncollectable	(269,703)	-	(269,703)
Effects of exchange rate changes	(42,065)	-	(42,065)
Balance at December 31, 2016	$ 739,218	$ -	$ 739,218
Balance at January 1, 2015	$ 882,515	$ -	$ 882,515
Add: Recognized impairment losses	210,589	-	210,589
Less: Amounts written off during the year as uncollectable	(140,819)	-	(140,819)
Effects of exchange rate changes	32,869	-	32,869
Balance at December 31, 2015	$ 985,154	$ -	$ 985,154

12. INVENTORIES

	December 31	
	2016	2015
Inventories - manufacturing and retailing	$ 40,709,470	$ 41,228,992
Inventories - construction	4,895,683	5,029,350
	$ 45,605,153	$ 46,258,342

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

	December 31	
	2016	2015
Raw materials	$ 7,728,453	$ 8,318,055
Work in progress	4,462,189	4,932,133
Finished goods and merchandise	28,518,828	27,978,804
	$ 40,709,470	$ 41,228,992

The cost of manufacturing and retailing inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was $204,274,366 thousand and $204,231,444 thousand, respectively.

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

	December 31	
	2016	2015
Land and buildings held for development	$ 4,730,966	$ 4,821,623
Land and buildings held for sale	53,825	87,927
Land held for construction site	110,892	119,800
	$ 4,895,683	$ 5,029,350

The cost of construction inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was $238,186 thousand and $344,311 thousand, respectively.

13. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

	December 31	
	2016	2015
Assets associated with non-current assets held for sale		
Cash and cash equivalents	$ 43,505	$ -
Accounts receivable and other receivables	694,085	-
Inventories	488,007	-
Investments accounted for using equity method	46,376	-
Property, plant and equipment	18,963	-
Other assets	95,943	-
	$ 1,386,879	$ -
Liabilities directly associated with non-current assets held for sale		
Accounts payable and other payables	$ 1,067,765	$ -

a. Pou Sheng resolved to dispose its joint venture during 2016 and reclassified it to “non-current assets held for sale”. The carrying amount is $46,376 thousand (US$1,438 thousand) at December 31, 2016.

b. Pou Sheng resolved to dispose its subsidiaries during 2016 and reclassified it to “non-current assets held for sale” and “liabilities directly associated with non-current assets held for sale”. The carrying amount is $272,738 thousand (US$8,457 thousand) at December 31, 2016.

14. OTHER ASSETS

	December 31	
	2016	2015
Prepayments	$ 7,937,123	$ 7,556,075
Refundable deposits	357,441	155,901
Defined benefit assets (Note 25)	43,754	124,351
Prepayments for equipment	3,476,158	2,191,889
Others	1,734,694	2,202,518
	$ 13,549,170	$ 12,230,734
Current	$ 9,309,768	$ 9,290,217
Non-current	4,239,402	2,940,517
	$ 13,549,170	$ 12,230,734

15. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2016	2015
Domestic investments		
Unlisted shares	$ 73,221	$ 63,225
Foreign investments		
Unlisted shares	196,825	204,195
Mutual funds	322,504	391,975
	519,329	596,170
	$ 592,550	$ 659,395
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 592,550	$ 659,395

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

16. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership December 31 2016	Proportion of Ownership December 31 2015
Wealthplus Holdings Limited ("Wealthplus")	British Virgin Islands	Investing in footwear, electronic and peripheral products	100.00%	100.00%
Win Fortune Investments Limited	British Virgin Islands	Investing activities	100.00%	100.00%
Windsor Entertainment Co., Ltd.	ROC	Entertainment and resort operations	100.00%	100.00%
Pou Shine Investments Co., Ltd.	ROC	Investing activities	100.00%	100.00%
Pan Asia Insurance Services Co., Ltd.	ROC	Agency of property and casualty insurance	100.00%	100.00%
Pro Arch International Development Enterprise Inc.	ROC	Design and manufacture of footwear products	100.00%	100.00%
Pou Yuen Technology Co., Ltd.	ROC	Rental of real estate	99.81%	99.81%
Barits Development Corporation	ROC	Import and export of shoe related materials and investing activities	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 December 31 2016	Proportion of Ownership December 31 2015
Yue Yuen Industrial (Holdings) Limited	Bermuda	Manufacturing and sale of athletic and casual footwear and sports apparel	48.93%	48.93%
Pou Sheng International (Holdings) Limited	Bermuda	Retailing of sporting goods and brand licensing business	30.54%	29.98%
Crown Master Investments Limited	British Virgin Islands	Investment holding	100.00%	100.00%
Tetor Ventures Ltd.	British Virgin Islands	Investment holding	100.00%	100.00%
Star Eagle Consultants Limited	British Virgin Islands	Agency of property and casualty insurance	100.00%	100.00%
Pou Yu Biotechnology Co., Ltd.	ROC	Manufacturing of medical appliance and sale of related equipment	69.44%	69.44%

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

Win Fortune Investments Limited ("Win Fortune") invested in Yue Yuen (as at December 31, 2016 the ownership percentage was 1.05%). Investing is its primary operation activities.

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

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership December 31 2016	Proportion of Ownership December 31 2015
Vantage Capital Investments Ltd.	British Virgin Islands	Investment holdings	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 December 31 2016	2015
Song Ming Investments Co., Ltd.	ROC	Investing activities	100.00%	100.00%
Pou Chin Development Co., Ltd.	ROC	Agency of land demarcation	100.00%	100.00%
Yu Hong Development Co., Ltd.	ROC	Development of real estate	100.00%	100.00%
Wang Yi Construction Co., Ltd.	ROC	Construction	89.75%	89.75%
Pou Yii Development Co., Ltd.	ROC	Rental and sale of real estate	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 2016	2015
Yue Yuen Industrial (Holdings) Limited	50.02%	50.02%
Pou Sheng International (Holdings) Limited	37.59%	38.73%

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31 2016	2015	Accumulated Non-controlling Interests December 31 2016	2015
Yue Yuen Industrial (Holdings) Limited	$ 8,600,772	$ 6,194,439	$ 75,958,104	$ 73,367,403
Pou Sheng International (Holdings) Limited	1,041,992	794,242	10,319,355	10,913,098

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:

	December 31 2016	2015
Current assets	$ 128,035,423	$ 122,350,497
Non-current assets	116,290,696	114,683,568
Current liabilities	(54,720,629)	(64,764,194)
Non-current liabilities	(26,317,677)	(13,358,495)
Equity	$ 163,287,813	$ 158,911,376
Equity attributable to:		
Owners of the Company	$ 76,290,824	$ 73,709,116
Non-controlling interests of Yue Yuen	75,958,104	73,367,403
Non-controlling interests of Yue Yuen's subsidiaries	11,038,885	11,834,857
	$ 163,287,813	$ 158,911,376

	For the Year Ended December 31	
	2016	2015
Operating revenue	$ 273,572,133	$ 267,624,358
Net income	$ 18,547,628	$ 13,271,626
Other comprehensive loss	(1,704,608)	(1,788,976)
Total comprehensive income	$ 16,843,020	$ 11,482,650
Net income attributable to:		
Owners of the Company	$ 8,603,813	$ 6,201,875
Non-controlling interests of Yue Yuen	8,600,772	6,194,439
Non-controlling interests of Yue Yuen's subsidiaries	1,343,043	875,312
	$ 18,547,628	$ 13,271,626
Total comprehensive income attributable to:		
Owners of the Company	$ 8,071,718	$ 5,613,054
Non-controlling interests of Yue Yuen	8,068,264	5,605,159
Non-controlling interests of Yue Yuen's subsidiaries	703,038	264,437
	$ 16,843,020	$ 11,482,650
Net cash (outflow) inflow from:		
Operating activities	$ 17,033,451	$ 25,626,297
Investing activities	(10,887,537)	(9,271,490)
Financing activities	(6,183,921)	(14,787,159)
Net cash (outflow) inflow	$ (38,007)	$ 1,567,648
Dividends paid to:		
Non-controlling interests of Yue Yuen	$ 4,097,523	$ 4,000,861
Non-controlling interests of Yue Yuen's subsidiaries	$ 450,760	$ 449,632

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2016	2015
Investments in associates	$ 27,252,593	$ 24,250,119
Investments in joint ventures	11,855,932	13,187,550
	$ 39,108,525	$ 37,437,669

a. Investments in associates

	December 31	
	2016	2015
Material associate		
Ruen Chen Investment Holding Co., Ltd.	$ 8,912,633	$ 5,846,585
Associates that are not individually material	18,339,960	18,403,534
	$ 27,252,593	$ 24,250,119

1) Material associate

Name of Associate	Proportion of Ownership and Voting Rights December 31 2016	2015
Ruen Chen Investment Holding Co., Ltd.	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.

	December 31	
	2016	2015
Assets	$ 3,644,010,238	$ 3,192,737,851
Liabilities	(3,587,128,559)	(3,152,391,615)
Non-controlling interests	(12,021,953)	(10,816,750)
Owners of Ruen Chen Investment Holding Co., Ltd.	$ 44,859,726	$ 29,529,486
Proportion of the Group	20%	20%
Equity attributable to the Group	$ 8,971,945	$ 5,905,897
Other adjustments	(59,312)	(59,312)
Carrying amount	$ 8,912,633	$ 5,846,585

	For the Year Ended December 31	
	2016	2015
Operating revenue	$ 657,143,807	$ 567,236,107
Net income	$ 23,499,027	$ 20,343,103
Other comprehensive loss	(6,963,584)	(35,214,398)
Total comprehensive income (loss)	$ 16,535,443	$ (14,871,295)

2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights December 31 2016	2015
Luen Thai Holdings Ltd.	9.74%	9.74%
Eagle Nice (International) Holdings Limited	38.42%	38.42%
Evermore Chemical Industry Co., Ltd.	29.05%	29.05%
San Fang Chemical Industry Co., Ltd.	44.72%	44.72%
Elitegroup Computer Systems Co., Ltd.	19.50%	19.50%

(Continued)

Name of Associate	Proportion of Ownership and Voting Rights December 31 2016	2015
Ace Top Group Limited	40.00%	40.00%
Bigfoot Limited	48.76%	48.76%
Enthroned Group Limited	48.76%	48.76%
Faith Year Investments Ltd.	30.00%	30.00%
Full Pearl International Ltd.	40.04%	40.04%
Haicheng Information Technology Co., Ltd.	50.00%	50.00%
Hengqin New District of Zhuhai City Baolee Property Management Co., Ltd.	40.00%	40.00%
Just Lucky Investments Limited	38.30%	38.30%
Kleine Developments Ltd.	-	33.33%
Natural Options Limited	38.30%	38.30%
Oftenrich Holdings Limited	45.00%	45.00%
Original Designs Developments Limited	49.47%	49.47%
Pine Wood Industries Limited	37.00%	37.00%
Pou Ming Paper Products Manufacturing Co., Ltd.	20.00%	20.00%
Prosperlink Limited	38.00%	38.00%
Prosperous Industrial (Holdings) Ltd.	30.00%	30.00%
Rise Bloom International Limited	38.00%	38.00%
Silver Island Trading Ltd.	50.00%	50.00%
Supplyline Logistics Ltd.	49.00%	49.00%
Tien Pou International Ltd.	40.00%	-
Venture Well Holdings Ltd.	31.55%	31.55%
Zhejiang Baohong Sports Goods Company Limited	-	49.00%
Zhuhai Poulik Properties Management Co., Ltd.	40.00%	40.00%
Nan Pao Resins Chemical Co., Ltd.	20.09%	21.32%
Techview International Technology Inc.	50.00%	50.00%

(Concluded)

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

	For the Year Ended December 31 2016	2015
The Group's share of:		
Net income	$ 1,664,297	$ 1,819,281
Other comprehensive loss	(124,318)	(32,127)
Total comprehensive income	$ 1,539,979	$ 1,787,154

b) The Group is able to exercise significant influence over Luen Thai Holdings Ltd. because it has the power to appoint the management team of Luen Thai Holdings Ltd. since September 2007.

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

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	December 31 2016	December 31 2015
Luen Thai Holdings Ltd.	$ 1,028,561	$ 469,388
Eagle Nice (International) Holdings Limited	$ 1,748,611	$ 2,228,232
Evermore Chemical Industry Co., Ltd.	$ 356,400	$ 342,738
San Fang Chemical Industry Co., Ltd.	$ 6,287,101	$ 6,677,886
Elitegroup Computer Systems Co., Ltd.	$ 1,695,802	$ 2,201,282

b. Investments in joint ventures

	December 31 2016	December 31 2015
Joint ventures that are not individually material	$ 11,842,023	$ 12,915,886
Long-term receivable		
Joint ventures that are not individually material	13,909	271,664
	$ 11,855,932	$ 13,187,550

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 December 31 2016	Proportion of Ownership and Voting Rights December 31 2015
Artesol Limited	50.00%	50.00%
Beijing Baojing Kangtai Trading Co., Ltd.	50.00%	50.00%
Best Focus Holdings Ltd.	50.00%	50.00%
Blessland Enterprises Limited	50.00%	50.00%
Cohen Enterprises Inc.	50.00%	50.00%
Din Tsun Holding Co., Ltd.	50.00%	50.00%
Great Skill Industrial Limited	50.00%	50.00%
Guiyang Baoshang Sports Goods Company Limited	50.00%	50.00%
Hangzhou Baohong Sports Goods Company Limited	50.00%	50.00%
Hefei Tengrei Sports Goods Company Limited	-	50.00%
Hua Jian Industrial Holding Co., Limited	50.00%	50.00%
Jilin Lingpao Sports Goods Company Limited	50.00%	50.00%
Jilin Xinfangwei Sports Goods Company Limited	50.00%	50.00%
Jumbo Power Enterprises Limited	50.00%	50.00%
Ka Yuen Rubber Factory Limited	50.00%	50.00%
Poulik Properties Management Co., Ltd.	30.00%	30.00%
Texas Clothing Holdings Corp.	49.99%	49.99%
Twinways Investments Limited	50.00%	50.00%
Willpower Industries Limited	44.84%	44.84%
Zhong Ao Multiplex Management Limited	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 Year Ended December 31	
	2016	2015
The Group's share of:		
Net income	$ 352,662	$ 973,573
Other comprehensive loss	(179,233)	(354,441)
Total comprehensive income	$ 173,429	$ 619,132

18. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2015	$ 2,279,431	$ 66,182,397	$ 39,843,588	$ 1,323,503	$ 6,856,518	$ 174,665	$ 2,813,700	$ 119,473,802
Additions	-	3,558,953	5,565,587	146,484	911,674	14,356	3,400,334	13,597,388
Acquisitions through business combinations	-	5,092	-	586	8,826	-	-	14,504
Disposal	-	(1,099,274)	(2,171,283)	(187,315)	(517,083)	(11,111)	(11,489)	(3,997,555)
Reclassification - other	(31,821)	3,455,847	38,746	2,600	7,218	10,964	(3,436,462)	47,092
Effects of exchange rate changes	-	1,866,750	1,452,021	35,199	149,353	(43)	102,287	3,605,567
Balance at December 31, 2015	$ 2,247,610	$ 73,969,765	$ 44,728,659	$ 1,321,057	$ 7,416,506	$ 188,831	$ 2,868,370	$ 132,740,798
Accumulated depreciation and impairment								
Balance at January 1, 2015	$ (5,241)	$ (25,309,092)	$ (24,745,175)	$ (905,077)	$ (4,795,812)	$ (155,854)	$ (57,097)	$ (55,973,348)
Depreciation expenses	-	(3,230,899)	(3,857,183)	(122,156)	(713,331)	(8,552)	-	(7,932,121)
Recognized impairment losses	-	(260,868)	-	-	-	-	-	(260,868)
Disposal	-	794,859	1,696,605	153,593	453,333	10,798	-	3,109,188
Reclassification - other	-	20,845	4,684	-	1,079	(4,670)	-	21,938
Effects of exchange rate changes	-	(714,046)	(1,029,896)	(28,474)	(154,216)	44	-	(1,926,588)
Balance at December 31, 2015	$ (5,241)	$ (28,699,201)	$ (27,930,965)	$ (902,114)	$ (5,208,947)	$ (158,234)	$ (57,097)	$ (62,961,799)
Carrying amounts at January 1, 2015	$ 2,274,190	$ 40,873,305	$ 15,098,413	$ 418,426	$ 2,060,706	$ 18,811	$ 2,756,603	$ 63,500,454
Carrying amounts at December 31, 2015	$ 2,242,369	$ 45,270,564	$ 16,797,694	$ 418,943	$ 2,207,559	$ 30,597	$ 2,811,273	$ 69,778,999
Cost								
Balance at January 1, 2016	$ 2,247,610	$ 73,969,765	$ 44,728,659	$ 1,321,057	$ 7,416,506	$ 188,831	$ 2,868,370	$ 132,740,798
Additions	18	3,675,281	5,721,177	128,455	1,020,836	13,281	3,158,371	13,717,419
Disposal	-	(3,110,042)	(3,938,808)	(108,213)	(810,088)	(6,513)	(20,930)	(7,994,594)
Disposal of subsidiaries	-	(97,177)	(235,339)	(10,163)	(25,317)	-	-	(367,996)
Reclassification - other	128,103	2,977,775	(1,345,850)	2,380	(64,930)	3,919	(1,946,708)	(245,311)
Reclassified as non-current assets held for sale	-	(238,005)	-	(3,999)	(64,210)	-	-	(306,214)
Effects of exchange rate changes	-	(1,653,570)	(779,681)	(26,599)	(178,572)	(60)	(49,016)	(2,687,498)
Balance at December 31, 2016	$ 2,375,731	$ 75,524,027	$ 44,150,158	$ 1,302,918	$ 7,294,225	$ 199,458	$ 4,010,087	$ 134,856,604
Accumulated depreciation and impairment								
Balance at January 1, 2016	$ (5,241)	$ (28,699,201)	$ (27,930,965)	$ (902,114)	$ (5,208,947)	$ (158,234)	$ (57,097)	$ (62,961,799)
Depreciation expenses	-	(3,610,504)	(3,990,212)	(124,786)	(660,938)	(10,545)	-	(8,396,985)
Recognized impairment losses	-	(8,333)	-	(413)	(3,145)	-	-	(11,891)
Disposal	-	2,102,928	3,092,166	99,703	681,534	6,209	-	5,982,540
Disposal of subsidiaries	-	22,883	152,505	6,647	17,028	-	-	199,063
Reclassification - other	-	(1,041,403)	1,201,958	-	4,805	-	-	165,360
Reclassified as non-current assets held for sale	-	224,621	-	3,354	59,276	-	-	287,251
Effects of exchange rate changes	-	713,015	493,218	19,463	118,911	56	-	1,344,663
Balance at December 31, 2016	$ (5,241)	$ (30,295,994)	$ (26,981,330)	$ (898,146)	$ (4,991,476)	$ (162,514)	$ (57,097)	$ (63,391,798)
Carrying amounts at January 1, 2016	$ 2,242,369	$ 45,270,564	$ 16,797,694	$ 418,943	$ 2,207,559	$ 30,597	$ 2,811,273	$ 69,778,999
Carrying amounts at December 31, 2016	$ 2,370,490	$ 45,228,033	$ 17,168,828	$ 404,772	$ 2,302,749	$ 36,944	$ 3,952,990	$ 71,464,806

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

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

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

19. INVESTMENT PROPERTIES

	2016	2015
Cost		
Balance at January 1	$ 2,885,925	$ 2,759,979
Additions	57,094	21,775
Reclassification	(27,921)	54,432
Effects of exchange rate changes	(28,774)	49,739
Balance at December 31	$ 2,886,324	$ 2,885,925
Accumulated depreciation and impairment		
Balance at January 1	$ (569,344)	$ (505,670)
Depreciation expenses	(30,932)	(28,978)
Reclassification	13,658	(17,194)
Effects of exchange rate changes	9,741	(17,502)
Balance at December 31	$ (576,877)	$ (569,344)
Carrying amounts at January 1	$ 2,316,581	$ 2,254,309
Carrying amounts at December 31	$ 2,309,447	$ 2,316,581

a. The investment properties are depreciated by the straight-line method over 30-55 years.

b. The fair values of the Group's investment properties as of December 31, 2016 and 2015 were $3,498,353 thousand and $3,297,811 thousand, respectively.

c. Refer to Note 39 for the carrying amount of investments properties pledged by the Group to secure borrowings.

20. GOODWILL

	2016	2015
Cost		
Balance at January 1	$ 9,535,733	$ 9,136,165
Acquisitions through business combinations	-	47,710
Deregistration of subsidiaries	-	(710)
Effects of exchange rate changes	(363,896)	352,568
Balance at December 31	$ 9,171,837	$ 9,535,733
Accumulated impairment		
Balance at January 1	$ -	$ -
Recognized impairment losses	(67,021)	-
Effects of exchange rate changes	(1,156)	-
Balance at December 31	$ (68,177)	$ -
Carrying amounts at January 1	$ 9,535,733	$ 9,136,165
Carrying amounts at December 31	$ 9,103,660	$ 9,535,733

The carrying value of goodwill allocated to four cash-generating units was as follows:

	December 31	
	2016	2015
Goodwill		
Manufacturing and marking of footwear materials	$ 5,922,713	$ 6,028,311
Manufacturing and marking of sports apparel	184,599	187,890
Retailing business - retail sales and footwear and apparel	2,503,632	2,813,037
Others	492,716	506,495
	$ 9,103,660	$ 9,535,733

The Group has evaluated the recoverable amount of these cash-generating units for the years ended December 31, 2016 and 2015, and the recoverable amount of these cash-generating units was determined based on the value in use. The value in use was calculated based on used cash flow forecasts of the financial budgets approved by the management covering a five-year period. The growth rates were based on the forecasts of the relevant industries.

The discount rates and growth rates used in the value calculations for these cash-generating units were as follows:

	December 31			
	2016		2015	
	Discount Rate	Growth Rate	Discount Rate	Growth Rate
Manufacturing and marking of footwear materials	13%-14%	2%	14%	2%
Manufacturing and marking of sports apparel	13%-14%	2%	14%	2%
Retailing business - retail sales and footwear and apparel	13%-14%	3%	14%	3%

Other key assumptions for calculating the evaluated value in use included a sales budget, gross margins and other related cash inflow and outflow patterns. The evaluated amount was based on these cash-generating units' historical performance and the management's expectation of the market development.

21. OTHER INTANGIBLE ASSETS

	Patents	Trademarks	Customer Relationships	Brand Names	Licensing Agreements	Non-compete Agreements	Total
Cost							
Balance at January 1, 2015	$ 748	$ 295	$ 271,906	$ 2,379,573	$ 507,066	$ 2,265,000	$ 5,424,588
Disposals	(40)	(114)	-	-	-	-	(154)
Effects of exchange rate changes	-	(1)	(5,334)	(46,799)	(9,503)	(44,553)	(106,190)
Balance at December 31, 2015	$ 708	$ 180	$ 266,572	$ 2,332,774	$ 497,563	$ 2,220,447	$ 5,318,244
Accumulated amortization and impairment							
Balance at January 1, 2015	$ (169)	$ (139)	$ (156,858)	$ (303,270)	$ (113,498)	$ (1,260,651)	$ (1,834,585)
Amortization expenses	(38)	(41)	(31,192)	-	(50,739)	(158,095)	(240,105)
Disposals	40	114	-	-	-	-	154
Effects of exchange rate changes	(1)	1	3,409	5,974	2,737	26,277	38,397
Balance at December 31, 2015	$ (168)	$ (65)	$ (184,641)	$ (297,296)	$ (161,500)	$ (1,392,469)	$ (2,036,139)
Carrying amounts at January 1, 2015	$ 579	$ 156	$ 115,048	$ 2,076,303	$ 393,568	$ 1,004,349	$ 3,590,003
Carrying amounts at December 31, 2015	$ 540	$ 115	$ 81,931	$ 2,035,478	$ 336,063	$ 827,978	$ 3,282,105
Cost							
Balance at January 1, 2016	$ 708	$ 180	$ 266,572	$ 2,332,774	$ 497,563	$ 2,220,447	$ 5,318,244
Effects of exchange rate changes	-	(46)	(18,989)	(166,058)	(33,421)	(157,995)	(376,509)
Balance at December 31, 2016	$ 708	$ 134	$ 247,583	$ 2,166,716	$ 464,142	$ 2,062,452	$ 4,941,735
Accumulated amortization and impairment							
Balance at January 1, 2016	$ (168)	$ (65)	$ (184,641)	$ (297,296)	$ (161,500)	$ (1,392,469)	$ (2,036,139)
Amortization expenses	(39)	(13)	(30,009)	-	(48,951)	(130,108)	(209,120)
Effects of exchange rate changes	-	46	14,507	21,172	13,242	104,996	153,963
Balance at December 31, 2016	$ (207)	$ (32)	$ (200,143)	$ (276,124)	$ (197,209)	$ (1,417,581)	$ (2,091,296)
Carrying amounts at January 1, 2016	$ 540	$ 115	$ 81,931	$ 2,035,478	$ 336,063	$ 827,978	$ 3,282,105
Carrying amounts at December 31, 2016	$ 501	$ 102	$ 47,440	$ 1,890,592	$ 266,933	$ 644,871	$ 2,850,439

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

Items	Estimated Useful Life
Patents	15-20 years
Trademarks	10 years
Customer relationships	8 years
Licensing agreements	10 years
Non-compete agreements	5-20 years

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

22. BORROWINGS

a. Short-term borrowings

	December 31	
	2016	2015
Unsecured borrowings		
Credit borrowings	$ 24,031,120	$ 15,708,753

The range of effective interest rate on bank borrowings was 0.80%-11.90% and 0.89%-5.88% per annum as of December 31, 2016 and 2015, respectively.

b. Short-term bills payable

December 31, 2016

	Annual Interest Rate	Amount
Commercial papers	0.45%-0.77%	$ 2,546,000
Less: Unamortized discount on bills payable		(1,245)
		$ 2,544,755

December 31, 2015

	Annual Interest Rate	Amount
Commercial papers	0.5%-1.06%	$ 2,591,500
Less: Unamortized discount on bills payable		(2,157)
		$ 2,589,343

c. Long-term borrowings

	December 31	
	2016	2015
Secured borrowings		
Bank loans	$ 488,000	$ 488,000
Unsecured borrowings		
Bank loans	49,895,000	50,481,500
	50,383,000	50,969,500
Less: Long-term expenses for syndicated loan	(19,874)	(39,861)
Less: Current portion	-	(21,159,324)
	$ 50,363,126	$ 29,770,315

Maturity date and range of annual interest rate:

	December 31	
	2016	2015
Maturity date		
Long-term borrowings	2018.07.12-2021.12.21	2018.06.03-2020.09.30
Current portion of long-term borrowings	-	2016.04.16-2016.09.29
Range of interest rate	1.09%-2.27%	0.86%-2.36%

Refer to Note 39 for the collateral pledged by the Group in accordance with the loan contract.

23. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2016	2015
Notes payable (included related parties)		
Operating	$ 45,661	$ 36,057
Non-operating	674	360
	$ 46,335	$ 36,417
Accounts payable (included related parties)	$ 14,639,445	$ 17,296,539

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

24. OTHER PAYABLES

	December 31	
	2016	2015
Payables for salaries	$ 13,211,352	$ 13,405,470
Payables for purchase of property, plant and equipment	1,782,976	1,635,347
Compensation due to directors and supervisors	219,828	206,212
Employee compensation payables	645,013	603,896
Interest payables	104,566	96,960
Payables for acquisition of subsidiary and business	352,783	382,083
Payables for annual leave	1,413,211	1,292,742
Others	7,648,285	8,278,854
	$ 25,378,014	$ 25,901,564
Current	$ 25,218,684	$ 25,724,377
Non-current	159,330	177,187
	$ 25,378,014	$ 25,901,564

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Based on the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans - overseas subsidiaries

The employees of the Group's subsidiaries in Indonesia are members of a state-managed retirement benefit plan operated by the government of Indonesia. The subsidiaries are required to contribute amounts calculated at a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The net amounts in respect of the defined benefit liability were $2,021,623 thousand and $1,512,674 thousand as of December 31, 2016 and 2015, respectively. Movements in the net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation
Balance at January 1, 2016	$ 1,512,674
Current service cost	222,562
Past service gain	(13,743)
Net interest expense	137,597
Recognized in profit or loss	346,416
Remeasurement	
Actuarial loss arising from changes in demographic assumptions	6,127
Actuarial loss arising from changes in financial assumptions	105,748
Actuarial loss arising from experience adjustments	133,838
Effect of exchange rate changes of remeasurement	(19,447)
Recognized in other comprehensive loss	226,266
Benefits paid	(88,780)
Effect of exchange rate changes on foreign plans	25,047
Balance at December 31, 2016	$ 2,021,623

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2016
Discount rate	8.50-8.75%
Expected rate of salary increase	5-10%

If possible reasonable changes will occur in each of the significant actuarial assumptions, and other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2016
Discount rate	
0.25% increase	$ (50,947)
0.25% decrease	$ 59,568
Expected rate of salary increase	
0.25% increase	$ 64,012
0.25% decrease	$ (55,350)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

c. Defined benefit plans - domestic subsidiaries

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated based on the years of service and average monthly salaries of the 6 months before retirement. The Group contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans under the Labor Standards Law were as follows:

	December 31	
	2016	2015
Defined benefit liability	$ 1,789,168	$ 1,842,453
Less: Defined benefit assets (Note 14)	(43,754)	(124,351)
	$ 1,745,414	$ 1,718,102

The net amounts included in the consolidated balance sheets in respect of the Group's defined benefit liability and fair value of plan assets were as follows:

	December 31	
	2016	2015
Present value of defined benefit obligation	$ 2,107,020	$ 1,887,881
Fair value of plan assets	(361,606)	(169,779)
Net defined benefit liability	$ 1,745,414	$ 1,718,102

Movements in net defined benefit liability (asset) were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2015	$ 1,745,499	$ (154,449)	$ 1,591,050
Current service cost	20,631	-	20,631
Net interest expense (income)	28,450	(852)	27,598
Recognized in profit or loss	49,081	(852)	48,229
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,479)	(1,479)
Actuarial loss arising from changes in demographic assumptions	72,628	-	72,628
Actuarial loss arising from changes in financial assumptions	60,173	-	60,173
Actuarial loss arising from experience adjustments	85,372	-	85,372
Recognized in other comprehensive income (loss)	218,173	(1,479)	216,694
Contributions from the employer	-	(137,871)	(137,871)
Benefits paid	(124,872)	124,872	-
Balance at December 31, 2015	$ 1,887,881	$ (169,779)	$ 1,718,102
Balance at January 1, 2016	$ 1,887,881	$ (169,779)	$ 1,718,102
Current service cost	27,650	-	27,650
Past service cost	18,416	-	18,416
Net interest expense	24,860	284	25,144
Recognized in profit or loss	70,926	284	71,210
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,132)	(2,132)
Actuarial loss arising from changes in demographic assumptions	78,613	-	78,613
Actuarial loss arising from changes in financial assumptions	48,315	-	48,315
Actuarial loss arising from experience adjustments	147,309	-	147,309
Recognized in other comprehensive income (loss)	274,237	(2,132)	272,105
Contributions from the employer	-	(388,645)	(388,645)
Benefits paid	(126,024)	198,666	72,642
Balance at December 31, 2016	$ 2,107,020	$ (361,606)	$ 1,745,414

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plan is as follows:

	For the Year Ended December 31	
	2016	2015
Operating costs	$ 148	$ 154
Selling and marketing expenses	62	41
General and administrative expenses	53,872	36,929
Research and development expenses	17,128	11,105
	$ 71,210	$ 48,229

Through the defined benefit plan under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2016	2015
Discount rate	1.125%	1.375%
Expected rate of salary increase	2.00%	2.00%

If possible reasonable changes will occur in each of the significant actuarial assumptions, and other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2016	2015
Discount rate		
0.25% increase	$ (52,270)	$ (43,788)
0.25% decrease	$ 54,296	$ 45,412
Expected rate of salary increase		
0.25% increase	$ 52,531	$ 43,812
0.25% decrease	$ (50,834)	$ (42,460)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2016	2015
The expected contributions to the plan for the next year	$ 554,666	$ 388,956
The average duration of the defined benefit obligation	10.1 years	9.5 years

26. EQUITY

a. Share capital

	December 31	
	2016	2015
Number of shares authorized (in thousands)	4,500,000	4,500,000
Shares authorized	$ 45,000,000	$ 45,000,000
Number of shares issued and fully paid (in thousands)	2,946,787	2,946,787
Shares issued	$ 29,467,872	$ 29,467,872

The Company's employee share options were exercised for 2,650 thousand common shares (amounted to $26,500 thousand) during the year ended December 31, 2015.

b. Capital surplus

	December 31	
	2016	2015
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
Recognized from conversion of bonds	1,447,492	1,447,492
Recognized from treasury share transactions	1,824,608	1,824,608
Recognized from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	390,919	484,759
May be used to offset a deficit only (2)		
Recognized from share of changes in equities of subsidiaries	23,232	20,937
May not be used for any purpose		
Recognized from share of changes in net assets of associates and joint ventures	5,309	5,309
	$ 4,540,163	$ 4,631,708

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus are recognized from share of changes in equities of subsidiaries that resulted from equity transactions, or from share of changes in capital surplus of subsidiaries accounted by using equity method when there was no actual disposal or acquisition of subsidiaries.

c. Retained earnings and dividend policy

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

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

1) For paying taxes.

2) For offsetting deficits.

3) For legal reserve at 10% of the remaining profits, and for special reserve to be appropriated and distributed according to regulations or upon request by the FSC.

4) The total of any remaining profits after the appropriations mentioned above plus any accumulated unappropriated earnings from prior years may be partially retained and then distributed the remainder as proposed according to stock ownership proportion.

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

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

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

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 appropriate or reverse to a special reserve.

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

The appropriations of earnings for 2015 and 2014 had been approved in the shareholders' meetings on June 15, 2016 and June 12, 2015, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2015	**For Year 2014**	**For Year 2015**	**For Year 2014**
Legal reserve	$ 953,136	$ 861,550	$ -	$ -
(Reversal) special reserve	6,297,042	(3,571,494)	-	-
Cash dividends	4,420,181	4,416,206	1.50	1.50

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

d. Other equity item

1) Exchange differences on translation foreign operations

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 5,020,886	$ 3,345,749
Exchange differences arising on translation of foreign operations	(1,818,089)	1,685,213
Share of exchange differences of associates and joint ventures accounted for using equity method	(93,624)	(10,076)
Balance at December 31	$ 3,109,173	$ 5,020,886

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

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ (16,926,480)	$ (8,954,302)
Unrealized gain (loss) on available-for-sale financial assets	1,344,672	(1,719,924)
Unrealized loss on available-for-sale financial assets of associates and joint ventures accounted for using equity method	(1,163,733)	(6,252,254)
Balance at December 31	$ (16,745,541)	$ (16,926,480)

e. Non-controlling interests

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 85,533,554	$ 81,411,376
Share of non-controlling interests		
Net income	9,944,869	7,070,108
Exchange differences arising on translation of foreign operations	(1,241,711)	(1,295,068)
Unrealized gain on available-for-sale financial assets	128,439	68,954
Actuarial loss arising from defined benefit plans	(88,638)	-
Change in non-controlling interests	(6,970,953)	(1,721,816)
Balance at December 31	$ 87,305,560	$ 85,533,554

27. REVENUE

	For the Year Ended December 31	
	2016	2015
Sales revenue	$ 274,277,613	$ 268,476,016
Revenue from the rendering of services	82,307	88,957
Rental income	32,227	31,407
Revenue from entertainment and resort	503,199	484,793
	$ 274,895,346	$ 269,081,173

28. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Year Ended December 31	
	2016	2015
Rental income		
Rental income from operating lease		
Investment properties	$ 33,419	$ 36,710
Others	279,714	294,309
	313,133	331,019
Interest income		
Cash in bank	286,722	339,675
Repurchase agreements collateralized by bonds	14,054	10,055
Held-to-maturity financial assets	180,552	20,058
Debt investments with no active market	46,826	55,814
Others	2,336	2,973
	530,490	428,575
Dividend income	874,208	758,064
Others	2,620,408	2,350,706
	$ 4,338,239	$ 3,868,364

b. Other gains and losses

	For the Year Ended December 31	
	2016	2015
Net loss on disposal of property, plant and equipment	$ (251,490)	$ (393,827)
Net foreign exchange (loss) gain	(839,582)	303,809
Net gain on disposal of subsidiaries, associates and joint ventures	26,489	159,898
Net gain on disposal of available-for-sale financial assets	-	78,039
Net gain on disposal of financial assets measured at cost	31,530	47,940
Net gain arising on financial assets designated as at FVTPL	741,655	217,571
Net gain (loss) arising on financial liabilities designated as at FVTPL	39,613	(1,005,440)
Recognized of impairment loss	(228,320)	(607,272)
Others	(162,882)	(147,561)
	$ (642,987)	$ (1,346,843)

c. Finance costs

	For the Year Ended December 31	
	2016	2015
Interest on bank borrowings	$ 1,256,080	$ 1,070,213
Interest on short-term bills payable	21,372	18,116
Other interest expense	38,564	32,965
	$ 1,316,016	$ 1,121,294

d. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	$ 8,396,985	$ 7,932,121
Investment properties	30,932	28,978
Other intangible assets	209,120	240,105
Prepayments for lease	156,368	150,559
	$ 8,793,405	$ 8,351,763
An analysis of depreciation by function		
Operating costs	$ 5,488,170	$ 5,145,287
Operating expenses	2,930,358	2,808,804
Non-operating expenses	9,389	7,008
	$ 8,427,917	$ 7,961,099
An analysis of amortization by function		
Operating costs	$ 1,256	$ 1,235
Operating expenses	364,232	389,429
	$ 365,488	$ 390,664

e. Direct operating expenses from investment properties

	For the Year Ended December 31	
	2016	2015
Direct operating expenses from investment properties that generated rental income	$ 43,473	$ 43,233

f. Employee benefits expense

	For the Year Ended December 31	
	2016	2015
Post-employment benefits		
Defined contribution plans	$ 8,019,377	$ 8,489,932
Defined benefit plans	417,626	318,209
	8,437,003	8,808,141
Share-based payments		
Equity-settled	58,890	69,173
Termination benefits	11,606	20,094
Other employee benefits	62,603,706	61,111,749
	$ 71,111,205	$ 70,009,157
An analysis of employee benefits expense by function		
Operating costs	$ 51,036,446	$ 49,333,908
Operating expenses	20,074,759	20,675,249
	$ 71,111,205	$ 70,009,157

As of December 31, 2016 and 2015, there were 358,977 and 415,296 employees, respectively, in the Group. The Group accounts for employee benefits expense based on the number of employees.

1) Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

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

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

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	1.8%	1.8%
Remuneration of directors and supervisors	0.9%	0.9%

Amount

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

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.

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

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

2) Bonus to employees and remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014 were approved in the shareholders' meeting on June 12, 2015 and were as follows:

	For the Year Ended December 31, 2014	
	Cash	**Shares**
Bonus to employees	$ 334,667	$ -
Remuneration of directors and supervisors	169,882	-

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meeting on June 12, 2015 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the bonus to employees and remuneration of directors and supervisors resolved in the shareholders' meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

29. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2016	**2015**
Current tax		
In respect of the current year	$ 3,250,101	$ 2,910,456
Income tax on unappropriated earnings	-	671,954
	3,250,101	3,582,410
Deferred tax	26,729	(1,136)
Adjustments for prior years	1,053	57,534
Income tax expense recognized in profit or loss	$ 3,277,883	$ 3,638,808

A reconciliation of accounting profit and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2016	2015
Income before income tax	$ 26,279,802	$ 20,240,274
Income tax expense calculated at the statutory rate	4,467,566	3,440,846
Tax effect of adjusting items		
Tax-exempt income	(1,343,351)	(1,058,789)
Others	125,886	526,925
Additional income tax under the alternative minimum tax act	-	1,474
Income tax on unappropriated earnings	-	671,954
Current tax	3,250,101	3,582,410
Deferred tax	26,729	(1,136)
Adjustments for prior years' income tax	1,053	57,534
Income tax expense recognized in profit or loss	$ 3,277,883	$ 3,638,808

The applicable tax rate used by the Company is the corporate tax rate of 17%.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Deferred tax assets and liabilities

The details of deferred tax assets and liabilities were as follows:

	December 31	
	2016	2015
Deferred tax assets		
Temporary differences		
Unrealized pension expense	$ 47,929	$ 103,245
Others	813,222	509,106
	$ 861,151	$ 612,351
Deferred tax liabilities		
Temporary differences		
Investment income from foreign subsidiaries	$ 712,725	$ 641,729
Others	1,061,503	1,181,079
	$ 1,774,228	$ 1,822,808

c. Integrated income tax

	December 31	
	2016	2015
Unappropriated earnings		
Generated before January 1, 1998	$ 221,425	$ 221,425
Generated on and after January 1, 1998	31,993,273	30,986,101
	$ 32,214,698	$ 31,207,526
Imputation credit account	$ 2,562,413	$ 2,518,881

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

d. Income tax assessments

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

30. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
Net income (in thousand dollars)		
Earnings used in the computation of earnings per share	$ 13,057,050	$ 9,531,358
Weighted average number of shares outstanding (in thousand shares)		
Weighted average number of common shares in the computation of basic earnings per share	2,946,787	2,945,021
Effect of potentially dilutive common shares:		
Employee share options	85,463	88,469
Bonus to employee	8,502	6,269
Weighted average number of common shares used in the computation of diluted earnings per share	3,040,752	3,039,759
Earnings per share (in dollars)		
Basic earnings per share	$4.43	$3.24
Diluted earnings per share	$4.29	$3.14

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

31. SHARE-BASED PAYMENT ARRANGEMENTS

a. Information about Pou Chen's employee share options

As at November 6, 2007, the Company has issued 125,500,000 units of employee share options to the employees with an exercise price of $29.80 dollars per share. Each of the aforementioned individual employee share options is granted the right to purchase one newly issued common share. If the Company resolved to increase additional share capital through stock dividends or issue of new shares, the exercise price will be retroactively restated. Additionally, the share of employee share options granted but not exercised will also be adjusted. After the aforementioned adjustment, the exercise price and issued units of employee share options were $17.4 and 145,790,178 units, respectively, as of December 31, 2016.

Information about employee share options for the years ended December 31, 2016 and 2015 was as follows:

	For the Year Ended December 31			
	2016		2015	
Employee Share Options	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	145,791	$ 18.00	148,441	$ 18.70
Options exercised	-	-	(2,650)	18.00
Balance at December 31	145,791	17.40	145,791	18.00
Exercisable options at December 31	145,791	17.40	145,791	18.00

Information about outstanding employee share options as of December 31, 2016 and 2015 was as follows:

	December 31	
	2016	2015
Exercise price (NT$)	$17.40	$18.00
Weighted-average remaining contractual life (years)	0.85	1.85

b. Information about Yue Yuen's employee share options

On January 28, 2014, the board of directors of Yue Yuen adopted a share award scheme. Under the share award scheme, a trustee which is independent of Yue Yuen purchased Yue Yuen shares from the secondary market, and the shares will vest to the selected participants through a trust agreement. The awarded shares shall not exceed 2% of the issued share capital of Yue Yuen as at the date of grant (January 28, 2014) during the valid period (from January 28, 2014 to January 28, 2024). The maximum number of shares which may be awarded to all participants under the scheme shall not exceed 1% of the issued share capital of Yue Yuen.

Information about the granted Yue Yuen's employee share options during the years ended December 31, 2016 and 2015 was as follows:

	Number of Shares (In Thousands)	
	2016	**2015**
Balance at January 1	1,440	1,485
Options granted	1,120	-
Options cancelled	(67)	(45)
Options exercised	(1,373)	-
Balance at December 31	1,120	1,440

Yue Yuen adopted the Black-Scholes option pricing model and the estimated fair value of the share options amounted to $119,067 thousand (US$3,692 thousand) on the grant date, and the factors were as follows:

	Granted on March 29, 2016	**Granted on October 3, 2016**
Grant date share price	HK$26.45	HK$31.75
Risk free rates	0.64%	0.46%
Expected volatility	28.47%	28.57%
Vesting period	2 years	2 years
Expected dividend yield	4.43%	4.20%

Yue Yuen recognized $23,842 thousand and $55,996 thousand compensation cost for the years ended December 31, 2016 and 2015, respectively.

c. Information about Pou Sheng's employee share options

1) Pou Sheng's share option scheme (the "Pou Sheng Scheme") was adopted on May 14, 2008, and will be expire on May 13, 2018. Under the Pou Sheng Scheme, the board of directors of Pou Sheng may grant options to eligible persons, including directors and employees of Pou Sheng and its subsidiaries, to subscribe for shares in Pou Sheng. The details of the plan under the scheme were as follows:

a) Without prior approval from Pou Sheng's shareholders, the number of shares that may be granted under the following limits:

i. The total number of shares in respect of which options may be granted under the Pou Sheng Scheme is not permitted to exceed 10% of the shares of Pou Sheng in issue at any point in time;

ii. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any twelve-month period is not permitted to exceed 1% of the shares of Pou Sheng in issue at any point in time; and

iii. Options in excess of 0.1% of Pou Sheng's share capital or with a value in excess of HK$5 million (US$0.6 million) may not be granted to substantial shareholders or independent non-executive directors.

b) Exercise price:

The exercise price is to be determined by the directors of Pou Sheng and will not be less than the highest of:

i. The closing price of Pou Sheng's shares on the date of grant;

ii. The average closing price of Pou Sheng's shares for the five business days immediately preceding the date of grant; and

iii. The nominal value of Pou Sheng's share.

c) Pou Sheng was granted 11,663 thousand share options on November 14, 2016. The exercise price of these options is HK$2.494. Information about exercise duration and exercise proportion of the Pou Sheng Scheme was as follows:

Exercise Period	Proportion of Exercise Quantity
2017.9.1-2019.9.1	10%
2018.9.1-2020.9.1	10%
2019.9.1-2021.9.1	10%
2020.9.1-2022.9.1	20%
2021.9.1-2023.9.1	50%

Information about the Pou Sheng Scheme for the years ended December 31, 2016 and 2015 was as follows:

	For the Year Ended December 31			
	2016		2015	
Employee Share Options	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (HK$)	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (HK$)
Balance at January 1	54,612	$ 1.39	55,012	$ 1.39
Options granted	11,663	2.494	-	-
Options cancelled	(100)	1.62	-	-
Options exercised	(11,626)	1.34	(400)	1.45
Balance at December 31	54,549	1.63	54,612	1.39
Exercisable options at December 31	42,886	1.40	54,237	1.39

Pou Sheng adopted the binomial option pricing model, and the estimated fair value of the share options amounted to $46,311 thousand (US$1,436 thousand) on the grant date, and the factors were as follows:

	Granted on November 16, 2016
Exercise price	HK$2.494
Grant date share price	HK$2.41
Risk free rates	0.99-1.18%
Expected volatility	50-55%
Vesting period	2.8-6.8 years
Expected dividend yield	2.00%

Information about outstanding employee share options as of December 31, 2016 and 2015, was as follows:

	December 31	
	2016	2015
Range of exercise price (HK$)	$1.05-$2.494	$1.05-$1.62
Weighted-average remaining contractual life (years)	2.47	2.68

The Group recognized $2,249 thousand and $506 thousand in compensation costs for the years ended December 31, 2016 and 2015, respectively.

2) On May 9, 2014, the board of directors of Pou Sheng adopted a share award scheme. Under the share award scheme, a trustee which is independent of Pou Sheng purchased Pou Sheng shares from the secondary market, and the shares will vest to the selected participants through a trust agreement. The awarded shares shall not exceed 2% of the issued share capital of Pou Sheng as at the date of grant (May 9, 2014) during the valid period (from May 9, 2014 to May 9, 2024). The maximum number of shares which may be awarded to all participants under the scheme shall not exceed 1% of the issued share capital of Pou Sheng.

Information about the granted employee share options during the years ended December 31, 2016 and 2015 was as follows:

	Number of Shares (In Thousands)	
	2016	2015
Balance at January 1	27,738	11,500
Options granted	20,927	19,170
Options cancelled	(3,535)	(2,932)
Balance at December 31	45,130	27,738

Pou Sheng adopted the Black-Scholes option pricing model and the estimated fair value of the share options amounted to $124,324 thousand (US$3,855 thousand) and $47,005 thousand (US$1,432 thousand) on the grant date, respectively, and the factors were as follows:

	Granted on November 14, 2016	Granted on November 12, 2016	Granted on August 13, 2016	Granted on May 13, 2016	Granted on March 24, 2016	Granted on August 14, 2015	Granted on March 21, 2015
Grant date share price	HK$2.41	HK$2.55	HK$2.40	HK$2.07	HK$1.61	HK$1.14	HK$0.55
Risk free rates	0.50-1.07%	0.84%	0.48%	0.60%	0.85%	0.79%	0.73%
Expected volatility	51-57%	55%	55%	57%	54%	52%	50%
Vesting period	0.8-4.8 years	2.8 years	3 years	2.3 years	3 years	3 years	3 years
Expected dividend yield	2.0%	2.0%	2.0%	-	-	-	-

Pou Sheng recognized $32,799 thousand and $12,671 thousand compensation cost for the years ended December 31, 2016 and 2015, respectively.

32. BUSINESS COMBINATIONS

The Group acquired sports marketing and agency businesses from independent third parties during the year ended December 31, 2015 which were as follows:

a. Considerations transferred

Cash and cash equivalents	$ 80,020

b. Assets acquired and liabilities assumed at the date of acquisition

Assets	
Cash and cash equivalents	$ 16,448
Receivables and other receivables	50,610
Inventories	15,307
Property, plant and equipment	14,504
Liabilities	
Bank borrowings	(7,499)
Payables and other payables	(57,060)
	$ 32,310

The amount of goodwill arising from the acquisition was $47,710 thousand (US$1,546 thousand).

c. Net cash outflow on acquisition of subsidiaries

Consideration paid in cash	$ 80,020
Less: Cash and cash equivalent balances acquired	(16,448)
	$ 63,572

33. DISPOSAL OF SUBSIDIARIES

a. The Group disposed of subsidiaries during the year ended December 31, 2016, the assets and liabilities on the date of disposal were as follows:

Assets	
Cash and cash equivalents	$ 140,900
Receivables and other receivables	297,370
Inventories	111,972
Property, plant and equipment	168,933
Liabilities	
Payables and other payables	(349,612)
Tax payable	(4,163)
	$ 365,400

1) Gain on disposal of subsidiaries

Consideration received in cash and cash equivalents	$ 106,571
Consideration received in investments accounted for using equity method	262,664
Net value of net assets disposed of	(365,400)
Gain on disposal	$ 3,835

2) Net cash outflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	$ 106,571
Less: Accounts receivable of disposal consideration	(3,228)
Less: Cash and cash equivalents balance disposed of	(140,900)
	$ (37,557)

b. The Group disposed of subsidiaries during the year ended December 31, 2015, the assets and liabilities on the date of disposal were as follows:

Assets	
Cash and cash equivalents	$ 58,325
Receivables and other receivables	258,144
Inventories	104,615
Other current assets	21,941
Property, plant and equipment	107,300
Goodwill	710
Liabilities	
Bank borrowings	(9,320)
Payables and other payables	(225,124)
	$ 316,591

1) Gain on disposal of subsidiaries

Net assets disposed of	$ 316,591
Less: Non-controlling interests	(175,933)
Net value of net assets disposed of	$ 140,658
Consideration received in cash and cash equivalents	$ 146,332
Net value of net assets disposed of	(140,658)
Gain on disposal	$ 5,674

2) Net cash inflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	$ 146,332
Less: Cash and cash equivalents balance disposed of	(58,325)
	$ 88,007

34. NON-CASH TRANSACTIONS

For the year ended December 31, 2016, the Group entered into non-cash investing activities which refer to the investments accounted for using equity method received as consideration in the disposal of subsidiaries, refer to Note 33.

35. OPERATING LEASES ARRANGEMENTS

a. The Group as lessee

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

	December 31	
	2016	2015
Not later than 1 year	$ 2,678,532	$ 2,135,408
Later than 1 year and not later than 5 years	3,642,346	3,731,030
Later than 5 years	1,802,904	1,304,399
	$ 8,123,782	$ 7,170,837

b. The Group as lessor

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

	December 31	
	2016	2015
Not later than 1 year	$ 342,043	$ 315,514
Later than 1 year and not later than 5 years	604,430	541,448
Later than 5 years	681,604	781,990
	$ 1,628,077	$ 1,638,952

36. 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.

37. FINANCIAL INSTRUMENTS

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

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

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity financial assets	$ 6,163,413	$ 6,163,413	$ 1,451,293	$ 1,451,293
Debt investments with no active market	829,129	829,129	1,423,468	1,423,468
Other loans and receivables	78,471,723	78,471,723	75,468,067	75,468,067
Financial assets directly associated with non-current assets held for sale	737,590	737,590	-	-
Financial liabilities				
Bank borrowings	74,394,246	74,394,246	66,638,392	66,638,392
Short-term bills payable	2,544,755	2,544,755	2,589,343	2,589,343
Financial liabilities measured at amortized cost	40,091,700	40,091,700	43,261,531	43,261,531
Financial liabilities directly associated with non-current assets held for sale	1,067,765	1,067,765	-	-

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

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

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

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

	December 31	
	2016	**2015**
Financial assets		
Financial assets at FVTPL		
Domestic open-ended mutual funds	$ 889,537	$ 460,002
Available-for-sale financial assets		
Domestic listed securities		
Equity investment	14,264,621	12,859,057
Foreign listed securities		
Equity investment	519,410	455,116

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

	December 31	
	2016	**2015**
Financial assets		
Financial assets at FVTPL		
Derivative financial instruments	$ 220,604	$ 121,286
Financial assets designated as at FVTPL	328,492	654,795
Financial liabilities		
Financial liabilities at FVTPL		
Derivative financial instruments	915,676	1,404,523

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

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

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

b) The fair value of derivative instruments were calculated using quoted prices. When such prices were not available, a valuation method was used and the estimates and assumptions used by the Group are consistent with those that market participants would use in setting a price for the financial instrument.

c. Categories of financial instruments

	December 31 2016	December 31 2015
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 1,110,141	$ 581,288
Designated as at FVTPL	328,492	654,795
Held-to-maturity financial assets	6,163,413	1,451,293
Loans and receivables (Note 1)	80,038,442	76,891,535
Available-for-sale financial assets	14,784,031	13,314,173
Financial assets measured at cost	592,550	659,395
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	915,676	1,404,523
Amortized cost (Note 2)	118,098,466	112,489,266

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

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

d. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts and other derivate 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 41.

Sensitivity analysis

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

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

	For the Year Ended December 31	
	2016	**2015**
USD	$ (85,120)	$ (26,408)
RMB	(459,668)	(481,965)
HKD	(5,740)	(5,082)
VND	36,418	21,395
IDR	47,131	47,035
CHF	-	(49,406)

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.

	December 31	
	2016	**2015**
Cash flow interest rate risk		
Financial liabilities	$ 60,261,584	$ 54,533,997

Sensitivity analysis

The sensitivity analyses below were based on the Group's floating rate liabilities. The analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. If 1% increase in interest rate would cause the Group to increase its cash-out by $602,616 thousand and $545,340 thousand during the years ended December 31, 2016 and 2015, respectively.

c) Other price risk

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

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity price declined by 1%, the fair value of the investments at December 31, 2016 and 2015 would have decrease by $271,331 thousand and $257,094 thousand, respectively.

2) Credit risk

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2016 and 2015, 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.

December 31, 2016

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing	-	$ 18,594,409	$ 9,379,612	$ 11,257,230	$ 118,743	$ 61,267
Variable interest rate liabilities	1.79	11,255,339	3,008,868	1,610,357	45,960,956	-
Fixed interest rate liabilities	1.32	10,878,663	300,000	-	5,500,000	-
Financial guarantee contracts	-	3,715,350	-	-	-	-
		$ 44,443,761	$ 12,688,480	$ 12,867,587	$ 51,579,699	$ 61,267

December 31, 2015

	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
Non-derivative financial liabilities						
Non-interest bearing	-	$ 22,976,935	$ 10,167,025	$ 9,300,384	$ 289,951	$ 51,293
Variable interest rate liabilities	1.38	2,630,220	11,192,024	20,108,742	21,346,148	-
Fixed interest rate liabilities	1.19	9,263,395	700,000	732,500	4,000,000	-
Financial guarantee contracts	-	3,811,299	-	-	-	-
		$ 38,681,849	$ 22,059,049	$ 30,141,626	$ 25,636,099	$ 51,293

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

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

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

December 31, 2016

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

December 31, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap contracts	$ -	$ -	$ 6,488	$ 37,633	$ -
Forward exchange contracts	63,656	-	-	-	-
Exchange rate option contracts	632,413	-	157,295	473,336	-
Exchange rate swap contracts	19,430	12,523	1,749	-	-
	$ 715,499	$ 12,523	$ 165,532	$ 510,969	$ -

c) Financing facilities

	December 31 2016	December 31 2015
Unsecured bank facility:		
Amount used	$ 76,643,124	$ 68,930,573
Amount unused	19,879,552	30,298,897
	$ 96,522,676	$ 99,229,470
Secured bank facility:		
Amount used	$ 488,000	$ 488,000
Amount unused	-	-
	$ 488,000	$ 488,000

38. 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. Operating revenue

		For the Year Ended December 31	
Account Items	**Related Party Categories**	**2016**	**2015**
Sales	Associates and joint ventures	$ 872,831	$ 1,019,751

Sales to related parties have prices and receivable terms that have no significant differences with non-related parties.

b. Purchases

	For the Year Ended December 31	
Related Party Categories	**2016**	**2015**
Associates and joint ventures	$ 7,273,312	$ 8,139,085

Purchases from related parties have prices and payment terms that have no significant differences with non-related parties.

c. Receivables from related parties

		December 31	
Account Items	**Related Party Categories**	**2016**	**2015**
Notes receivable, accounts receivable	Associates and joint ventures	$ 54,173	$ 78,126

No bad debt expense had been recognized for the years ended December 31, 2016 and 2015 for the amounts owed by related parties.

d. Payables to related parties

		December 31	
Account Items	**Related Party Categories**	**2016**	**2015**
Notes payable, accounts payable	Associates and joint ventures	$ 1,476,826	$ 1,881,363

e. Compensation of key management personnel

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

	For the Year Ended December 31	
	2016	**2015**
Short-term employee benefits	$ 232,465	$ 199,882

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

39. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2016	2015
Debt investmtnets with no active market	$ 35,205	$ 32,771
Investment properties	657,296	657,296
	$ 692,501	$ 690,067

40. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

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

Unit: In Thousands of Foreign Currencies

	December 31	
Currencies	**2016**	**2015**
USD	$ 2,562	$ 2,631
EUR	473	431
HKD	-	100
IDR	13,618,125	15,657,664

b. The Company invests in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd. According to a request by the FSC, the Company provides shares of Yue Yuen in the custody during the period from June 27, 2011 to June 27, 2021. The Company will not dispose of or do encumbrance to the shares of Wealthplus which is equal to the shares of Yue Yuen during the trust period.

c. Because of the Company’s investment in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd., the Company received a request by the FSC for the Company to provide 490,000 thousand 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.

41. 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:

Unit: All Currencies In Thousands (Including Foreign Currencies and New Taiwan Dollars)

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 95,042	32.250	$ 3,065,111
NTD	320,400	1	320,400
RMB	2,157,779	4.617	9,962,470
HKD	57,550	4.158	239,295
VND	173,390,697	0.00129	223,674
IDR	178,755,144	0.00243	434,375
Non-monetary items			
USD	4,090	32.250	131,915
NTD	918,707	1	918,707
RMB	1,090,648	4.617	5,035,522
HKD	62,464	4.158	259,724
Financial liabilities			
Monetary items			
USD	42,231	32.250	1,361,968
NTD	813,081	1	813,081
RMB	167,902	4.617	775,201
HKD	29,949	4.158	124,531
VND	780,350,388	0.00129	1,006,652
IDR	571,515,226	0.00243	1,388,782

December 31, 2015

	Foreign Currencies		Exchange Rate		Carrying Amount
Financial assets					
Monetary items					
USD	$	77,423	32.825	$	2,541,421
NTD		166,554	1		166,554
RMB		2,198,906	4.995		10,983,531
HKD		62,137	4.235		263,152
VND		353,954,609	0.00141		499,076
IDR		209,944,856	0.00243		510,166
CHF		29,783	33.185		988,337
Non-monetary items					
USD		2,600	32.825		85,353
NTD		692,074	1		692,074
RMB		258,270	4.995		1,290,057
HKD		53,736	4.235		227,573
Financial liabilities					
Monetary items					
USD		61,344	32.825		2,013,605
NTD		971,699	1		971,699
RMB		271,013	4.995		1,353,716
HKD		38,169	4.235		161,647
VND		659,596,454	0.00141		930,031
IDR		601,899,588	0.00243		1,462,616

For the years ended December 31, 2016 and 2015, net foreign exchange (losses) gains were $(839,582) thousand and $303,809 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 entities.

42. SEGMENT INFORMATION

a. Information about reportable segments

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as follows:

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

b. Segment revenues and results

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

For the year ended December 31, 2016

	Manufacturing of Shoes and Apparel	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Revenues from external customers	$ 194,830,122	$ 78,880,234	$ 1,184,990	$ 274,895,346
Segment income	$ 28,961,242	$ 7,123,502	$ 610,250	$ 36,694,994
Administrative cost, remuneration to directors and supervisors				(19,066,493)
Rental income				313,133
Interest income				530,490
Dividend income				874,208
Other income				2,620,408
Net loss on disposal of property, plant and equipment				(251,490)
Net foreign exchange loss				(839,582)
Net gain on disposal of subsidiaries and associates				26,489
Net gain on disposal of financial assets measured at cost				31,530
Net gain arising on financial assets designated as at FVTPL				741,655
Net gain arising on financial liabilities designated as at FVTPL				39,613
Impairment loss				(228,320)
Other loss				(162,882)
Finance costs				(1,316,016)
Share of the profit of associates and joint ventures				6,272,065
Income before income tax				$ 26,279,802

For the year ended December 31, 2015

	Manufacturing of Shoes and Apparel	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Revenues from external customers	$ 195,313,401	$ 72,926,712	$ 841,060	$ 269,081,173
Segment income	$ 27,176,403	$ 5,985,075	$ 550,021	$ 33,711,499
Administrative cost, remuneration to directors and supervisors				(21,358,105)
Rental income				331,019
Interest income				428,575
Dividend income				758,064
Other income				2,350,706
Net loss on disposal of property, plant and equipment				(393,827)
Net foreign exchange gain				303,809
Net gain on disposal of subsidiaries, associates and joint ventures				159,898
Net gain on disposal of available-for-sale financial assets				78,039
Net gain on disposal of financial assets measured at cost				47,940
Net gain arising on financial assets designated as at FVTPL				217,571
Net loss arising on financial liabilities designated as at FVTPL				(1,005,440)
Impairment loss				(607,272)
Other loss				(147,561)
Finance costs				(1,121,294)
Share of the profit of associates and joint ventures				6,486,653
Income before income tax				$ 20,240,274

1) Sales between segments were made at market price.

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

c. Geographical information

The Group's revenues from continuing operations from external customers by location of operations were detailed below.

	Revenues from External Customers	
	For the Year Ended December 31	
	2016	2015
Asia	$ 134,417,566	$ 129,987,620
USA	79,484,350	80,751,723
Europe	54,210,053	52,111,466
Others	6,783,377	6,230,364
	$ 274,895,346	$ 269,081,173

d. Information about major customers

Revenue recognized from the manufacture of shoes and apparel in 2016 and 2015, amounted to $194,830,122 thousand and $195,313,401 thousand, respectively. Except as detailed in the following table, no other single customer contributed 10% or more to the Group's revenue for both 2016 and 2015.

	For the Year Ended December 31			
	2016		2015	
	Amount	% of Total	Amount	% of Total
Customer A	$ 53,816,071	20	$ 53,428,639	20
Customer B	52,176,821	19	44,260,321	16
	$ 105,992,892	39	$ 97,688,960	36

6.5 Separate Financial Statements Audited by Independent Auditors for the Most Recent Fiscal Year

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan

Tel :+886 (2) 2545-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Pou Chen Corporation

Opinion

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

In our opinion, based on our audits and the report of other auditors (refer to the other matter section of this report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

<u>Impairment of Assets</u>

As of December 31, 2016, the Company's property, plant and equipment and investment properties amounted to $4,503,791 thousand and $1,976,031 thousand, respectively. For the related critical accounting judgments, key sources of estimation, and significant accounting policies, refer to Notes 4 and 5 of the accompanying financial statements.

Management evaluated the impairment of assets based on their recoverable amounts, which is the higher of fair value less costs to sell or value-in-use of those assets. The recoverable amount is determined according to the market price or estimated future cash flows of those assets. As a result, the test of impairment involves significant judgments and estimations made by the management. As a result, the impairment of assets is regarded as a key audit matter of the 2016 financial statements.

Our audit procedures in response to this key audit matter were to obtain the impairment valuation sheets prepared by the management and to test management's assumptions used in the impairment model, such as the cash flows projections and discount rates.

Sales Revenue

The criterion for the point of recognition of sales revenue is identifying when and whether the risks and ownership of goods have been transferred to customers. The revenue recognition policy can be found in Note 4 of the Company's financial statement.

The main business activities of the Company is the purchase of the shoe-related materials and the sale of said items to related parties. We identified sales revenue as a key audit matter because the fair presentation of the Company's financial statements is directly affected by the revenue recognized.

Our audit procedures in response to sales revenue consisted of examining the transaction terms of transactions to confirm that sales revenue was recognized according to the point at which the risks and returns of goods were transferred. Further to this, our audit procedures included understanding the internal controls of the recognition of sales revenue and evaluating and testing the effectiveness of the design and implementation of revenue recognition. We also obtained details of the sales transactions reports prepared by the management and selected critical samples from the reports to verify the occurrence of revenue.

Other Matter

The Company's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method in the financial statements and were based on financial statements which were audited by other auditors. Our opinion, insofar as it relates to the Company's investments in Ruen Chen Investment Holding Co., Ltd., is based solely on the report of other auditors. As of December 31, 2016 and 2015, the carrying value of the investments was 8.45% ($8,912,633 thousand) and 5.97% ($5,846,585 thousand) of the total assets, respectively. For the years ended December 31, 2016 and 2015, the share of profit of the associate was 30.86% ($4,255,105 thousand) and 33.58% ($3,693,799 thousand) of the income before income tax, respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2017

Notice to Readers

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

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

POU CHEN CORPORATION

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

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 540,793	1	$ 604,593	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	131,915	-	43,064	-
Available-for-sale financial assets - current (Notes 4 and 8)	4,468,517	4	4,119,079	4
Debt investments with no active market - current (Notes 4 and 9)	90,493	-	394,605	-
Notes receivable (Notes 4 and 10)	21,253	-	11,217	-
Notes receivable from related parties (Notes 4, 10 and 30)	17	-	17	-
Accounts receivable (Notes 4 and 10)	29,504	-	27,060	-
Accounts receivable from related parties (Notes 4, 10 and 30)	1,854,777	2	1,502,510	2
Other receivables (Notes 4 and 10)	266,973	-	211,402	-
Inventories (Notes 4 and 11)	76,257	-	66,454	-
Other current assets (Notes 4 and 12)	61,028	-	56,620	-
Total current assets	7,541,527	7	7,036,621	7
NON-CURRENT ASSETS				
Held-to-maturity financial assets - non-current (Notes 4 and 13)	285,872	1	-	-
Financial assets measured at cost - non-current (Notes 4 and 14)	61,000	-	61,000	-
Investments accounted for using equity method (Notes 4 and 15)	90,991,502	86	84,366,961	86
Property, plant and equipment (Notes 4 and 16)	4,503,791	4	4,187,849	5
Investment properties (Notes 4 and 17)	1,976,031	2	2,029,185	2
Deferred tax assets (Notes 4 and 25)	50,938	-	106,469	-
Other non-current assets (Notes 4 and 12)	116,700	-	85,962	-
Total non-current assets	97,985,834	93	90,837,426	93
TOTAL	$ 105,527,361	100	$ 97,874,047	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	$ 6,515,000	6	$ 4,706,500	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	113,284	-	48,714	-
Notes payable (Notes 4 and 19)	16,676	-	19,607	-
Notes payable to related parties (Notes 4, 19 and 30)	25,724	-	15,080	-
Accounts payable (Notes 4 and 19)	1,324,640	1	1,425,749	2
Accounts payable to related parties (Notes 4, 19 and 30)	101,253	-	67,934	-
Other payables (Note 20)	1,394,239	2	1,293,256	1
Current tax liabilities (Notes 4 and 25)	606,668	1	1,377,602	1
Current portion of long-term borrowings (Note 18)	-	-	4,748,053	5
Other current liabilities	113,032	-	69,425	-
Total current liabilities	10,210,516	10	13,771,920	14
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 18)	17,000,000	16	12,241,510	12
Deferred tax liabilities (Notes 4 and 25)	801,343	1	730,588	1
Net defined benefit liabilities (Notes 4 and 21)	1,789,168	1	1,842,453	2
Other non-current liabilities (Note 15)	21,190	-	17,463	-
Total non-current liabilities	19,611,701	18	14,832,014	15
Total liabilities	29,822,217	28	28,603,934	29
EQUITY (Notes 4 and 22)				
Share capital				
Common shares	29,467,872	28	29,467,872	30
Capital surplus	4,540,163	4	4,631,708	5
Retained earnings				
Legal reserve	11,213,184	11	10,260,048	10
Special reserve	11,905,595	11	5,608,553	6
Unappropriated earnings	32,214,698	31	31,207,526	32
Total retained earnings	55,333,477	53	47,076,127	48
Other equity	(13,636,368)	(13)	(11,905,594)	(12)
Total equity	75,705,144	72	69,270,113	71
TOTAL	$ 105,527,361	100	$ 97,874,047	100

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

(With Deloitte & Touche audit report dated March 27, 2017)

POU CHEN CORPORATION

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

	2016		2015	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 23 and 30)	$ 12,294,428	100	$ 12,748,522	100
OPERATING COSTS (Notes 24 and 30)	8,461,282	69	9,004,039	71
GROSS PROFIT	3,833,146	31	3,744,483	29
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	1,456	-	(169)	-
REALIZED GROSS PROFIT	3,834,602	31	3,744,314	29
OPERATING EXPENSES (Notes 21 and 24)				
Selling and marketing expenses	69,745	1	73,442	1
General and administrative expenses	2,142,716	17	2,210,180	17
Research and development expenses	1,377,679	11	1,012,032	8
Total operating expenses	3,590,140	29	3,295,654	26
INCOME FROM OPERATIONS	244,462	2	448,660	3
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 24 and 30)	530,857	4	556,477	4
Other gains and losses (Note 24)	(123,499)	(1)	348,997	3
Finance costs (Note 24)	(338,342)	(3)	(358,074)	(3)
Share of the profit of subsidiaries and associates (Notes 4 and 15)	13,476,549	110	10,002,754	79
Total non-operating income and expenses	13,545,565	110	10,550,154	83
INCOME BEFORE INCOME TAX	13,790,027	112	10,998,814	86
INCOME TAX EXPENSE (Notes 4 and 25)	(732,977)	(6)	(1,467,456)	(11)
NET INCOME FOR THE YEAR	13,057,050	106	9,531,358	75

(Continued)

POU CHEN CORPORATION

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

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial loss arising from defined benefit plans (Note 21)	$ (272,105)	(2)	$ (216,694)	(2)
Share of the other comprehensive loss of subsidiaries and associates	(107,414)	(1)	(76,182)	-
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on available-for-sale financial assets	349,438	3	(567,431)	(5)
Share of the other comprehensive loss of subsidiaries and associates	(2,080,212)	(17)	(5,729,610)	(45)
Other comprehensive loss for the year, net of income tax	(2,110,293)	(17)	(6,589,917)	(52)
TOTAL COMPREHENSIVE INCOME	$ 10,946,757	89	$ 2,941,441	23
EARNINGS PER SHARE (Note 26)				
Basic	$ 4.43		$ 3.24	
Diluted	$ 4.29		$ 3.14	

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

(With Deloitte & Touche audit report dated March 27, 2017) (Concluded)

POU CHEN CORPORATION

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

			Retained Earnings			Other Equity		
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Income on Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2015	$ 29,441,372	$ 4,627,549	$ 9,398,498	$ 9,180,047	$ 23,675,306	$ 3,345,749	$ (8,954,302)	$ 70,714,219
Appropriation of 2014 earnings (Note 22)								
Legal reserve	-	-	861,550	-	(861,550)	-	-	-
Special reserve	-	-	-	(3,571,494)	3,571,494	-	-	-
Cash dividends	-	-	-	-	(4,416,206)	-	-	(4,416,206)
	-	-	861,550	(3,571,494)	(1,706,262)	-	-	(4,416,206)
Net income for the year ended December 31, 2015	-	-	-	-	9,531,358	-	-	9,531,358
Other comprehensive (loss) income for the year ended December 31, 2015	-	-	-	-	(292,876)	1,675,137	(7,972,178)	(6,589,917)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	9,238,482	1,675,137	(7,972,178)	2,941,441
Execution of employee share options (Notes 22 and 27)	26,500	21,200	-	-	-	-	-	47,700
Share of changes in net assets of associates (Notes 4 and 22)	-	624	-	-	-	-	-	624
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 22)	-	(18,814)	-	-	-	-	-	(18,814)
Share of changes in equities of subsidiaries (Notes 4 and 22)	-	1,149	-	-	-	-	-	1,149
Change in equity for the year ended December 31, 2015	26,500	4,159	861,550	(3,571,494)	7,532,220	1,675,137	(7,972,178)	(1,444,106)
BALANCE AT DECEMBER 31, 2015	29,467,872	4,631,708	10,260,048	5,608,553	31,207,526	5,020,886	(16,926,480)	69,270,113
Appropriation of 2015 earnings (Note 22)								
Legal reserve	-	-	953,136	-	(953,136)	-	-	-
Special reserve	-	-	-	6,297,042	(6,297,042)	-	-	-
Cash dividends	-	-	-	-	(4,420,181)	-	-	(4,420,181)
	-	-	953,136	6,297,042	(11,670,359)	-	-	(4,420,181)
Net income for the year ended December 31, 2016	-	-	-	-	13,057,050	-	-	13,057,050
Other comprehensive (loss) income for the year ended December 31, 2016	-	-	-	-	(379,519)	(1,911,713)	180,939	(2,110,293)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	12,677,531	(1,911,713)	180,939	10,946,757
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 22)	-	(93,840)	-	-	-	-	-	(93,840)
Share of changes in equities of subsidiaries (Notes 4 and 22)	-	2,295	-	-	-	-	-	2,295
Change in equity for the year ended December 31, 2016	-	(91,545)	953,136	6,297,042	1,007,172	(1,911,713)	180,939	6,435,031
BALANCE AT DECEMBER 31, 2016	$ 29,467,872	$ 4,540,163	$ 11,213,184	$ 11,905,595	$ 32,214,698	$ 3,109,173	$(16,745,541)	$ 75,705,144

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

(With Deloitte & Touche audit report dated March 27, 2017)

POU CHEN CORPORATION

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 13,790,027	$ 10,998,814
Adjustments for:		
Depreciation expenses	244,682	226,736
Net (gain) loss on fair value change of financial instruments at FVTPL	(105,337)	(67,625)
Finance costs	338,342	358,074
Interest income	(17,197)	(50,840)
Dividends income	(288,827)	(251,886)
Share of the profit of subsidiaries and associates	(13,476,549)	(10,002,754)
Net loss on disposal of property, plant and equipment	296	1,564
Net gain on disposal of available-for-sale financial assets	-	(22,758)
Net loss on disposal of associates	4,277	-
(Realized) unrealized gain on the transactions with subsidiaries	(1,456)	169
Changes in operating assets and liabilities		
Financial instruments held for trading	81,056	36,613
Notes receivable	(10,036)	5,148
Notes receivable from related parties	-	36
Accounts receivable	(2,444)	16,161
Accounts receivable from related parties	(352,267)	220,843
Other receivables	(56,429)	(5,173)
Inventories	(9,803)	41,052
Other current assets	(4,409)	5,923
Other operating assets	(3,119)	(3,671)
Notes payable	(2,931)	(16,933)
Notes payable to related parties	10,644	(21,435)
Accounts payable	(101,109)	(48,908)
Accounts payable to related parties	33,319	(44,574)
Other payables	96,253	13,882
Other current liabilities	43,607	12,867
Net defined benefit liabilities	(325,390)	(89,226)
Cash (used in) generated from operations	(114,800)	1,312,099
Interest paid	(330,411)	(354,943)
Income tax paid	(1,377,626)	(772,775)
Net cash (used in) generated from operating activities	(1,822,837)	184,381
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(329,458)
Proceeds on sale of available-for-sale financial assets	-	27,852
Acquisition of debt investments with no active market	(97,412)	(1,255,170)
Proceeds on sale of debt investments with no active market	401,524	2,205,420
Acquisition of held-to-maturity financial assets	(285,997)	-
Acquisition of subsidiaries	-	(480,118)
Acquisition of property, plant and equipment	(354,469)	(153,083)

(Continued)

POU CHEN CORPORATION

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

	2016	2015
Proceeds from disposal of property, plant and equipment	$ 5,237	$ 4,742
Increase in refundable deposits	(84)	(974)
Increase in prepayments for equipment	(178,832)	(88,617)
Interest received	13,903	48,891
Dividends received	4,862,609	4,922,807
Cash dividends from reduction of capital surplus from associates	3,503	-
Net cash generated from investing activities	4,369,982	4,902,292
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,808,500	-
Repayments of short-term borrowings	-	(1,763,500)
Proceeds from long-term borrowings	12,500,000	4,750,000
Repayments of long-term borrowings	(12,500,000)	(4,750,000)
Cash dividend	(4,420,181)	(4,416,206)
Increase in guarantee deposits	736	-
Decrease in guarantee deposits	-	(337)
Execution of employee share options	-	47,700
Net cash used in financing activities	(2,610,945)	(6,132,343)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(63,800)	(1,045,670)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	604,593	1,650,263
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 540,793	$ 604,593

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

(With Deloitte & Touche audit report dated March 27, 2017) (Concluded)

POU CHEN CORPORATION

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

1. GENERAL INFORMATION

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

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

The financial statements are presented in New Taiwan dollars, the functional currency of the Company.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 27, 2017.

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

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

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Company should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

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

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

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

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

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

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

2) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

3) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

i. For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

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

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

Impairment of financial assets

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

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

Transition

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

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

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

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

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

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

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

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

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

4) IFRS 16 "Leases"

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

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

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

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

5) Annual Improvements to IFRSs 2014-2016 Cycle

The amendment to IFRS 12 clarified that when an entity's interest in a subsidiary 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 or associate in accordance with IFRS 12.

6) Amendments to IAS 40 "Transfers of Investment Property"

The amendments clarify that the Company should make transfers to or from investment property when, and only when, the property meets or ceases to meet the definition of investment property and when there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide sufficient 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.

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

7) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. The amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

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

For the purposes of presenting the parent company only financial statements, the assets and liabilities of the Company's foreign subsidiaries (in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign subsidiary and the Company loss of control over the subsidiary, all of the exchange differences accumulated in equity are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company. Investments in subsidiaries are accounted for by the equity method.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from upstream and downstream transactions with a subsidiary are eliminated in full.

g. Investments in an associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are accounted for by the equity method.

Under the equity method, the investment in associates are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associates. The Company also recognizes the changes in the Company's share of equity of associates.

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

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

When the Company's share of losses of an associates equals or exceeds its interest in that associates (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

At the date on which the Company ceases to have significant influence over the associates, any retained investment is measured at fair value. The difference between the previous carrying amount of the associates attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associates. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associates on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

h. Property, plant and equipment

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

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

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

i. Investment properties

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

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

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

j. Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

k. Financial instruments

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

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

Financial assets

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

1) Measurement category

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

   a) Financial assets at fair value through profit or loss

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

      Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

   b) Available-for-sale financial assets

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

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

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

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

   c) Held-to-maturity investments

      Commercial paper and foreign corporate bonds, which are above specific credit ratings and the Company has positive intent and ability to hold to maturity, are classified as held-to-maturity financial assets.

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

d) Loans and receivables

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

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

2) Impairment of financial assets

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

For financial assets measured at amortized cost, such as trade receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the 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 the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of 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 except for uncollectible accounts receivable that are written off against the allowance account.

3) Derecognition of financial assets

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

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

Equity instruments

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

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

Financial liabilities

1) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading and 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 29.

2) Derecognition of financial liabilities

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

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risks and exchange rate risks, including exchange rate swap contracts, cross currency swap contracts, interest rate swap contracts and exchange rate options contracts.

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

l. Revenue recognition

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 future returns and based on past experience and other relevant factors.

1) Sale of goods

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

2) 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.

3) Dividend and interest income

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company 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 effective interest rate applicable.

m. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit.

o. Taxation

Income tax expense represents the sum of the current tax liabilities and deferred tax liabilities.

1) Current tax

According to the Income Tax Law in the ROC, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Useful Lives and Impairment of Property, Plant, Equipment and Investment Properties

The Company reviews the estimated useful lives of property, plant, equipment and investment properties at each balance sheet date. The impairment of equipment is assessed based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash on hand	$ 1,374	$ 2,014
Checking accounts and demand deposits	216,179	602,579
Cash equivalent (time deposits with original maturities of less than three months)		
Repurchase agreements collateralized by bonds	323,240	-
	$ 540,793	$ 604,593

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

	December 31	
	2016	2015
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Exchange rate swap contracts (a)	$ 118,917	$ 35,907
Cross currency swap contracts (b)	12,998	7,157
	$ 131,915	$ 43,064
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Exchange rate swap contracts (a)	$ 88,583	$ 1,427
Interest rate swap contracts (c)	17,246	44,121
Exchange rate option contracts (d)	7,455	3,166
	$ 113,284	$ 48,714

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

December 31, 2016

Notional Amount	Maturity Date	Rate	Fair Value
US$ 7,300,000	2017.01.09	31.820	$ 3,289
US$ 20,600,000	2017.01.09	31.820	10,350
US$ 23,400,000	2017.01.09	31.870	9,373
US$ 30,000,000	2017.01.09	31.859	13,902
US$ 48,000,000	2017.01.17	31.805	21,839
US$ 6,000,000	2017.01.17	31.805	2,730
US$ 30,000,000	2017.01.17	31.805	13,420
US$ 2,000,000	2017.01.17	31.805	895
US$ 21,300,000	2017.01.23	31.881	7,902
US$ 10,000,000	2017.01.23	31.881	3,739
US$ 18,000,000	2017.01.26	32.012	4,108
US$ 35,000,000	2017.02.06	32.017	5,940
US$ 35,000,000	2017.02.06	32.017	7,574
US$ 32,300,000	2017.02.06	32.017	6,989
US$ 26,000,000	2017.02.07	32.187	1,168
US$ 3,000,000	2017.02.07	32.187	135
US$ 32,200,000	2017.02.07	32.187	1,446
US$ 30,300,000	2017.02.07	32.187	2,932
US$ 25,000,000	2017.02.07	32.187	1,186
US$ 26,800,000	2017.02.07	32.187	(55)
US$ 40,000,000	2017.02.07	32.187	(549)
RMB 45,000,000	2017.03.13	4.851	(14,802)
RMB 123,900,000	2017.03.14	4.850	(39,930)
RMB 53,000,000	2017.03.14	4.850	(17,081)
RMB 50,000,000	2017.07.11	4.699	(13,493)
RMB 30,000,000	2017.03.13	4.615	(2,673)
			$ 30,334

December 31, 2015

Notional Amount	Maturity Date	Rate	Fair Value
US$ 48,000,000	2016.01.07	32.811	$ 6,349
US$ 11,600,000	2016.01.07	32.811	1,534
US$ 8,600,000	2016.01.07	32.811	1,138
US$ 30,000,000	2016.01.12	32.762	4,643
US$ 30,000,000	2016.01.12	32.727	9,934
US$ 2,000,000	2016.01.12	32.727	662
US$ 26,000,000	2016.01.14	32.786	4,066
US$ 30,000,000	2016.01.14	32.786	4,691
RMB 123,900,000	2016.03.14	4.959	93
RMB 50,000,000	2016.07.11	4.826	2,797
RMB 30,000,000	2016.03.11	4.997	(321)
RMB 45,000,000	2016.03.11	4.997	(648)
RMB 53,000,000	2016.03.14	4.968	(458)
			$ 34,480

The Company entered into exchange rate swap contracts for the years ended December 31, 2016 and 2015 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

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

December 31, 2016

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

December 31, 2015

Notional Amount	Maturity Date	Rate	Interest %	Fair Value
US$ 10,000,000	2016.03.16	US$:NT$ 32.506	0.79	$ 3,921
US$ 10,000,000	2016.05.27	US$:NT$ 32.520	0.78	3,236
				$ 7,157

The Company entered into cross-currency swap contracts for the years ended December 31, 2016 and 2015 to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

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

December 31, 2016

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
$ 375,000	2018.06.01	1.340	0.65922	$ (2,323)
675,000	2018.06.01	1.310	0.65922	(3,934)
450,000	2018.06.01	1.310	0.65922	(2,627)
375,000	2018.06.01	1.290	0.65922	(2,137)
375,000	2018.06.01	1.278	0.65922	(2,066)
225,000	2018.06.01	1.265	0.65922	(1,211)
375,000	2018.06.01	1.280	0.65922	(2,127)
150,000	2018.06.01	1.260	0.65922	(821)
				$ (17,246)

December 31, 2015

Notional Amount	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
$ 437,500	2016.09.29	1.066	0.80956	$ (766)
437,500	2016.09.29	1.066	0.80956	(770)
350,000	2016.09.29	1.180	0.80956	(862)
350,000	2016.09.29	1.183	0.80956	(864)
350,000	2016.09.29	1.183	0.80956	(866)
350,000	2016.09.29	1.183	0.80956	(761)
250,000	2016.09.29	0.967	0.80956	(287)
350,000	2016.09.29	0.990	0.80956	(452)
350,000	2016.09.29	0.990	0.80956	(475)
300,000	2016.09.29	0.990	0.80956	(385)
500,000	2018.06.01	1.340	0.80767	(5,126)
900,000	2018.06.01	1.310	0.80767	(8,638)
600,000	2018.06.01	1.310	0.80767	(5,810)
500,000	2018.06.01	1.290	0.80767	(4,672)
500,000	2018.06.01	1.278	0.80767	(4,521)
300,000	2018.06.01	1.265	0.80767	(2,645)
500,000	2018.06.01	1.280	0.80767	(4,493)
200,000	2018.06.01	1.260	0.80767	(1,728)
				$ (44,121)

The Company entered into interest rate swap contracts for the years ended December 31, 2016 and 2015 to manage exposures to interest rate fluctuations.

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

December 31, 2016

Notional Amount	Type	Buy/Sale	Premium Amount Received	Fair Value
US$ 10,000,000	Put	Sell	$ 2,240	$ (2,170)
US$ 20,000,000	Put	Sell	5,505	(5,285)
				$ (7,455)

December 31, 2015

Notional Amount	Type	Buy/Sale	Premium Amount Received	Fair Value
US$ 30,000,000	Put	Sell	$ 2,357	$ (3,166)

The Company entered into exchange rate option contracts for the year ended December 31, 2015 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2016	2015
Domestic investments		
Listed shares	$ 4,468,517	$ 4,119,079

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31	
	2016	2015
Time deposits with original maturity more than three months	$ 90,493	$ 394,605

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2016	2015
Notes receivable (including related parties)		
Notes receivable - operating	$ 21,039	$ 11,202
Notes receivable - non-operating	231	32
Less: Allowance for doubtful accounts	-	-
	$ 21,270	$ 11,234

(Continued)

	December 31	
	2016	2015
Accounts receivable (including related parties)		
Accounts receivable	$ 1,884,281	$ 1,529,570
Less: Allowance for doubtful accounts	-	-
	$ 1,884,281	$ 1,529,570
Other receivables		
Tax refund receivables	$ 62,948	$ 72,022
Others	204,025	139,380
Less: Allowance for doubtful accounts	-	-
	$ 266,973	$ 211,402

(Concluded)

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

a. Notes receivable

The notes receivable balances at December 31, 2016 and 2015 were not past due.

b. Accounts receivable

The aging analysis of the accounts receivable as at December 31, 2016 and 2015 were as follows:

December 31, 2016

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Up to 30 days	$ 1,033,366	$ -	$ -	$ -	$ 1,033,366
31-90 days	850,915	-	-	-	850,915
More than 90 days	-	-	-	-	-
	$ 1,884,281	$ -	$ -	$ -	$ 1,884,281

December 31, 2015

	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	$ 1,169,720	$ -	$ -	$ -	$ 1,169,720
31-90 days	359,850	-	-	-	359,850
More than 90 days	-	-	-	-	-
	$ 1,529,570	$ -	$ -	$ -	$ 1,529,570

The above aging schedule was based on the invoice date.

11. INVENTORIES

	December 31	
	2016	2015
Raw materials	$ 47,212	$ 36,647
Supplies	288	188
Work in progress	1,101	1,011
Finished goods	19,869	15,566
Merchandise	7,787	13,042
	$ 76,257	$ 66,454

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was $8,461,282 thousand and $9,004,039 thousand, respectively.

12. OTHER ASSETS

	December 31	
	2016	2015
Current		
Prepayments	$ 33,659	$ 44,261
Supplies inventory	8,583	1,594
Temporary payments	5,512	3,576
Value-added tax retained	13,274	7,189
	$ 61,028	$ 56,620
Non-current		
Prepayments	$ 38,382	$ 35,263
Prepayments for equipment	67,270	39,735
Refundable deposits	7,179	7,095
Others	3,869	3,869
	$ 116,700	$ 85,962

13. HELD-TO-MATURITY FINANCIAL ASSETS - NON-CURRENT

	December 31	
	2016	2015
Foreign investments		
Corporate bonds	$ 111,349	$ -
Structured product	174,523	-
	$ 285,872	$ -

14. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2016	2015
Domestic shares		
Unlisted shares	$ 61,000	$ 61,000
Classified according to measurement categories		
Available-for-sale financial assets	$ 61,000	$ 61,000

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

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2016	2015
Investments in subsidiaries	$ 80,593,852	$ 76,715,802
Investments in associates	10,397,650	7,651,159
	$ 90,991,502	$ 84,366,961

a. Investments in subsidiaries

	December 31	
	2016	2015
Unlisted companies	$ 80,593,852	$ 76,715,802

At the end of the reporting period, the proportion of ownership and voting rights in subsidiary held by the Company were as follows:

	December 31	
Name of Subsidiary	2016	2015
Wealthplus Holdings Limited	100.00%	100.00%
Win Fortune Investments Limited	100.00%	100.00%
Windsor Entertainment Co., Ltd.	100.00%	100.00%
Pou Shine Investments Co., Ltd.	100.00%	100.00%
Pan Asia Insurance Services Co., Ltd.	100.00%	100.00%
Pro Arch International Development Enterprise Inc.	100.00%	100.00%
Barits Development Corporation	99.49%	99.49%
Pou Yuen Technology Co., Ltd.	97.82%	97.82%
Pou Yii Development Co., Ltd.	15.00%	15.00%
Wang Yi Construction Co., Ltd.	7.82%	7.82%

1) The Company holds less than 50% interest in Pou Yii and Wang Yi, but the Company and its subsidiaries hold more than 50% interest in Pou Yii and Wang Yi; therefore, the Company has control over Pou Yii and Wang Yi. Furthermore, the carrying amount of investment in Wang Yi is negative for the year ended December 31, 2016. Therefore, the Company recognized $2,991 thousand in "other non-current liabilities".

2) The investments in subsidiaries accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 was based on the subsidiaries' financial statements audited by the auditors for the same years.

b. Investments in associates

	December 31	
	2016	2015
Material associates		
Ruen Chen Investment Holding Co., Ltd.	$ 8,912,633	$ 5,846,585
Associates that are not individually material	1,485,017	1,804,574
	$ 10,397,650	$ 7,651,159

1) Material associates

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2016	2015
Ruen Chen Investment Holding Co., Ltd.	20%	20%

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

Ruen Chen Investment Holding Co., Ltd.

	December 31	
	2016	2015
Assets	$ 3,644,010,238	$ 3,192,737,851
Liabilities	(3,587,128,559)	(3,152,391,615)
Non-controlling interests	(12,021,953)	(10,816,750)
Owners of Ruen Chen Investment Holding Co., Ltd.	$ 44,859,726	$ 29,529,486
Proportion of the Company	20%	20%
Equity attributable to the Company	$ 8,971,945	$ 5,905,897
Other adjustments	(59,312)	(59,312)
Carrying amount	$ 8,912,633	$ 5,846,585

	For the Year Ended December 31	
	2016	2015
Operating revenue	$ 657,143,807	$ 567,236,107
Net income	$ 23,499,027	$ 20,343,103
Other comprehensive loss	(6,963,584)	(35,214,398)
Total comprehensive income (loss)	$ 16,535,443	$ (14,871,295)

2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights December 31 2016	2015
Elitegroup Computer Systems Co., Ltd.	12.57%	12.57%
Techview International Technology Inc.	30.00%	30.00%

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

	For the Year Ended December 31 2016	2015
The Company's share of:		
Net (loss) income	$ (118,822)	$ 144,057
Other comprehensive loss	(60,601)	(12,545)
Total comprehensive (loss) income	$ (179,423)	$ 131,512

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

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

	December 31 2016	2015
Elitegroup Computer Systems Co., Ltd.	$ 1,093,044	$ 1,418,856

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2015	$ 1,651,713	$ 4,030,622	$ 476,737	$ 200,306	$ 348,150	$ 69,630	$ 1,397	$ 6,778,555
Additions	-	44,902	46,056	4,188	20,709	7,823	72,249	195,927
Disposals	-	(101,739)	(35,952)	(20,662)	(24,208)	(1,008)	-	(183,569)
Transfers from prepayments for equipment	25,423	1,882	27,645	2,600	195	4,520	6,240	68,505
Reclassified	-	44,921	(168)	-	17	151	(44,921)	-
Balance at December 31, 2015	$ 1,677,136	$ 4,020,588	$ 514,318	$ 186,432	$ 344,863	$ 81,116	$ 34,965	$ 6,859,418
Accumulated depreciation								
Balance at January 1, 2015	$ -	$ 1,791,590	$ 349,287	$ 155,530	$ 315,512	$ 63,467	$ -	$ 2,675,386
Disposals	-	(98,625)	(34,374)	(19,075)	(24,189)	(1,000)	-	(177,263)
Depreciation expenses	-	108,713	32,715	12,495	16,428	3,095	-	173,446
Balance at December 31, 2015	$ -	$ 1,801,678	$ 347,628	$ 148,950	$ 307,751	$ 65,562	$ -	$ 2,671,569
Carrying amounts at January 1, 2015	$ 1,651,713	$ 2,239,032	$ 127,450	$ 44,776	$ 32,638	$ 6,163	$ 1,397	$ 4,103,169
Carrying amounts at December 31, 2015	$ 1,677,136	$ 2,218,910	$ 166,690	$ 37,482	$ 37,112	$ 15,554	$ 34,965	$ 4,187,849

(Continued)

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2016	$ 1,677,136	$ 4,020,588	$ 514,318	$ 186,432	$ 344,863	$ 81,116	$ 34,965	$ 6,859,418
Additions	18	3,882	151,124	3,531	24,172	5,595	173,384	361,706
Disposals	-	(24,418)	(28,814)	(26,140)	(23,131)	(1,712)	-	(104,215)
Transfers from prepayments for equipment	94,205	23,460	22,840	2,380	1,731	3,919	2,762	151,297
Reclassified	-	13,910	-	-	-	-	(13,910)	-
Balance at December 31, 2016	$ 1,771,359	$ 4,037,422	$ 659,468	$ 166,203	$ 347,635	$ 88,918	$ 197,201	$ 7,268,206
Accumulated depreciation								
Balance at January 1, 2016	$ -	$ 1,801,678	$ 347,628	$ 148,950	$ 307,751	$ 65,562	$ -	$ 2,671,569
Disposals	-	(21,537)	(27,650)	(24,839)	(23,009)	(1,647)	-	(98,682)
Depreciation expenses	-	108,290	49,804	10,837	18,174	4,423	-	191,528
Balance at December 31, 2016	$ -	$ 1,888,431	$ 369,782	$ 134,948	$ 302,916	$ 68,338	$ -	$ 2,764,415
Carrying amounts at January 1, 2016	$ 1,677,136	$ 2,218,910	$ 166,690	$ 37,482	$ 37,112	$ 15,554	$ 34,965	$ 4,187,849
Carrying amounts at December 31, 2016	$ 1,771,359	$ 2,148,991	$ 289,686	$ 31,255	$ 44,719	$ 20,580	$ 197,201	$ 4,503,791

(Concluded)

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

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

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

17. INVESTMENT PROPERTIES

	2016	2015
Cost		
Balance at January 1	$ 2,542,722	$ 2,542,722
Balance at December 31	$ 2,542,722	$ 2,542,722
Accumulated depreciation and impairment		
Balance at January 1	$ 513,537	$ 460,247
Depreciation expenses	53,154	53,290
Balance at December 31	$ 566,691	$ 513,537
Carrying amounts at January 1	$ 2,029,185	$ 2,082,475
Carrying amounts at December 31	$ 1,976,031	$ 2,029,185

a. The above items of investment properties are depreciated on a straight-line method over the estimated useful life of the asset:

Items	Estimated Useful Life
Buildings	
Main buildings	55 years
Elevators	15 years

b. The fair value valuation was performed by independent qualified professional valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value as appraised was as follows:

	December 31	
	2016	2015
Investment property	$ 2,974,940	$ 2,973,648

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2016	2015
Unsecured borrowings		
Credit borrowings	$ 6,515,000	$ 4,706,500

The range of effective interest rate on bank borrowings was 0.80%-1.56% and 0.89%-1.15% per annum as of December 31, 2016 and 2015, respectively.

b. Long-term borrowings

	December 31	
	2016	2015
Unsecured borrowings		
Bank loans	$ 17,000,000	$ 17,000,000
Less: Long-term expenses for syndicated loan	-	(10,437)
Less: Current portion	-	(4,748,053)
	$ 17,000,000	$ 12,241,510

Range of maturity dates and interest rates:

	December 31	
	2016	2015
Maturity date		
Long-term borrowings	2019.09.05-2021.12.21	2017.06.02-2020.09.30
Current portion of long-term borrowings	-	2016.03.29-2016.12.02
Range of interest rate	1.09%-1.60%	1.38%-1.60%

19. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2016	2015
Notes payable (including related parties)		
Operating	$ 41,726	$ 34,327
Non-operating	674	360
	$ 42,400	$ 34,687
Accounts payable (including related parties)	$ 1,425,893	$ 1,493,683

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

20. OTHER PAYABLES

	December 31	
	2016	2015
Payables for salaries	$ 240,500	$ 225,978
Payables for purchase of property, plant and equipment	84,324	77,088
Compensation due to directors and supervisors	125,474	101,736
Employee compensation payables	623,725	575,784
Interest payables	23,896	26,402
Payables for annual leave	80,694	65,536
Others	215,626	220,732
	$ 1,394,239	$ 1,293,256

21. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Based on the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Defined Benefit Plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plan were as follows:

	December 31	
	2016	2015
Present value of defined benefit obligation	$ 2,103,407	$ 1,868,076
Fair value of plan assets	(314,239)	(25,623)
Net defined benefit liability	$ 1,789,168	$ 1,842,453

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	$ 1,725,694	$ (10,709)	$ 1,714,985
Service cost	20,631	-	20,631
Net interest expense (income)	28,450	(446)	28,004
Recognized in profit or loss	49,081	(446)	48,635
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,479)	(1,479)
Actuarial loss arising from changes in demographic assumptions	72,628	-	72,628
Actuarial loss arising from changes in financial assumptions	60,173	-	60,173
Actuarial loss arising from experience adjustments	85,372	-	85,372
Recognized in other comprehensive income (loss)	218,173	(1,479)	216,694
Contributions from the employer	-	(137,861)	(137,861)
Benefits paid	(124,872)	124,872	-
Balance at December 31, 2015	$ 1,868,076	$ (25,623)	$ 1,842,453

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2016	$ 1,868,076	$ (25,623)	$ 1,842,453
Service cost	19,695	-	19,695
Past service cost	18,416	-	18,416
Net interest expense	24,860	284	25,144
Recognized in profit or loss	62,971	284	63,255
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,132)	(2,132)
Actuarial loss arising from changes in demographic assumptions	78,613	-	78,613
Actuarial loss arising from changes in financial assumptions	48,315	-	48,315
Actuarial loss arising from experience adjustments	147,309	-	147,309
Recognized in other comprehensive income (loss)	274,237	(2,132)	272,105
Contributions from the employer	-	(388,645)	(388,645)
Benefits paid	(101,877)	101,877	-
Balance at December 31, 2016	$ 2,103,407	$ (314,239)	$ 1,789,168

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2016	2015
Operating costs	$ 148	$ 154
Selling and marketing expenses	62	41
General and administrative expenses	45,917	37,335
Research and development expenses	17,128	11,105
	$ 63,255	$ 48,635

Through the defined benefit plan under the Labor Standards Law, the Company is exposed to the following risks:

a. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2016	2015
Discount rate	1.125%	1.375%
Expected rate of salary increase	2.000%	2.000%

If the significant actuarial assumption will occur possible reasonable changes, and other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2016	2015
Discount rate(s)		
0.25% increase	$ (52,270)	$ (43,788)
0.25% decrease	$ 54,296	$ 45,412
Expected rate(s) of salary increase		
0.25% increase	$ 52,531	$ 43,812
0.25% decrease	$ (50,834)	$ (42,460)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2016	2015
The expected contributions to the plan for the next year	$ 554,666	$ 388,956
The average duration of the defined benefit obligation	10.1 years	9.5 years

22. EQUITY

a. Share capital

	December 31	
	2016	2015
Numbers of shares authorized (in thousands)	4,500,000	4,500,000
Shares authorized	$ 45,000,000	$ 45,000,000
Number of shares issued and fully paid (in thousands)	2,946,787	2,946,787
Shares issued	$ 29,467,872	$ 29,467,872

The Company’s employee share options were exercised for 2,650 thousand common shares (amounted to $26,500 thousand) during the year ended December 31, 2015.

b. Capital surplus

	December 31	
	2016	2015
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
Recognized from conversion of bonds	1,447,492	1,447,492
Recognized from treasury share transactions	1,824,608	1,824,608
Recognized from the excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	390,919	484,759
May be used to offset a deficit only (2)		
Recognized from share of changes in equities of subsidiaries	23,232	20,937
May not be used for any purpose		
Recognized from share of changes in net assets of associates	5,309	5,309
	$ 4,540,163	$ 4,631,708

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus are recognized from share of changes in equities of subsidiaries that resulted from equity transactions, or from share of changes in capital surplus of subsidiaries accounted by using equity method when there was no actual disposal or acquisition of subsidiaries.

c. Retained earnings and dividend policy

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

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

1) For paying taxes.

2) For offsetting deficits.

3) For legal reserve at 10% of the remaining profits, and for special reserve to be appropriated and distributed according to regulations or upon request by the FSC.

4) The total of any remaining profits after the appropriations mentioned above plus any accumulated unappropriated earnings from prior years may be partially retained and then distributed the remainder as proposed according to stock ownership proportion.

For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, refer to Employee benefit expense in Note 24.f.

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

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

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

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

The appropriations of earnings for 2015 and 2014 had been approved in the shareholders' meetings on June 15, 2016 and June 12, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2015	For Year 2014	For Year 2015	For Year 2014
Legal reserve	$ 953,136	$ 861,550	$ -	$ -
(Reversal) special reserve	6,297,042	(3,571,494)	-	-
Cash dividends	4,420,181	4,416,206	1.50	1.50

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

d. Other equity item

1) Exchange differences on translation foreign operations

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 5,020,886	$ 3,345,749
Exchange differences arising on translation of foreign subsidiaries and associates	(1,911,713)	1,675,137
Balance at December 31	$ 3,109,173	$ 5,020,886

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

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ (16,926,480)	$ (8,954,302)
Unrealized gain (loss) on available-for-sale financial assets	349,438	(567,431)
Unrealized loss on available-for-sale financial assets of subsidiaries and associates	(168,499)	(7,404,747)
Balance at December 31	$ (16,745,541)	$ (16,926,480)

23. REVENUE

	For the Year Ended December 31	
	2016	2015
Revenue from the products	$ 10,458,648	$ 11,073,855
Revenue from the rendering of services	1,835,780	1,674,667
	$ 12,294,428	$ 12,748,522

24. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Year Ended December 31	
	2016	2015
Rental income (Note 30)		
Rental income from operating lease		
Investment properties	$ 118,647	$ 119,455
Others	30,149	21,497
	148,796	140,952
Interest income		
Cash in bank	3,386	18,925
Repurchase agreements collateralized by bonds	990	-
Held-to-maturity financial assets	5,444	-
Debt investment with no active market	7,377	31,915
	17,197	50,840
Dividends income	288,827	251,886
Others	76,037	112,799
	$ 530,857	$ 556,477

b. Other gains and losses

	For the Year Ended December 31	
	2016	2015
Net loss on disposal of property, plant and equipment	$ (296)	$ (1,564)
Net foreign exchange (loss) gain	(164,491)	327,109
Net gain on disposal of available-for-sale financial assets	-	22,758
Net loss on disposal of associates	(4,277)	-
Net gain arising on financial assets designated as at FVTPL	158,907	55,258
Net (loss) gain arising on financial liabilities designated as at FVTPL	(53,570)	12,367
Others	(59,772)	(66,931)
	$ (123,499)	$ 348,997

c. Finance costs

	For the Year Ended December 31	
	2016	2015
Interest on bank borrowings	$ 310,626	$ 330,476
Interest on short-term bills payable	1,781	-
Other interest expense	25,935	27,598
	$ 338,342	$ 358,074

d. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	$ 191,528	$ 173,446
Investment properties	53,154	53,290
	$ 244,682	$ 226,736
An analysis of depreciation by function		
Operating costs	$ 6,883	$ 7,201
Operating expenses	184,645	166,245
Non-operating expenses	53,154	53,290
	$ 244,682	$ 226,736

e. Direct expenses with investment properties

	For the Year Ended December 31	
	2016	2015
Direct operating expenses from investment properties that generated rental income	$ 66,675	$ 65,442
Direct operating expenses from investment properties that did not generated rental income	65	65
	$ 66,740	$ 65,507

f. Employee benefits expense

	2016			2015		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Salary						
Termination benefits	$ -	$ 11,087	$ 11,087	$ -	$ 11,043	$ 11,043
Others	20,109	2,390,166	2,410,275	18,247	2,185,793	2,204,040
	20,109	2,401,253	2,421,362	18,247	2,196,836	2,215,083
Labor and health insurance	2,239	209,495	211,734	2,120	198,544	200,664
Post-employment benefit						
Defined contribution plans	1,076	125,590	126,666	794	79,661	80,455
Defined benefit plans	148	63,107	63,255	154	48,481	48,635
	1,224	188,697	189,921	948	128,142	129,090
Other employee benefits	891	134,976	135,867	924	66,100	67,024
Total employee benefits expense	$ 24,463	$ 2,934,421	$ 2,958,884	$ 22,239	$ 2,589,622	$ 2,611,861

As of December 31, 2016 and 2015, there were 3,520 and 3,275 employees, respectively, in the Company. The Company accounts for employee benefits expense based on the number of employees.

1) Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

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

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

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	1.8%	1.8%
Remuneration of directors and supervisors	0.9%	0.9%

Amount

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

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

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

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

2) Bonus to employees and remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014 were approved in the shareholders' meeting on June 12, 2015 were as follows:

	For the Year Ended December 31, 2014	
	Cash	**Shares**
Bonus to employees	$ 334,667	$ -
Remuneration of directors and supervisors	169,882	-

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meeting on June 12, 2015 and the amounts recognized in the financial statements for the year ended December 31, 2014.

Information on the bonus to employees and remuneration of directors and supervisors resolved by the shareholders' meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2016	**2015**
Current tax		
In respect of the current year	$ 717,534	$ 733,679
Income tax expense of unappropriated earnings	-	671,954
	717,534	1,405,633
Deferred tax	(1,430)	55,156
Adjustments for prior years' income tax	16,873	6,667
Income tax expense recognized in profit or loss	$ 732,977	$ 1,467,456

A reconciliation of accounting profit and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2016	2015
Income before income tax	$ 13,790,027	$ 10,998,814
Income tax expense calculated at the statutory rate	2,344,305	1,869,798
Tax effect of adjusting items		
Tax-exempt income	(1,683,529)	(1,094,125)
Others	56,758	(41,994)
Income tax on unappropriated earnings	-	671,954
Current tax	717,534	1,405,633
Deferred tax	16,873	6,667
Adjustments for prior years' income tax	(1,430)	55,156
Income tax expense recognized in profit or loss	$ 732,977	$ 1,467,456

The applicable tax rate used by the Company is the corporate tax rate of 17%.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Deferred tax assets and liabilities

The details of deferred tax assets and liabilities were as follows:

	December 31	
	2016	2015
Deferred tax assets		
Temporary differences		
Unrealized pension expense	$ 47,929	$ 103,245
Others	3,009	3,224
	$ 50,938	$ 106,469
Deferred tax liabilities		
Temporary differences		
Investment income from foreign subsidiaries	$ 712,725	$ 641,729
Land value increment tax	86,547	86,547
Others	2,071	2,312
	$ 801,343	$ 730,588

c. Integrated income tax

	December 31	
	2016	2015
Unappropriated earnings		
Generated before January 1, 1998	$ 221,425	$ 221,425
Generated on and after January 1, 1998	31,993,273	30,986,101
	$ 32,214,698	$ 31,207,526
Imputation credit account	$ 2,562,413	$ 2,518,881

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

d. Income tax assessments

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

26. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
Net income (in thousand dollars)		
Earnings used in the computation of earnings per share	$ 13,057,050	$ 9,531,358
Weighted average number of shares outstanding (in thousand shares)		
Weighted average number of common shares in computation of basic earnings per share	2,946,787	2,945,021
Effect of potentially dilutive common shares:		
Employee share options	85,463	88,469
Bonus to employees	8,502	6,269
Weighted average number of common shares used in the computation of diluted earnings per share	3,040,752	3,039,759
Earnings per share (in dollars)		
Basic earnings per share	$4.43	$3.24
Diluted earnings per share	$4.29	$3.14

Since the Company offered to settle the bonuses paid to employees by cash or shares, the Company assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were be 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.

27. SHARE-BASED PAYMENT ARRANGEMENTS

As at November 6, 2007, the Company has issued 125,500,000 units of employee share options to the employees with an exercise price of $29.80 dollars per share. Each of the aforementioned individual employee share options is granted the right to purchase one newly issued common share. If the Company resolved to increase additional share capital through stock dividends or issue of new shares, the exercise price will be retroactively restated. Additionally, the share of employee share options granted but not exercised will also be adjusted. After the aforementioned adjustment, the exercise price and issued units of employee share options were $17.4 and 145,790,178 units, respectively, as of December 31, 2016.

Information about employee share options for the years ended December 31, 2016 and 2015 was as follows:

	For the Year Ended December 31			
	2016		2015	
Employee Share Options	**Number of Shares Purchasable (In Thousands)**	**Weighted-average Exercise Price (NT$)**	**Number of Shares Purchasable (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	145,791	$ 18.00	148,441	$ 18.70
Options exercised	-	-	(2,650)	18.00
Balance at December 31	145,791	17.40	145,791	18.00
Exercisable options at December 31	145,791	17.40	145,791	18.00

Information about outstanding employee share options as of December 31, 2016 and 2015 was as follows:

	December 31	
	2016	**2015**
Exercise price (NT$)	$17.40	$18.00
Weighted-average remaining contractual life (years)	0.85	1.85

28. CAPITAL MANAGEMENT

The Company's capital management policy is to ensure the Company 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.

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

Financial assets and financial liabilities of their fair values cannot be reliably measured are as follows:

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity financial assets	$ 285,872	$ 285,872	$ -	$ -
Debt investment with no active market	90,493	90,493	394,605	394,605
Financial assets measured at cost	61,000	-	61,000	-
Other loans and receivables	2,720,496	2,720,496	2,363,894	2,363,894
Financial liabilities				
Bank borrowings	23,515,000	23,515,000	21,696,063	21,696,063
Other financial liabilities measured at amortized cost	2,880,731	2,880,731	2,839,089	2,839,089

The above fair value measurement at Level 3 fair value.

2) Fair value of financial instruments carried at fair value

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

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

	December 31	
	2016	2015
Financial assets		
Available-for-sale financial assets		
Domestic listed securities		
Equity investment	$ 4,468,517	$ 4,119,079

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

	December 31	
	2016	2015
Financial assets		
Financial assets at FVTPL		
Derivative financial instruments	$ 131,915	$ 43,064
Financial liabilities		
Financial liabilities at FVTPL		
Derivative financial instruments	113,284	48,714

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

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

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

b) The fair value of derivative instruments were calculated using quoted prices. When such prices were not available, a valuation method was used and the estimates and assumptions used by the Company are consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	December 31	
	2016	2015
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 131,915	$ 43,064
Held-to-maturity financial assets	285,872	-
Loans and receivables (Note 1)	2,810,989	2,758,499
Available-for-sale financial assets	4,468,517	4,119,079
Financial assets measured at cost	61,000	61,000
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	113,284	48,714
Amortized cost (Note 2)	26,395,731	24,535,152

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable, other receivables, and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings and guarantee deposits.

c. Financial risk management objectives and policies

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

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company 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 Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts and other derivate instruments.

The carrying amounts of the Company'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 32.

<u>Sensitivity analysis</u>

The Company was mainly exposed to the USD and RMB.

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

	For the Year Ended December 31	
	2016	**2015**
USD	$ (94,774)	$ (73,315)
RMB	(4,954)	(20,208)

b) Interest rate risk

The Company was exposed to interest rate risk because it borrowed funds at floating interest rates. The risk is managed by the Company 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 Company's financial liabilities with exposure to interest rates at the end of the reporting periods were as follows.

	December 31	
	2016	**2015**
Cash flow interest rate risk		
Financial liabilities	$ 18,015,000	$ 17,696,063

Sensitivity analysis

The sensitivity analyses below were based on the Company's floating rate liabilities. The analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. If 1% increase in interest rate would cause the Company to increase its cash-out by $180,150 thousand and $176,961 thousand during the years ended December 31, 2016 and 2015, respectively.

c) Other price risk

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

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity price declined by 1%, the fair value of the investments at December 31, 2016 and 2015 would have decrease by $55,616 thousand and $55,379 thousand, respectively.

2) Credit risk

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

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2016 and 2015, the Company 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 Company can be required to pay.

December 31, 2016

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing	-	$ 783,304	$ 733,326	$ 1,364,101	$ -	$ -
Variable interest rate liabilities	1.18	3,160,000	2,355,000	1,000,000	11,500,000	-
Fixed interest rate liabilities	1.50	-	-	-	5,500,000	-
		$ 3,943,304	$ 3,088,326	$ 2,364,101	$ 17,000,000	$ -

December 31, 2015

	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
Non-derivative financial liabilities						
Non-interest bearing	-	$ 701,928	$ 899,297	$ 1,237,866	$ -	$ -
Variable interest rate liabilities	1.40	1,427,800	2,498,700	5,530,000	8,250,000	-
Fixed interest rate liabilities	1.58	-	-	-	4,000,000	-
		$ 2,129,728	$ 3,397,997	$ 6,767,866	$ 12,250,000	$ -

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

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

The following table detailed the Company'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.

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Exchange rate swap contract	$ -	$ 75,090	$ 13,493	$ -	$ -
Interest rate swaps contracts	-	-	-	17,246	-
Exchange rate option contract	7,455	-	-	-	-
	$ 7,455	$ 75,090	$ 13,493	$ 17,246	$ -

December 31, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Exchange rate swap contract	$ -	$ 1,427	$ -	$ -	$ -
Interest rate swaps contracts	-	-	6,488	37,633	-
Exchange rate option contract	3,166	-	-	-	-
	$ 3,166	$ 1,427	$ 6,488	$ 37,633	$ -

c) Financing facilities

	December 31 2016	2015
Unsecured bank facility and reviewed annually:		
Amount used	$ 23,554,336	$ 21,716,250
Amount unused	8,011,414	15,485,767
	$ 31,565,750	$ 37,202,017

30. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed below.

a. Operating revenue

Account Items	Related Parties Categories	For the Year Ended December 31 2016	2015
Sales and service revenue	Subsidiaries	$ 12,041,168	$ 12,422,701
	Associates	42,870	68,298
		$ 12,084,038	$ 12,490,999

Sales to related parties have prices and receivable terms that have no significant differences with non-related parties.

The Company entered into a technical service agreement with Yue Yuen. According to the agreement, the service fees that the Company will receive from Yue Yuen are determined by:

1) For products developed by the Company and sold by Yue Yuen, 0.5% of net sales invoice amounts.

2) For materials, machines and other goods purchased, inspected and arranged for shipment through the Company from Taiwan suppliers, 1% of supplier's invoice amounts.

3) For materials, machines and other goods purchased from Taiwan or overseas directly by Yue Yuen through sourcing services provided by the Company, 0.5% of the supplier's invoice amounts.

b. Purchases

Related Parties Categories	For the Year Ended December 31 2016	2015
Subsidiaries	$ 3,939	$ 3,770
Associates	793,431	785,943
	$ 797,370	$ 789,713

Purchases from related parties have prices and payment terms that have no significant differences with non-related parties.

c. Rental income

Related Parties Categories	For the Year Ended December 31 2016	2015
Subsidiaries	$ 125,119	$ 119,379
Associates	2,706	2,531
Others	4,671	3,147
	$ 132,496	$ 125,057

d. Receivables from related parties

Related Parties Categories	December 31 2016	2015
Subsidiaries	$ 1,850,215	$ 1,497,662
Associates	4,579	4,865
	$ 1,854,794	$ 1,502,527

e. Payables to related parties

Related Parties Categories	December 31 2016	2015
Subsidiaries	$ 661	$ 364
Associates	126,316	82,650
	$ 126,977	$ 83,014

f. Compensation of key management personnel

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

	For the Year Ended December 31 2016	2015
Short-term employee benefits	$ 171,674	$ 139,377

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

31. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

a. The Company invests in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd. According to a request by the FSC, the Company provides shares of Yue Yuen in the custody during the period from June 27, 2011 to June 27, 2021. The Company will not disposal or do encumbrance to the shares of Wealthplus which is equal to the shares of Yue Yuen during the trust period.

b. Because of the Company's investment in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd., the Company received a request by the FSC for the Company to provide 490,000 thousand ordinary shares of Ruen Chen in the custody of the trust department of First Bank, and the trust period is ten years.

c. 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.

32. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: In Thousands of Foreign Currencies/ In Thousands of New Taiwan Dollars

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 79,292	32.25	$ 2,557,162
RMB	21,446	4.617	99,018
Non-monetary items			
USD	4,090	32.25	131,915
RMB	61,917	4.617	285,872
Financial liabilities			
Monetary items			
USD	20,499	32.25	661,087
Non-monetary items			
USD	19	32.25	604
RMB	19,055	4.617	87,979

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 65,743	32.825	$ 2,158,010
RMB	80,831	4.995	403,752
Non-monetary items			
USD	1,224	32.825	40,175
RMB	578	4.995	2,889
Financial liabilities			
Monetary items			
USD	21,066	32.825	691,485
Non-monetary items			
USD	96	32.825	3,166

6.6 If the Company or Its Affiliates Have Experienced Financial Difficulties for the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report, the Annual Report Shall Explain How The Difficulties Affected the Company's Financial Situation: N/A.

VII. REVIEW AND ANALYSIS OF FINANCIAL CONDITIONS, FINANCIAL PERFORMANCE AND RISK FACTORS

7.1 Financial Conditions

(in NT$ thousands)

Item \ Year	2016	2015	Difference	
			Amount	Percentage
Current Assets	151,320,571	145,663,287	5,657,284	3.88%
Non-Current Assets	142,569,290	134,960,632	7,608,658	5.64%
Total Assets	293,889,861	280,623,919	13,265,942	4.73%
Current Liabilities	74,732,364	90,656,392	(15,924,028)	(17.57%)
Non-Current Liabilities	56,146,793	35,163,850	20,982,933	59.67%
Total Liabilities	130,879,157	125,820,252	5,058,905	4.02%
Equity	29,467,872	29,467,872	-	-
Capital Surplus	4,540,163	4,631,708	(91,545)	(1.98%)
Retained Earnings	55,333,477	47,076,127	8,257,350	17.54%
Other Equity	(13,636,368)	(11,905,594)	(1,730,774)	(14.54%)
Non-Controlling Interests	87,305,560	85,533,554	1,772,006	2.07%
Total Equity	163,010,704	154,803,667	8,207,037	5.30%

(1) Analysis of changes in financial ratios : Increase in Non-current liabilities was primarily due to an increase in Long-term borrowings.

(2) Impact: no material impact.

(3) Action plan(s) for the future: N/A.

7.2 Financial Performance

(in NT$ thousands)

Item \ Year	2016	2015	Difference	
			Amount	Percentage
Operating Revenue	274,895,346	269,081,173	5,814,173	2.16%
Operating Costs	204,512,552	204,575,755	(63,203)	(0.03%)
Operating Expenses	52,754,293	52,152,024	602,269	1.15%
Income from Operations	17,628,501	12,353,394	5,275,107	42.70%
Non-operating Income and Expenses	8,651,301	7,886,880	764,421	9.69%
Income Before Income Tax	26,279,802	20,240,274	6,039,528	29.84%
Income Tax Expense	3,277,883	3,638,808	(360,925)	(9.92%)
Net Income For the Year	23,001,919	16,601,466	6,400,453	38.55%
Other Comprehensive Loss	3,312,203	7,816,031	(4,503,828)	(57.62%)
Total Comprehensive Income For the Year	19,689,716	8,785,435	10,904,281	124.12%

(1) analysis of changes in financial ratios :

1. Increase in net operating income:

Net operating income for the year increased by NT$5.3 billion, mainly due to the stable development of the footwear manufacturing business and the fact that sporting goods retailing and wholesaling benefit from the scale-up of sales networks and the leveling up of operating benefits. In addition, active improvement of the overall internal operating efficiency has shown some success, and the operating expenses are managed well.

2. Increase in net income before tax:

The year's net income before tax increased by NT$6 billion, and the main reasons are as in the first explanation and that non-operating revenue and expenses increased by NT$0.8 billion due to the increase in foreign currency exchange loss and gains on financial assets at fair value through profit or loss.

3. Increase in net profit for the year:

Net profit for the year increased by NT$6.4 billion, and the main reasons are as in the second explanation and that the income tax expenses decreased by NT$0.36 billion.

4. Decrease in other comprehensive loss:

Other comprehensive loss decreased by NT$4.5 billion, mainly caused by (1) exchange loss on translation of foreign financial statements increased by NT$3.4 billion (the functional currency in foreign operations is USD, which was affected by the exchange rate fluctuations when converted to NTD and caused the year's exchange loss on translation of foreign financial statements for the year to increase compared to the corresponding period last year); (2) unrealized revaluation gains on available-for-sale financial assets increased by NT$3.1 billion, mainly due to the increase in the unrealized revaluation gains recognized in the Mega Financial Holding Company, as compared to the corresponding period last year; (3) the share of loss of associates and joint ventures accounted for using the equity method decreased by NT$5 billion, mainly due to the decrease in the unrealized revaluation losses on available-for-sale financial assets in Nan Shan Life Insurance Company, as recognized by Ruen Chen Investment of the Pou Chen Group.

(2) Sales conditions forecast：

To increase added value and operating efficiency for footwear manufacturing in 2017, our group will make good use of its advantages in different areas to adjust capacity allocation, continue promoting supply chain integration, and increase automated production; our group will also pioneer innovation utilization and services, in the hope of benefiting brand customers and thus creating revenue. Regarding retailing and brand licensing, the company will constantly strengthen the brand portfolio, develop omni-channel sales networks, and provide novel consumer experiences through the synergistic effects of a sporting service platform, thereby leading and innovating regarding consumer needs.

(3) Impact on future financial operations of the Company: no material impact.

(4) Action plan(s) for the future: N/A.

7.3 Cash Flow

Analysis and discussion of changes in cash flow over the fiscal year, improvement plan(s) for inadequate liquidity and cash liquidity forecast analysis and discussion for the next year as follows:

(1) Analysis of changes in cash flow in 2016

(in NT$ thousands)

Cash and Cash Equivalents at the Beginning of the Year	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Effects of exchange rate changes on the balance of cash held in foreign currencies	Cash and Cash Equivalents at the End of the Year
37,820,911	15,705,925	(13,842,327)	(3,699,872)	(305,479)	35,679,158

A. Operating activities:

Net cash inflow from operating activities is NT$15.7 billion, mainly including NT$26.3 billion operating income before income tax adjusted by items that do not affect cash flow. These items include adding NT$8.4 billion depreciation expenses, deducting the NT$6.3 billion share of the profit of associates and joint ventures accounted for using the equity method, and the net change in operating assets and liabilities, such as deducting NT$4.3 billion in accounts receivable, NT$2.2 billion in accounts payable, NT$0.7 billion in other payables, NT$1.3 billion in interests paid, NT$4.1 billion in income tax paid, etc.

B. Investing activities:

Net cash outflow from investing activities is NT$13.8 billion, mainly including NT$13.6 billion cash outflow for acquisition of property, plant, and equipment ; NT$5 billion cash outflow for acquiring held-to-maturity financial assets; NT$3.1 billion cash inflow from dividends received; NT$1.8 billion cash inflow proceeds from disposal of property, plant, equipment, etc.

C. Financing activities:

Net cash outflow from financing activities is NT$3.7 billion, mainly including NT$8.3 billion cash inflow proceeds from short-term borrowings, NT$0.6 billion cash outflow for repayments long-term borrowings, NT$4.4 billion cash outflow for paying cash dividends, NT$7 billion cash outflow for change in non-controlling interests, etc.

(2) Improvement plan(s) for inadequate liquidity: N/A.

(3) Liquidity forecast analysis for the next year

(in NT$ thousands)

Cash Balance Amount at the Beginning of the Year	Net Cash Provided by Operating Activities	Net Cash Provided by Investing and Financing Activities	Cash Surplus (Deficit)	Measures for Managing Cash Deficit	
				Investment Plans	Financing Plans
35,679,158	18,003,079	(14,319,047)	39,363,190	-	-

A. Net cash inflow from operating activities for the whole year:

Mainly forecasting cash received from accounts receivable (generated by the operating growth) and the accounts payable, operating expenses paid in cash, and bank loan interest paid in cash generated during the operation.

B. Net cash flow from investing and financing activities for the whole year:

(A) Investing activities: mainly forecasting capital expenditures, receiving cash dividends, etc.

(B) Financing activities: mainly forecasting bank loan repayments, paying cash dividends, etc.

7.4 Impact of Significant Capital Expenditures on the Financial Operations of the Company for the Most Recent Fiscal Year: N/A.

7.5 Reinvestment Policy for the Most Recent Fiscal Year, Reasons for Profit (Loss), Improvement Plan and Investment Plan for the Coming Year:

Our company's reinvestment plan is mainly to dig deeply into the footwear manufacturing business and the sporting goods retailing and wholesaling business, to expand the operating scale with the aim of boosting industry competitiveness, and to raise reinvestment income for the purpose of increasing shareholders equity.

(1). The share of the profit associates and joint ventures accounted for using the equity method, recognized by our company in 2016, is NT$6.3 billion, decrease by NT$0.2 billion compared to the NT$6.5 billion in 2015. This decrease is mainly because the reinvestment income recognized by Yue Yuen Industrial Holdings Ltd. in 2016 is less than that of 2015; the investment income in Ruen Chen Investment Holding Co., Ltd. recognized by Pou Chen Group in 2016 is more than that of 2015 because the steady growth of Nan Shan Life Insurance Company's insurance business led to the increase in the investment income in Nan Shan Life Insurance Co., Ltd. recognized by Ruen Chen Investment Holding Co., Ltd.

(2). The investment plan for the coming year will continue focusing on footwear manufacturing and sporting goods retailing and wholesaling two core businesses, cautiously responding to the changes and challenges in the operating environment and ensuring that the steady development of overall operation is maintained, in the hope of creating good investment income.

7.6 Analysis and Evaluation of Risk Factors

Information pertaining to the risk factors of the Company over the latest year and as of the date of the Annual Report as follows:

(1) Risk Management Structure and Functions

In recent years, we have taken a rigorous approach to the management of enterprise risks, including risk identification, assessment, reporting, and attendance. A set of guidelines for managing risks was adopted in

2015 and subsequently approved by the board of directors. From 2007 onwards, the audit committee has been required to annually prepare a company-wide risk assessment report at the end of each year, which is to be included in our audit plan as reference and submitted to the board of directors for discussion and approval as the basis of the Company's decisions and policymaking for the following year.

Our risk management structure is as follows:

Title of Body	Scope of Responsibilities and Functions
Board of Directors	The board is the highest governing body of risk management of the Company, and its objective is to promote and implement risk management practices pursuant to applicable laws and regulations, fully understand the risks the Company is exposed to due to its operations and ensure the effectiveness of risk management mechanism, taking the ultimate responsibility in risk management of the Company.
Functional Committees	Responsible for evaluating each risk factor based on their independent and expert opinions, then submitting to the board for resolution pursuant to the organizational documents of the Company.
President	A. Responsible for implementing risk management decisions of the board and coordinating the risk management between different departments. B. Responsible for reviewing the strategies of each risk management program and project risk evaluations.
Presidents of Administration, Management Department and Managers of each department	A. Responsible for supporting and overseeing risk management practices by their respective departments and business units. B. Responsible for adjusting risk categories due to changes in conditions and recommending responses. C. Responsible for providing executive summaries of implementation of risk management processes. D. Responsible for performance assessment and coordination of adjusted risk categories.
Individual departments and business units	Responsible for day-to-day risk management practices.

(2) Impact of Interest Rate/Exchange Rate Fluctuations and Inflation on the Company's Profitability and Future Action Plans

A. Interest Rate Fluctuation

The main interest rate exposure of the Company was attributable to the variable-rate borrowings raised for operating activities. The fluctuation on interest rate will affect the Company's effective interest rates. As at the end of 2016, total financial liabilities of the Company was NT$60,261,584 thousand. If the interest rate had increased by 1%, it would increase cash outflow by NT$602,616 thousand for the year ended December 31, 2016.

According to the April forecast issued by Global Insight Inc. (GI), the growth rate of the global economy will rise from 2.50% in 2016 to 2.90% in 2017, an increase of 0.40%. As for the economic expectations for the primary nations and regions in 2017, the U.S. economy will grow by 0.76% compared to 2016, to 2.38%; the Japan and Singapore economies are also expected to grow from 1.00% and 2.00% to 1.34% and 2.05%, respectively; the European Union economy will decline from 1.72% to 1.65% due to the impacts of Brexit, and other nations, and regional terror attacks; economic growth in China is expected to decline from 6.70% to 6.50%. The growth rate of the Taiwan economy in 2017 is expected to be 1.80%, an increase of 0.30% compared to the 1.50% in 2016.

Compared to 2016, the overall annual growth rate of the global CPI will decline by 1.40%, to 3.4%; in the U.S., due to the strong labor market momentum, the stable recovery of the economy, and the continuing growth of commodity prices and personal-consumption expenditures. The annual growth rate of the CPI in 2017 is expected to increase from 1.30% in 2016 to 2.50%, and the market expects the Fed to raise interest rates one or two more times after it raised rates in March. However, major economic entities around the globe, such as the Eurozone and Japan, continue to adopt easing monetary policies; therefore, the speed of America's interest rate rises will be determined by the country's own economic growth. As for Taiwan, continuing from the slight growth trend in the second half of 2016, the industrial sector and foreign trade will continue recovering stably due to the global economic recovery, and the Central Bank will also continue to maintain easing monetary policies to stimulate economic growth.

To reduce interest risks, our company mainly satisfies funding needs by utilizing operating cash revenue, locking in interest rates on long-term borrowings, or taking on fixed-rate long-term borrowings. In the future, we will continue observing market dynamics and interest-rate trends to evaluate the hedging effectiveness. Also, we will utilize financial products such as interest-rate swap and cross-currency swap to reduce risks from interest-rate fluctuations. Regarding assets, our company mostly invests in low-risk bank deposits, repurchase agreements, and money funds to ensure capital security and maintain liquidity.

B. Exchange Rate Fluctuation

Because majority of the Company’s revenues are denominated in U.S. dollars, the Company’s profit (loss) will be affected by the fluctuation of U.S. dollars. In 2016, the net foreign exchange loss was NT$839,582 thousand.

Following the Company’s conservative hedging Guidelines, the Company closely monitor financial market and manage its exposure by offsetting assets against liabilities and entered into exchange rate swap and forward exchange contracts to lower total exposure to foreign currency risk.

C. Inflation

In order to lessen the impact on raw materials cost and energy price fluctuation in the future, the Company will continually monitor price movement of raw materials, well-managed inventory volume, I and regularly reevaluate and adjust procurement strategies as necessary.

(3) Policies and Future Action Plans for High-risk, High-Leveraged Investments, Fund Lending to Third Parties, Endorsements or Guarantees, Transactions in Financial Derivatives, Main Reasons for Profit (Loss)

A. The Company focuses on its principal business activities and has not engaged in any high-risk, high-leveraged investments. It will follow and adopt the Procedures for Acquisition and Disposal of Assets for any future investments made by the Company.

B. For the operation demands of its affiliates, the Company has adopted its own Operating Procedures for Fund Lending and Procedures for Making Endorsements or Guarantees pursuant to the applicable laws and regulations prescribed by the regulatory authorities, and designated specific units of the Company with oversight responsibilities. The office of internal audit will also audit periodically relevant implementations according to our internal control policy.

C. Future transactions will continue to follow the internal control policy of the Company.

(4) Future Research and Development Programs and Projected Expenses

For future research and development programs of the Company, please refer to Section 5.1.3 of "V. Business Highlights" on page 93. The future expenses are estimated to account for 3% of annual revenues.

(5) Impact of Important Policy and Regulatory Changes in Taiwan and Overseas on the Financial Condition and Operations of the Company and Action Plans

The business activities of the Company are in compliance with current local policies and regulations in each jurisdiction we operate. We also have administrators at each regional office who provide our administration management department with timely updates on local policy and regulatory changes, allowing us to take proper action as may be required.

(6) Impact of Changes in Technology and Industry on the Financial Condition and Operations of the Company and Action Plans

We have introduced an electronic operating system and established an online information network for the management of the group. By integrating with the upstream and downstream industries, we are able to shorten the information transfer process and lead time, therefore improving operating efficiency. In response to changing industry conditions, we also commit our efforts to the development of new products, improvement of manufacturing process and technology to strengthen our competitiveness. Therefore, we expect these changes in technology and industry to have a positive impact on the Company's financial condition and operations.

(7) Impact of Change in Corporate Image to Crises Management and Action Plans

To implement enterprise sustainability management, our company has always upheld the management principles of professionalism and integrity, and places a strong emphasis on social responsibilities, corporate image, corporate governance, environmental protection and risk management. We also received high rankings in the Top 2000 Survey list (manufacturing industry) in Common Wealth magazine, ranked #17 in 2016, and ranked #18 in 2015. We ranked #151 in Common Wealth's 2012 Top 1000 companies in China, Taiwan, and Hong Kong, and we ranked #22 in the large enterprises group of the 2009 Corporate Social Responsibility Award from Common Wealth magazine. Our company also received the 2010 Corporate Social Responsibility Award from Global Views Monthly. There are currently no foreseeable hazardous events.

(8) Expected Benefits of Mergers and Acquisitions, Associated Risks and Action Plans

The Company had no plans for mergers or acquisitions for the past fiscal year and as of the date of the Annual Report.

(9) Expected Benefits of Capacity Expansion, Associated Risks and Action Plans

We carefully evaluate our factory expansion plans based on current production capacity and potential growth in operations, and submit major capital expenditures to the board of directors for review and resolution after taking into account investment efficiency and potential risks.

(10) Risks Associated with Concentration of Supply and Sales and Action Plans

We have a diversified base of suppliers and distributors and have established long-term partnerships with our suppliers and good relations with customers; therefore, we are currently not exposed to any supply or sales concentration risk.

(11) Impact of Transfer of Significant Number of Shares by Directors, and/or Major Shareholders Holding 10% or More of the Total Outstanding Shares, Risks Associated and Action Plans

The Company does not have any shareholders holding more than 10% of the outstanding shares. Since June 14, 2016, there has not been any transfer of significant number of shares by the directors or supervisors. Therefore, there is currently no impact to the Company's business.

(12) Impact of Change in Ownership, Associated Risks and Action Plans

Management of the Company has been stable in the latest fiscal year and as of the date of the Annual Report, and committed to creating a robust performance and maximizing value for the shareholders, therefore having a positive impact on the operations of the Company.

(13) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the Annual Report where the Company and/or any of its directors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings, or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities: N/A.

(14) Other Significant Risks and Action Plans: N/A.

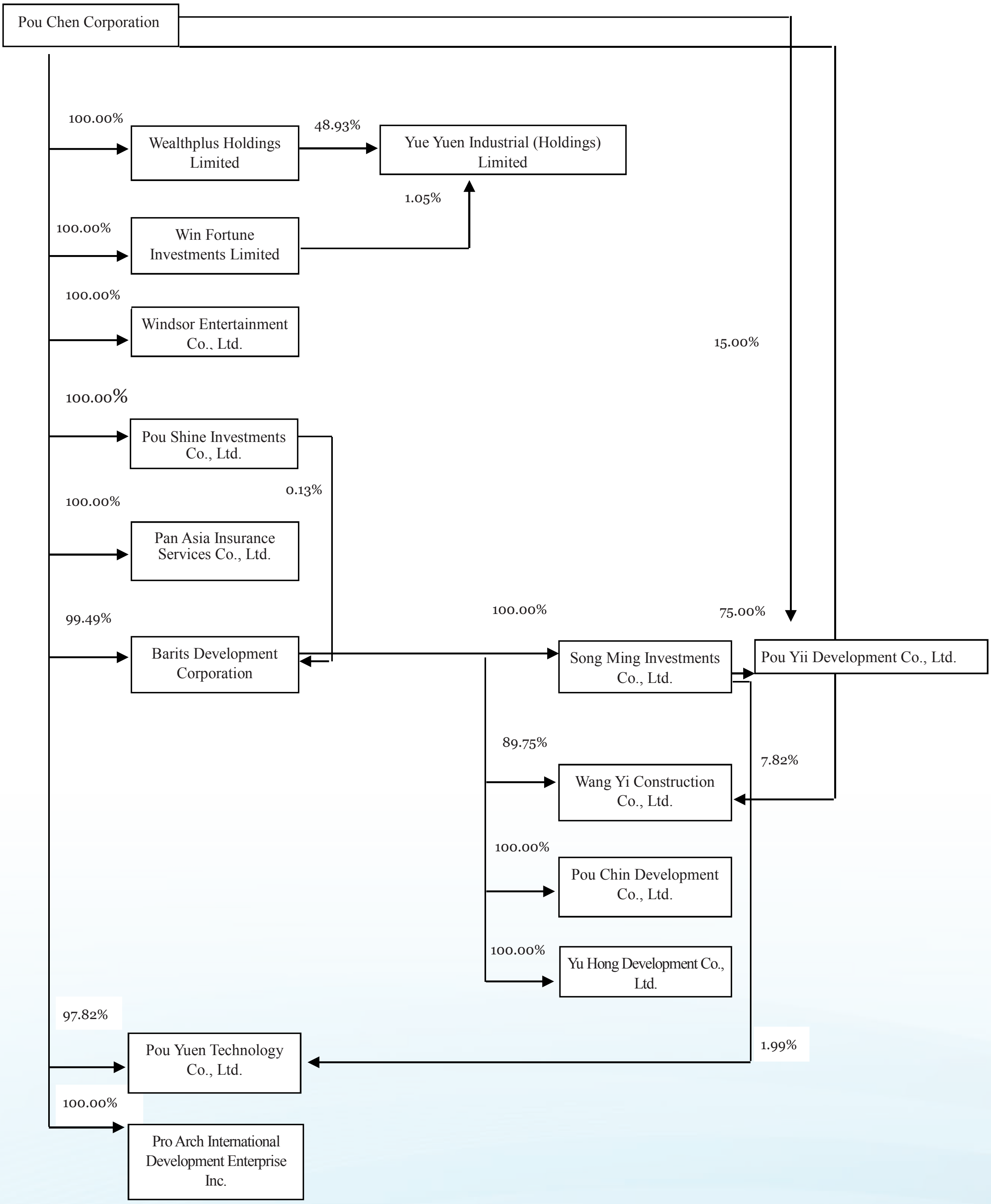
7.7 Other Material Items: N/A

VIII. PECIAL DISCLOSURE

8.1 Affiliated Enterprises

(1) Consolidated Results of Operations

A. Group Organizational Chart



B. Group Company Profiles

Amount in NT thousands or US dollars

Entity Name	Establishment	Address	Paid-in Capital	Main Business and/or Products
Wealthplus Holdings Limited	August 28, 1991	British Virgin Islands	US$9,222,000	Investing in footwear, electronics and peripheral activities
Win Fortune Investments Limited	January 25, 1994	British Virgin Islands	US$100,000	Investing activities
Windsor Entertainment Co., Ltd.	July 15, 2003	No.610, Sec. 4, Taiwan Blvd., Taichung City, Taiwan	100,000	Entertainment and resort operations
Pou Shine Investments Co., Ltd.	March 19, 1990	No.2, Fu Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan	1,330,945	Investing activities
Pan Asia Insurance Services Co., Ltd.	May 14, 1999	8F, No.3, Sec. 1, Dunhua S. Rd., Taipei City, Taiwan	3,000	Agency of property and casualty insurance
Barits Development Corporation	November 21, 1985	No.2, Fu Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan	2,320,654	Import and export of shoe related materials and investing activities
Pou Yuen Technology Co., Ltd.	December 22, 1993	No.4, Fu Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan	290,700	Rental of real estate
Pro Arch International Development Enterprise Inc.	June 22, 1999	No.8, Gongyequ 11th Rd., Xitun Dist., Taichung City, Taiwan	200,000	Design and manufacture of footwear products
Song Ming Investments Co., Ltd.	September 26, 1996	No.2, Fu Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan	1,204,864	Investing activities
Wang Yi Construction Co., Ltd.	May 23, 1984	6F-1, No.600, Sec. 4, Taiwan Blvd., Taichung City, Taiwan	77,000	Construction
Pou Yii Development Co., Ltd.	October 18, 1996	1F, No.71, Dadun 4th St., Taichung City, Taiwan	525,000	Rental and sale of real estate
Pou Chin Development Co., Ltd.	December 27, 2007	10F, No.600, Sec. 4, Taiwan Blvd., Taichung City, Taiwan	370,000	Agency of land demarcation
Yu Hong Development Co., Ltd.	October 18, 2012	13F, No.600, Sec. 4, Taiwan Blvd., Taichung City, Taiwan	10,000	Development of real estate
Yue Yuen Industrial (Holdings) Limited	May 11, 1992	22/F, C-BONS International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	US$53,211,000	Manufacturing and sale of athletic and casual footwear and sports apparel

C. Disclosure of Information on Overlapping Shareholders where Control is Presumed between the Company and any Group Companies: N/A

D. Industries in which the Group Companies Operate

The business activities of the group companies primarily involve the following industries:

(A) Main business activities: import and export of footwear products and raw materials, manufacturing and design of footwear, and investments in other related business, etc.

(B) Investment activities

(C) Building and construction: construction engineering business activities, real estate leasing, sales and development, etc.

(D) Other business activities: entertainment and resort operations, and insurance agencies, etc.

For main business and/or products of each group company, please refer to “B. Group Company Profiles”.

E. Directors, Supervisors, and Presidents of Our Group Companies

Entity Name	Title	Name/Representative	Share Ownership	
			Number of Shares	Percentage
Wealthplus Holdings Limited	Director	Lu, Chin-Chu	-	-
	Director	Chan, Lu-Min	-	-
	Director	Tsai, Pei-Chun	-	-
	Director	Tsai, Ming-Lun	-	-
	Director	Ho, Ming-Kun	-	-
Win Fortune Investments Limited	Director	Lu, Chin-Chu	-	-
	Director	Chan, Lu-Min	-	-
	Director	Ho, Ming-Kun	-	-
Windsor Entertainment Co., Ltd.	Chairman and President	Pou Chen Corporation, represented by Cheng, Chin-Hsuan	10,000,000	100.00
	Director	Pou Chen Corporation, represented by Chan, Lu-Min	10,000,000	100.00
	Director	Pou Chen Corporation, represented by Ho, Ming-Kun	10,000,000	100.00
	Supervisor	Pou Chen Corporation, represented by Sung, Chien-Shih	10,000,000	100.00
Pou Shine Investments Co., Ltd.	Chairman	Pou Chen Corporation, represented by Chan, Lu-Min	133,094,460	100.00
	Director	Pou Chen Corporation, represented by Ho, Ming-Kun	133,094,460	100.00
	Director	Pou Chen Corporation, represented by Sung, Chien-Shih	133,094,460	100.00
	Supervisor	Pou Chen Corporation, represented by Chang, Yea-Fen	133,094,460	100.00
Pan Asia Insurance Services Co., Ltd.	Director	Pou Chen Corporation, represented by Ho, Ming-Kun	-	100.00
Barits Development Corporation	Chairman	Pou Chen Corporation, represented by Chan, Lu-Min	230,882,558	99.49
	Director	Pou Chen Corporation, represented by Sung, Chien-Shih	230,882,558	99.49
	Director	Pou Chen Corporation, represented by Lu, Chin-Chu	230,882,558	99.49

（Continued on next page）

(Continued)

Entity Name	Title	Name/Representative	Share Ownership	
			Number of Shares	Percentage
	Director	Pou Chen Corporation, represented by Ho, Ming-Kun	230,882,558	99.49
	Director	Pou Chen Corporation, represented by Hsiao, Hsiu-Chen	230,882,558	99.49
	Supervisor	Pou Shine Investments Co., Ltd., represented by Hsu, Hsiang-Ming	296,670	0.13
	Supervisor	Pou Shine Investments Co., Ltd., represented by Liu, Shu-Hsuan	296,670	0.13
Pou Yuen Technology Co., Ltd.	Chairman	Pou Chen Corporation, represented by Ho, Ming-Kun	28,437,147	97.82
	Director	Pou Chen Corporation, represented by Sung, Chien-Shih	28,437,147	97.82
	Director	Pou Chen Corporation, represented by Hsu, Hsiang-Ming	28,437,147	97.82
	Supervisor	Song Ming Investments Co., Ltd., represented by Hsiao, Hsiu-Chen	578,170	1.99
Pro Arch International Development Enterprise Inc.	Chairman	Pou Chen Corporation, represented by Chan, Lu-Min	20,000,000	100.00
	Director	Pou Chen Corporation, represented by Ho, Ming-Kun	20,000,000	100.00
	Director	Pou Chen Corporation, represented by Shih, Shu-Chin	20,000,000	100.00
	Supervisor	Pou Chen Corporation, represented by Yao, Cheng-Wu	20,000,000	100.00
Song Ming Investments Co., Ltd.	Chairman	Barits Development Corporation, represented by Chan, Lu-Min	120,486,400	100.00
	Director	Barits Development Corporation, represented by Sung, Chien-Shih	120,486,400	100.00
	Director	Barits Development Corporation, represented by Chang, Yea-Fen	120,486,400	100.00
	Supervisor	Barits Development Corporation, represented by Ho, Ming-Kun	120,486,400	100.00
Wang Yi Construction Co., Ltd.	Chairman	Barits Development Corporation, represented by Yeh, Sheng-Fa	6,910,750	89.75
	Director	Barits Development Corporation, represented by Lin, Ding	6,910,750	89.75
	Director	Cheng, Hui-Yow	-	-
	Supervisor	Chan, Ting-Fang	-	-
Pou Yii Development Co., Ltd.	Chairman	Song Ming Investments Co., Ltd., represented by Wu, Chin-Tiao	39,375,000	75.00
	Director	Song Ming Investments Co., Ltd., represented by Hsiao, Hsiu-Chen	39,375,000	75.00
	Director	Song Ming Investments Co., Ltd., represented by Shih, Ching-Yi	39,375,000	75.00
	Supervisor	Pou Chen Corporation, represented by Ho, Ming-Kun	7,875,000	15.00
Pou Chin Development Co., Ltd.	Chairman	Barits Development Corporation, represented by Chen, Chiung-Yang	37,000,000	100.00

(Continued on next page)

(Continued)

Entity Name	Title	Name/Representative	Share Ownership	
			Number of Shares	Percentage
	Director	Barits Development Corporation, represented by Hsu, Hui-Min	37,000,000	100.00
	Director	Barits Development Corporation, represented by Liao, Yu-Tzu	37,000,000	100.00
	Supervisor	Barits Development Corporation, represented by Wu, Yu-Wen	37,000,000	100.00
Yu Hong Development Co., Ltd.	Chairman	Barits Development Corporation, represented by Chan, Lu-Min	1,000,000	100.00
	Director	Barits Development Corporation, represented by Ho, Ming-Kun	1,000,000	100.00
	Director	Barits Development Corporation, represented by Liu, Shu-Hsuan	1,000,000	100.00
	Supervisor	Barits Development Corporation, represented by Hsiao, Hsiu-Chen	1,000,000	100.00
Yue Yuen Industrial (Holdings) Limited	Executive Director and Chairman	Lu, Chin-Chu	-	-
	Executive Director and Managing Director	Tsai, Pei-Chun	-	-
	Executive Director	Chan, Lu-Min	-	-
	Executive Director	Lin, Cheng-Tien	-	-
	Executive Director	Hu, Chia-Ho	-	-
	Executive Director	Lee, Shao-Wu	-	-
	Executive Director	Tsai, Ming-Lun	-	-
	Executive Director	Liu, Hong-Chih	-	-
	Independent Non-executive Director	Leung, Yee-Sik	-	-
	Independent Non-executive Director	Huang, Ming-Fu	-	-

(Continued on next page)

(Continued)

Entity Name	Title	Name/Representative	Share Ownership	
			Number of Shares	Percentage
	Independent Non-executive Director	Chu, Li-Sheng	-	-
	Independent Non-executive Director	Yen, Mun-Gie	-	-
	Independent Non-executive Director	Hsieh, Yung-Hsiang	-	-

F. Financial Highlights of Group Companies

(in NT$ thousands)

Entity Name	Capital	Total Assets	Total Liabilities	Net Asset Value	Operating Revenue	Profit(Loss) From Operations	Net Income (Loss) after tax	Basic Earnings (Loss) Per Share (NT$)
Wealthplus Holdings Limited	$295,429	$86,132,903	$17,123,820	$69,009,083	$ 149,800	$ 6,262	$ 8,680,239	N/A
Win Fortune Investments Limited	3,230	1,779,719	50	1,779,669	180,771	180,621	180,621	N/A
Windsor Entertainment Co., Ltd.	100,000	243,022	171,004	72,018	503,199	17,092	18,206	N/A
Pou Shine Investments Co., Ltd.	1,330,945	3,233,916	599,226	2,634,690	170,980	170,555	164,600	N/A
Pan Asia Insurance Services Co., Ltd.	3,000	19,498	4,579	14,919	29,182	9,762	8,081	N/A
Barits Development Corporation	2,320,654	11,134,262	4,669,821	6,464,441	285,321	58,664	232,054	N/A
Pou Yuen Technology Co., Ltd.	290,700	624,472	45,924	578,548	17,935	10,392	35,701	N/A
Pro Arch International Development Enterprise Inc.	200,000	267,668	28,667	239,001	137,991	23,994	24,389	N/A
Song Ming Investments Co., Ltd.	1,204,864	1,862,251	2,732	1,859,519	115,498	115,180	115,180	N/A
Wang Yi Construction Co., Ltd.	77,000	187,734	80,484	107,250	154,386	5,953	3,721	N/A
Pou Yii Development Co., Ltd.	525,000	1,172,886	327,325	845,561	35,784	5,218	58,240	N/A
Pou Chin Development Co., Ltd.	370,000	376,142	5,071	371,071	156,712	14,690	(5,327)	N/A
Yu Hong Development Co., Ltd.	10,000	664,995	488,836	176,159	-	(1,462)	(12,759)	N/A
Yue Yuen Industrial (Holdings) Limited	1,702,220	245,479,712	81,198,341	164,281,371	273,572,133	16,775,416	17,206,808	10.45

Note: The amount of assets and liabilities of foreign affiliates and subsidiaries are calculated at the foreign exchange rate on the date of the balance sheets; whereas profit and loss amounts are calculated at a weighted average foreign exchange rate for the period of the income statements.

(2) Declaration of Consolidated of Financial Statements of Affiliates

Representation Statement

March 27, 2017

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2016 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Hereby declared

Pou Chen Corporation

Chan, Lu-Min

Chairman

(3) Consolidated Financial Statements of Group Companies

A. Consolidated Balance Sheets: see page132.

B. Consolidated Income Statements: see page 133~134.

C. Information of Group Companies Required to be Disclosed under Article 13 of the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises

(A) List of subsidiaries

Entity Name	Relationship with the Parent	Business Activities	Percentage of Ownership
Wealthplus Holdings Limited	Wholly owned subsidiary	Investing in footwear, electronics and peripheral activities	100.00%
Win Fortune Investments Limited	Wholly owned subsidiary	Investing activities	100.00%
Windsor Entertainment Co., Ltd.	Wholly owned subsidiary	Entertainment and resort operations	100.00%
Pou Shine Investments Co., Ltd.	Wholly owned subsidiary	Investing activities	100.00%
Pan Asia Insurance Services Co., Ltd.	Wholly owned subsidiary	Agency of property and casualty insurance	100.00%
Pro Arch International Development Enterprise Inc.	Wholly owned subsidiary	Design and manufacture of footwear products	100.00%
Pou Yuen Technology Co., Ltd.	99.81% owned subsidiary	Rental of real estate	99.81%
Vantage Capital Investments Ltd.	99.81% owned subsidiary	Investment holdings	99.81%
Barits Development Corporation	99.62% owned subsidiary	Import and export of shoe related materials and investing activities	99.62%
Song Ming Investments Co., Ltd.	99.62% owned subsidiary	Investing activities	99.62%
Pou Chin Development Co., Ltd.	99.62% owned subsidiary	Agency of land demarcation	99.62%
Yu Hong Development Co., Ltd.	99.62% owned subsidiary	Development of real estate	99.62%
Wang Yi Construction Co., Ltd.	97.22% owned subsidiary	Construction	97.22%
Pou Yii Development Co., Ltd.	89.71% owned subsidiary	Rental and sale of real estate	89.71%
Yue Yuen Industrial (Holdings) Limited	49.98% owned subsidiary	Manufacturing and sale of athletic and casual footwear and sports apparel	49.98%
Pou Sheng International (Holdings) Limited	31.19% owned subsidiary	Retailing of sporting goods and brand licensing business	31.19%

(B) Changes in the numbers of subsidiaries included in the Consolidated Financial Statements: N/A

(C) Subsidiaries not included in the Consolidated Financial Statements: N/A

(D) Method used and adjustments made in response to the different fiscal year-ends between the parent and its subsidiaries: N/A

(E) Method used and adjustments made in response to the different accounting polices between the parent and its subsidiaries:

The certified public accountants in Hong Kong who audited the financial statements of our subsidiaries, Yue Yuen Industrial (Holdings) Limited and Pou Sheng International (Holdings) Limited, have taken the different accounting principles applied into consideration and have made adjustments accordingly. After inquiring and reviewing the financial information of our other subsidiaries, we have not found significant differences between the accounting policies that would require adjustments.

(F) Risks associated with the operations of foreign subsidiaries: N/A

(G) Legal or contractual restrictions on profit distribution of each group company

Entities	Legal or Contractual Restrictions
Barits Development Corporation, Pou Shine Investments Co., Ltd., Wang Yi Construction Co., Ltd., Pou Chin Development Co., Ltd., Pou Yii Development Co., Ltd., Song Ming Investments Co., Ltd., Yu Hong Development Co., Ltd., and Pou Yuen Technology Co., Ltd.	The Company's annual net profits should be appropriated as follows: 1. For paying taxes. 2. For offsetting deficits. 3. For legal reserve at 10% of the remaining profits, and for special reserve to be appropriated and distributed according to regulations or upon request by the FSC. 4. The total of any remaining profits after the appropriations mentioned above plus any accumulated unappropriated earnings from prior years may be partially retained and then distributed the remainder as proposed according to stock ownership proportion.
Pan Asia Insurance Services Co., Ltd.	If there is a surplus after the year-end closing, then after the surplus is used to pay income taxes required by the law, it should be used to cover any accumulated losses first. Then, 10% of the remaining balance should be deposited to the legally mandated reserve, and the rest should be distributed after the directors make a proposal of distribution and submit that proposal to all shareholders for approval. Deposits to the legally mandated reserve are not needed when the surplus reaches the paid-in capital of the company.
Windsor Entertainment Co., Ltd.	Surplus after year-end closing, after being used to pay taxes as required by the law, should cover any accumulated losses first. Then, 10% of the remaining

Entities	Legal or Contractual Restrictions
	balance should be deposited to the legally mandated reserve, unless the latter has already reached the paid-in capital of our company. Also, to meet the company's operating needs or regulation requirements, allowance or reversal should be made for special reserves. If there is still surplus, it should be distributed together with accumulated retained earnings as dividends after the board of directors makes a proposal of distribution and submits that proposal to all shareholders for approval.
Pro Arch International Development Enterprise Inc.	If the company has pre-tax surplus earnings for the fiscal year after the accounts are closed, the company shall, after setting aside an amount to pay taxes due, first offset accumulated losses, then set aside 10% of such amount for its legal reserve; provided, however, the appropriation of legal reserve is not mandatory where the balance of the legal reserve is equal to the amount of its paid-in capital. The company shall also allocate or reverse a portion of the earnings as special reserve as required by the operations of the company and in accordance with applicable laws and regulations. To the extent that there is any balance of the earnings remaining, the board of directors shall propose a profit distribution plan to the shareholders' meeting for the distribution of dividends.

(H) Amortization method and period for borrowings (loans) on a consolidated basis: Please refer to Note 4 — Summary of Significant Accounting Policies in the accompanying notes to the Consolidated Financial Statements.

(I) Separate disclosures:

a. Transactions eliminated: Please refer to Schedule 8 of Note 42 in the accompanying notes to the Consolidated Financial Statements.

b. Fund lending: Please refer to Schedule 1 of Note 42 in the accompanying notes to the Consolidated Financial Statements.

c. Endorsement and guarantee: Please refer to Schedule 2 of Note 42 in the accompanying notes to the Consolidated Financial Statements.

d. Derivative financial instruments: Please refer to Note 37 in the accompanying notes to the Consolidated Financial Statements.

e. Material contingencies: Please refer to Note 40 in the accompanying notes to the Consolidated Financial Statements.

f. Material events after the reporting period: N/A

g. Financial instruments and securities held: Please refer to Schedule 3 and Schedule 9 of Note 42 in the accompanying notes to the Consolidated Financial Statements.

(J) Other：N/A

8.2 Any Private Placement of Securities for the Most Recent Fiscal Year and during the Current Fiscal Year up to the date of Publication of the Annual Report: N/A.

8.3 Summary of Share Ownership and Disposal of Shares of the Company by Subsidiaries for the Most Recent Fiscal Year and during the Current Fiscal Year up to the date of Publication of the Annual Report: N/A.

8.4 Additional Information Required to be Disclosed: N/A

8.5 Other Disclosures

There has not been any event occurred within the latest fiscal year and as of the date of the Annual Report which would materially affect the shareholder equity or price of securities of the Company according to Item 2 Paragraph 3 of Article 36 of the Securities and Exchange Act.

POU CHEN CORPORATION

Chan, Lu-Min

Chairman