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寶成工業股份有限公司

POU CHEN CORPORATION

2017 ANNUAL REPORT

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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.

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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

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I. LETTER TO SHAREHOLDERS

1.1 Operational Review

The Company's non-consolidated revenue in 2017 was NT$11.7 billion, the consolidated revenue was NT$278.6 billion, which reflects an increase of 1.36% compared to the previous year (2016: NT$274.9 billion), and the net income attributed to owners of the Company was NT$12.9 billion, a slight decrease of 1.04% compared to the previous year (2016: NT$13.0 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 retailing of sporting goods and brand licensing business, accounting for 67% and 33% of consolidated revenue respectively. (Schedule 2)

The Company's consolidated revenue in 2017 increased by NT$3.7 billion compared to the previous year, primarily benefited from the steady performance of the Company's manufacturing business, while the growth of its retailing of sporting goods 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 concerted effort in improving operational efficiency of manufacturing business, the Company's consolidated gross profit in 2017 was NT$73.1 billion, which reflects an increase of 3.82% compared to the previous year (2016: NT$70.4 billion). As for operating expenses, selling and distribution expenses increased when compared to the previous year due to the expansion of sales network for retailing of sporting goods and brand licensing business, as well as the upgrade and optimization of stores. Hence, consolidated operating margin decreased from 6.4% to 6.1%. Consolidated income from operations in 2017 decreased 4.03% to NT$17.1 billion compared to the previous year (2016: NT$17.8 billion).

(3) Net income and Earnings per share

The net income attributable to owners of the Company in 2017 slightly decreased by NT$100 million compared to the previous year, resulting in EPS of NT$4.38 which was a slight decrease of NT$0.05 compared to the previous year (2016: NT$4.43).

Schedule 1: Consolidated Financial Statements

(In NT$ thousands, except earnings per share)

Item \ Year		2017		2016		+(-)%
		Amount	Ratio	Amount	Ratio	
Operating revenue		278,631,872	100%	274,895,346	100%	1.36%
Gross profit		73,068,324	26%	70,382,794	25%	3.82%
Income from operations		17,068,098	6%	17,785,183	6%	(4.03%)
Income before income tax		24,817,504	9%	26,279,802	9%	(5.56%)
Net income for the year		21,730,590	8%	23,001,919	8%	(5.53%)
Net income attributable to	Owners of the Company	12,921,606	5%	13,057,050	5%	(1.04%)
	Non-controlling interests	8,808,984	3%	9,944,869	3%	(11.42%)
Earnings per share (Basic)		4.38		4.43		

Schedule 1-1: Separate Financial Statements

(In NT$ thousands, except earnings per share)

Item \ Year	2017		2016		+(-)%
	Amount	Ratio	Amount	Ratio	
Operating revenue	11,704,905	100%	12,294,428	100%	(4.80%)
Gross profit	3,982,222	34%	3,834,602	31%	3.85%
Income from operations	478,923	4%	244,462	2%	95.91%
Income before income tax	13,343,958	114%	13,790,027	112%	(3.23%)
Net income for the year	12,921,606	111%	13,057,050	106%	(1.04%)
Earnings per share (Basic)	4.38		4.43		

Schedule 2

(In NT$ thousands)

Primary Business \ Year	2017		2016	
	Amount	Ratio	Amount	Ratio
Manufacturing of shoes	185,597,169	67%	194,830,122	71%
Retailing of sporting goods and brand licensing business	92,101,627	33%	78,880,234	29%
Other	933,076	-	1,184,990	-
Total	278,631,872	100%	274,895,346	100%

1.2 Research and Development

In 2017, the Company invested 2.3% of its consolidated revenue in research & development (R&D). R&D items include making production processes more flexible, developing an optimized system with automated production equipment connected to the IoT, incorporating and improving new production models and new manufacturing technologies, in order to constantly improve operational efficiency and productivity. The Company has established an independent R&D team and development Center for each of its major customers. The Company works closely with its customers in the stages of product development up to the completion of the product-prototype development, using its technical capabilities and abundant practical experience as well as innovative elements and materials, so as to provide customers with high quality footwear products, innovative services, and solutions.

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

Facing environmental sustainability issues, the Company continues to implement the effective operation of environmental pollution prevention mechanisms, promote clean production, and reduce the environmental impact of production processes, as well as to strength the efficiency and recycling ratio of energy and resource usage through an energy monitoring system and energy-efficient equipments. The Company will further expand renewable energy applications to meet international trends and customers' expectations.

(2) Safety and Health Management

The Company has refined its risk management by adopting safety designs and professional review in the process of factory constriction, equipment procurement, or maintenance and renovation; testing and acceptance procedures have also been strengthened to ensure requirements are met. The Company will continue to strengthen occupational hazard prevention, improve the environmental and occupational health and safety management mechanism, implement equipment improvement projects, and provide employees with a safer and healthier workplace.

(3) Compliance Management

The Company coordinates internal functional units to continue improving internal inspection mechanism and responsible production. The Company utilizes third party resources to strengthen internal business functions and enhance professional competencies, and identifies the risks relating to environment safety and health and labor affairs within factories from an objective perspective. Continual improvement and follow-up is carried out to reduce the probability of severe accidents. In addition, the Company achieves autonomous management of its factories by setting up designated units and supervision mechanisms to enhance the management performance of its factories.

(4) Friendly Workplace

The Company has set up and maintains an effective communication platform to regularly track and analyze the issues of concerns to the employees, and developed a variety of caring channels for employees to improve interactions and mutual understanding. By organizing employee activities and friendly workplace promotions, the Company elucidates its core values, improves internal solidarity and organizational identity, promotes harmonious employee relations, and builds a friendly workplace.

1.4 2018 Business Plan

(1) Operating Guidelines

- Footwear Manufacturing

A. Upgrade production and continue to strengthen business capabilities

Continue to implement measures for manufacturing excellence, expand the scope of automated production, improve technological innovation, enhance production efficiency, and increase the flexibility and diversity of manufacturing. Meanwhile, the Company will strengthen internal lean management and properly control production cost to accumulate competitiveness.

B. Leverage local advantages to optimize capacity allocation

Vietnam, Indonesia, and China accounted for 45%, 36%, and 17% of the Company's total shoe production respectively in 2017, whereas Cambodia, Bangladesh, and Myanmar accounted for 2%. The Company will continue to focus on Vietnam, Indonesia, and China as its main production bases in 2018, and enhance the production optimization capabilities of the production bases in various regions. The Company will also continue to maximize the flexibility its production allocation in response to customer orders, as well as changes in the industry environment.

C. Strengthen strategic cooperation with customers and provide innovative solutions

The Company will actively transform from the role of OEM to a provider of manufacturing services, and strive to become the first choice of customers. The Company will increase investments in improving manufacturing technologies and adopting innovative production models. And based on a customer-centric and value-oriented business philosophy, the Company will comprehensively provide innovative services and total solutions from technology development, flexible production, smart manufacturing, to supply chain diversification.

D. Integrate supply chain resources to build unique values

The Company responds to development trends in the footwear industry, and offers product portfolios in coordination with customers' projects, so that it can quickly respond to and properly meet market demand. The Company will continue to effectively integrate and optimize supply chain resources, engage suppliers in material innovation and process upgrade, and establish a sustainable supply chain. The Company hopes to thus improve overall operating efficiency and create new added value in the industrial chain.

- Retailing of Sporting Goods and Brand Licensing

A. Refine retail management to strengthen the Company's organizational constitution

The Company plans to continue expanding its sales network in 2018, and will prioritize improving its internal management performance. Clearly defined key performances indicators are established using a numerical goal management model, and serve as a basis for continual tracking and review of business performance. Procurement strategies and promotion activities are formulated based on market characteristics and inventory and logistics management will be strengthened to improve management efficiency.

B. Improve omni-channel capabilities and create a differentiated business model

The Company makes active efforts to achieve omni-channel development, including the operation of mono-brand stores, multi-brands stores, sports cities, and online sales. Overall sales and channel efficiency will be further improved through continual investment in the optimization of information systems, mobile devices, and network technology. Furthermore, the Company utilizes different experiential elements and new technologies to provide customers with unique shopping services, and also to create diverse channels and business models to attract different market segments.

C. Stay current with market trends and enrich the product portfolio

As consumers are favoring personalized and more diverse products, the Company is constantly improving its product portfolio from sporting goods to leisure wear to create and guide demand. The Company is a distributor and agent for numerous international brands, and will therefore continue to strengthen its local business strategy and marketing plans, so as to raise brand awareness and increase sales. Furthermore, the Company will continue to seek opportunities for working with even more international brands.

D. Promote sports services and take on a new attitude towards LOHAS.

The Company will plan and organize a series of major sports events, including jogging, marathon, basketball, and baseball, striving to make sports a part of daily life. The Company will increase interactions and build connections with citizens through promotions of sports services 365 days a year, and comprehensively improve consumers' experience, which will enable the effective sales of services and products.

(2) Future Outlook

Looking forward to 2018, the global economy is expected to continue the stable growth in 2017. However, the monetary policies of major countries are returning to normal, trade protectionism is on the rise, rapid developments are being made in technology, sustainability issues are attracting great attention, and the consumer market is rapidly changing. These will all bring challenges and uncertainty to industrial development.

When facing uncertainties of the external business environment, the Company pays close attention and makes active responses as it continues to focus on the two core businesses: footwear manufacturing and retailing of sporting goods and brand licensing business. The Company exerts every effort to attract and relent talents, implement corporate governance, and fulfill its corporate social responsibilities, and is continually strengthening its competitive advantage to achieve sustainable development with equal emphasis on quality and quantity.

With regard to footwear manufacturing, the Company will continue to make its production more flexible, increase the level of automation, further integrate supply chain resources, and provide more valuable products, services, and comprehensive solutions to strengthen its strategic cooperation with customers. At the same time, the Company is constantly searching for new opportunities and breakthroughs in the footwear supply chain, and is accumulating manufacturing abilities to reinforce its leading position in the industry.

For retailing of sporting goods and brand licensing, we will continue to strengthen business management, carry out business transformation, maintain business flexibility and engage in even more innovation and trials, so as to respond to the ever-changing consumer demand, preferences, and shopping habits. We will also continue to improve omni-channel capabilities and strengthen the interactions and communications with consumers in the full year both online and offline. By establishing a value sports services platform, we will continue to provide refined sports-related content and services, and further integrate product sales with these services to seize growth opportunities in Greater China's sporting goods market.

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, an 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) Limited, 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 consolidated 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.

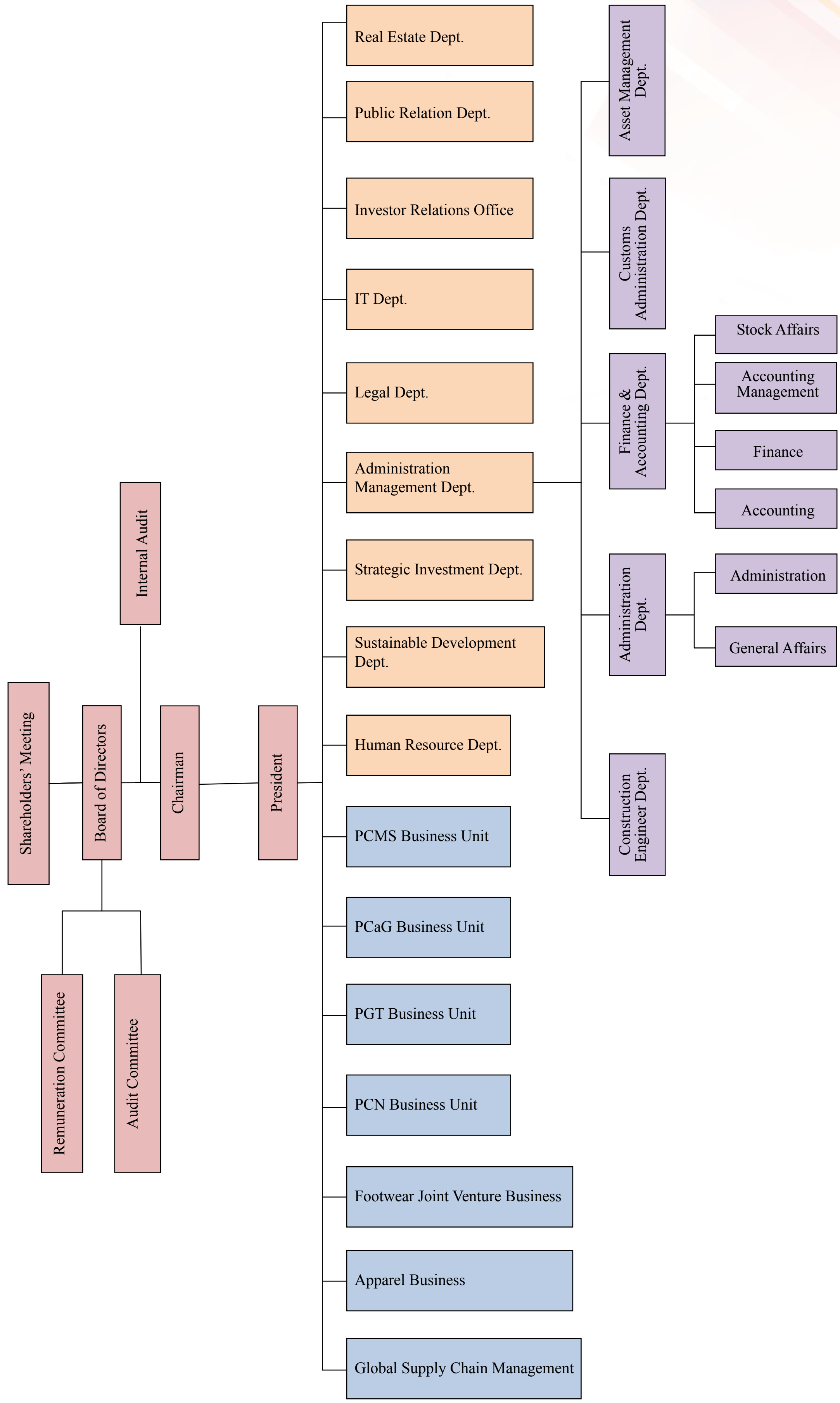
(57) On July 29, 2013, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 3,571,090. The Company's paid-in capital after capital increase was NT$ 29,441,372,130.

(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

Name of department		Business conducted by the department
Global Supply Chain Management		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.
Apparel Business		Management of apparel business.
Footwear Joint Venture Business		Management of footwear joint venture business.
PCN Business Unit		Research, development, manufacturing and sale of all kinds of footwear.
PGT Business Unit		Research, development, manufacturing and sale of all kinds of footwear.
PCaG Business Unit		Research, development, manufacturing and sale of all kinds of footwear.
PCMS Business Unit		Research, development, manufacturing and sale of all kinds of footwear.
Human Resource Department		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.
Sustainable Development Department		Responsible for enacting and promoting corporate social responsibility ("CSR") policies.
Strategic Investment Department		Budget management, operational analysis, and investment review and planning.
Administration Management Department	Construction Engineer Department	Contracting, managing, supervising and checking of the construction, reconstruction, extension, renovation, decoration and fixing of buildings.
	Administration Department	Land and building's management, factory management and maintenance, vehicle management and general affairs management.
	Finance and Accounting Department	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.
	Customs Administration Department	Import and export, international trade affairs, logistics and customs affairs.
	Asset Management Department	Enacting asset management rules and policies, asset information management, equipment management and disposal arrangement.
Legal Department		Review contract document, legal consultation, regulatory compliance and legal risk control and management.
IT Department		Planning, development, promotion and maintenance of information system.
Investor Relations Office and Spokesperson		File relevant information with the competent authority, disclose such information and speak on behalf of the Company.
Public Relation Department		Planning and management of and consultation on public affairs.
Real Estate Department		Management of real estate affairs.
Internal Audit		Compliance auditing and consultation on all internal managerial rules and control systems.

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, 2018; 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 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	Note 3	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%	2,180,470	0.07%	133,300	0.00%	0	0.00%	Master Degree of Business Administration, National Chung Hsing University Chairman and Executive Director of Yue Yuen Industrial (Holdings) Limited	Note 4	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 5	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 6	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 (Note 7)	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., 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 Enterprise Co., Ltd., Pou Chien Technology Co., Ltd., Yue Yuen Charity Foundation, Yue Yuen Educational 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: Director of Yue Yuen Educational Foundation.

Note 4: President of the Company; Chairman of Pou Chien Technology Co., Ltd., Pou Chien Enterprise Co., Ltd., Windsor Entertainment Co., Ltd. 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., Prosperous Industrial (Holdings) Ltd.; Chairman and Executive Director of Yue Yuen Industrial (Holdings) Limited.

Note 5: Vice president 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 6: Executive senior manager of the Company; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited.

Note 7: Mr. Chen, Jung-Tung passed away and was dismissed on January 8, 2018.

B. Major shareholders of the institutional shareholders

April 17, 2018

Name of institutional shareholder	Major shareholders of the institutional 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	7.83
	Tsai, Chi-Chien	15.32
	Tsai, Nai-Fung	3.50
	Lin, Li-Mei	0.89
	Hsieh, Shu-Chuan	0.17
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 institutional shareholders

April 17, 2018

Name of institutional shareholder	Major shareholders of the institutional 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.	49.83
	Shun Tai Investments Co., Ltd.	30.02
	Seawind Management Limited	7.97
	Ever Green Investments Corporation	6.71
	Yu Chi Investments Co., Ltd.	3.27
	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 (Note)		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	0

Note: Mr. Chen, Jung-Tung passed away and was dismissed on January 8, 2018.

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

April 17, 2018; 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	2,180,470	0.07	133,300	0.00	0	0.00	Master Degree of Business Administration, National Chung Hsing University 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	Master Degree of Business Administration, National Chung Hsing University President of Footwear Joint Venture Business Department of the Company	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
Vice President	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 Vice President of the Company	Note 5	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 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 Finance 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	10,000	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., 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 Enterprise Co., Ltd., Pou Chien Technology Co., Ltd., Yue Yuen Charity Foundation, Yue Yuen Educational 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 Enterprise Co., Ltd., Windsor Entertainment Co., Ltd. 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., 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, 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.

Note 5: Executive Director of Yue Yuen Industrial (Holdings) Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited and Wealthplus Holdings Limited.

Note 6: 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., 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., Pou Zhi Investments Co., Ltd. and I-Tech. Sporting Enterprise Ltd. ; Member of the consolidation committee for conducting land consolidation in Taichung An-Ho land consolidation area.

Note 7: Executive Senior Manager of the Company; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited.

Note 8: Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, 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, 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 4)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)(Note 4)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Salary (A)		Pension (B) (Note 2)		Remuneration (C) (Note 3)		Allowance (D)				Salary, bonus and special fees etc. (E)		Pension (F) (Note 2)		Employee compensation (G) (Note3)						
		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 Representative: Chan, Lu-Min	5,170	15,787	0	0	123,428	123,428	1,221	1,221	1.00	1.09	18,213	58,776	0	0	7,588	0	7,588	0	1.20	1.60	None
Director	Tsai, Pei-Chun																					
Director	Tzong Ming Investments Co., Ltd. Representative: Tsai, Min-Chieh																					
Director	Ever Green Investments Corporation Representative: Lu, Chin-Chu																					
Director	Sheachang Enterprise Corporation Representative: Tsai, Ming-Lun																					
Director	Lai Chia Investments Co., Ltd. Representative: Ho, Yue-Ming																					
Independent Director	Chen, Bor-Liang																					
Independent Director	Chiu, Tien-I																					
Independent Director	Chen, Jung-Tung (Note 1)																					

(Next page follows)

(Following the preceding page)

<table>
<tr><th rowspan="3">Range of Remuneration</th><th colspan="4">Name of Directors</th></tr>
<tr><th colspan="2">Aggregate amount of the preceding four remuneration items (A+B+C+D)</th><th colspan="2">Aggregate amount of the preceding seven remuneration items (A+B+C+D+E+F+G)</th></tr>
<tr><th>The Company</th><th>Companies in the consolidated financial statements</th><th>The Company</th><th>Companies in the consolidated financial statements</th></tr>
<tr><td>Less than NT$ 2,000,000</td><td>Lai Chia Investments Co., Ltd.,
Chan, Lu-Min,
Lu, Chin-Chu,
Tsai, Min-Chieh,
Tsai, Ming-Lun,
Ho, Yue-Ming,
Chen, Bor-Liang,
Chiu, Tien-I,
Chen, Jung-Tung</td><td>Lai Chia Investments Co., Ltd.,
Chan, Lu-Min,
Lu, Chin-Chu,
Tsai, Min-Chieh,
Tsai, Ming-Lun,
Ho, Yue-Ming,
Chen, Bor-Liang,
Chiu, Tien-I,
Chen, Jung-Tung</td><td>Lai Chia Investments Co., Ltd.,
Tsai, Min-Chieh,
Chen, Bor-Liang,
Chiu, Tien-I,
Chen, Jung-Tung</td><td>Lai Chia Investments Co., Ltd.,
Tsai, Min-Chieh,
Chen, Bor-Liang,
Chiu, Tien-I,
Chen, Jung-Tung</td></tr>
<tr><td>NT$ 2,000,000 (included)～ NT$ 5,000,000 (excluded)</td><td>Sheachang Enterprise Corporation,
Tzong Ming Investments Co., Ltd.
Tsai, Pei-Chun</td><td>Sheachang Enterprise Corporation,
Tzong Ming Investments Co., Ltd.</td><td>Sheachang Enterprise Corporation,
Tzong Ming Investments Co., Ltd.,
Tsai, Pei-Chun</td><td>Sheachang Enterprise Corporation,
Tzong Ming Investments Co., Ltd.,</td></tr>
<tr><td>NT$ 5,000,000 (included) ～ NT$ 10,000,000 (excluded)</td><td></td><td></td><td>Chan, Lu-Min,
Lu, Chin-Chu,
Tsai, Ming-Lun,
Ho, Yue-Ming</td><td>Ho, Yue-Ming</td></tr>
<tr><td>NT$ 10,000,000 (included) ～ NT$ 15,000,000 (excluded)</td><td>Ever Green Investments Corporation</td><td>Ever Green Investments Corporation,
Tsai, Pei-Chun</td><td>Ever Green Investments Corporation</td><td>Ever Green Investments Corporation,
Tsai, Pei-Chun,
Tsai, Ming-Lun</td></tr>
<tr><td>NT$ 15,000,000 (included) ～ NT$ 30,000,000 (excluded)</td><td></td><td></td><td></td><td>Chan, Lu-Min</td></tr>
<tr><td>NT$ 30,000,000 (included) ～ NT$ 50,000,000 (excluded)</td><td></td><td></td><td></td><td>Lu, Chin-Chu</td></tr>
<tr><td>NT$ 50,000,000 (included)～ NT$ 100,000,000 (excluded)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>NT$ 100,000,000 and above</td><td>PC Brothers Corporation</td><td>PC Brothers Corporation</td><td>PC Brothers Corporation</td><td>PC Brothers Corporation</td></tr>
<tr><td>Total</td><td>14 persons</td><td>14 persons</td><td>14 persons</td><td>14 persons</td></tr>
</table>

Note 1: Mr. Chen, Jung-Tung passed away and was dismissed on January 8, 2018.

Note 2: The amount of pension was actually paid by the Company and Companies in the consolidated financial statements in the 2017 consolidated financial statements.

Note 3: Approved by the Board of Directors on March 26, 2018.

Note 4: The calculation is based on the net income of the Company's 2017 separate financial statement. (NT$ 12,921,606 thousand).

(2) Remuneration paid to President and Vice President

(In NT$ thousands)

Title	Name	Salary (A)		Pension (B) (Note 1)		Bonuses and Allowances (C)		Employee Compensation (D) (Note 2)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 3)		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	15,370	32,600	0	0	10,301	49,688	9,735	0	9,735	0	0.27	0.71	None
President	Lu, Chin-Chu													
President of Footwear Joint Venture Business Department	Kung, Sung-Yen													
Vice President	Liu, Hong-Chih													
Vice President	Tsai, Ming-Lun													

(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		
NT$ 2,000,000 (included) ～NT$ 5,000,000 (excluded)	Liu, Hong-Chih	
NT$ 5,000,000 (included) ～NT$ 10,000,000 (excluded)	Lu, Chin-Chu, Chan, Lu-Min, Kung, Sung-Yen, Tsai, Ming-Lun	Kung, Sung-Yen
NT$ 10,000,000 (included) ～NT$ 15,000,000 (excluded)		Tsai, Ming-Lun
NT$ 15,000,000 (included) ～NT$ 30,000,000 (excluded)		Chan, Lu-Min, Liu, Hong-Chih
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: The amount of pension was actually paid by the Company and Companies in the consolidated financial statements in the 2017 consolidated financial statements.

Note 2: Approved by the Board of Directors on March 26, 2018.

Note 3: The calculation is based on the net income of the Company's 2017 separate financial statement. (NT$ 12,921,606 thousand).

(3) 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	14,221	14,221	0.11
	President	Lu, Chin-Chu				
	President of Footwear Joint Venture Business Department	Kung, Sung-Yen				
	Vice President	Liu, Hong-Chih				
	Vice President	Tsai, Ming-Lun				
	Executive Senior Manager	Ho, Ming-Kun				
	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 26, 2018.

Note 2: The calculation is based on the net income of the Company's 2017 separate financial statement. (NT$ 12,921,606 thousand).

(4) Compare the ratio of total remuneration that the Company and Companies in the consolidated financial statements paid to Directors, 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 (%)			
	2017		2016	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	1.20%	1.60%	1.22%	1.61%
President and Vice President	0.27%	0.71%	0.21%	0.55%

Remuneration of directors, president, and vice president is in accordance with Article 16-1 and 23 of the Company's Articles of Incorporation (as specified in the following section). Reasonable remuneration is provided after taking into consideration the remuneration of the same positions in other companies in the market; the scope of authority and contribution to the Company's business goals; the risk of decisions made by the position; the risk of not being able to attain business goals; and the risk of failing to comply with policies and laws. Remuneration of directors not only takes into consideration the Company's overall business performance, but also results of the annual assessment carried out in accordance with the "Regulations Governing Evaluation of Board Performance". Remuneration of the Company's directors, president, and vice president is reviewed by the Remuneration Committee and approved by the Board of Directors.

Article 16-1: The Company may pay compensation to Directors performing duties for the benefit of the Company regardless of the Company's profit performance. The board of Directors is authorized to determine, according to the general standards adopted by the industry, Directors' compensation based on the level and value of contributions to the Company's operations.

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' remuneration) for employees' compensation and may appropriate no higher than 3% of the same profit as Directors' 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' and Directors' remuneration in accordance with the ratios prescribed by the preceding paragraph

3.4 Implementation of Corporate Governance

(1) Operations of the Board of Directors

Six meetings of the Board of Directors were held in 2017. The attendance status of the Directors is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate (%)	Notes
Chairman	PC Brothers Corporation Representative: Chan, Lu-Min	6	0	100.00	
Director	Tsai, Pei-Chun	6	0	100.00	
Director	Tzong Ming Investments Co., Ltd. Representative: Tsai, Min-Chieh	6	0	100.00	
Director	Ever Green Investments Corporation Representative: Lu, Chin-Chu	6	0	100.00	
Director	Sheachang Enterprise Corporation Representative: Tsai, Ming-Lun	4	2	66.67	
Director	Lai Chia Investments co., Ltd. Representative: Ho, Yue-Ming	6	0	100.00	
Independent Director	Chen, Bor-Liang	6	0	100.00	
Independent Director	Chiu, Tien-I	6	0	100.00	
Independent Director	Chen, Jung-Tung	5	1	83.33	

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
2017.03.27	5th meeting of the 22nd board of directors	1. Amended the Company's "Procedures for Acquisition and Disposal of Assets".	No objection	None, Approved as proposed by Directors
2017.08.14	8th meeting of the 22nd board of directors	1. Provided endorsement for the Company's subsidiaries.		
2017.11.14	9th meeting of the 22nd board of directors	1. Amended the Company's "Internal Control System" and "Internal Auditing Implementation Regulations." 2. Independence assessment and appointment of the Company's CPA and discussed the CPA's remuneration 3. Made and rescinded endorsement for the Company's subsidiaries.		
2017.12.22	10th meeting of the 22nd board of directors	1. Made endorsement for the Company's subsidiaries.		

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, name of the Director, contents of resolutions, reasons for the recusal and participation in the voting shall be noted：

1. In the 5th meeting of the 22nd Board of Directors on March 27, 2017:
   (1) Discussed matters pertaining to remunerations for officers of the Company. Chairman of the Board, Mr. Chan Lu-Min, Director, Mr. Lu Chin-Chu, Director, Mr. Tsai Ming-Lun and Director, Mr. Ho Yue-Ming are also officers of the Company, making them as stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
2. In the 8th meeting of the 22nd Board of Directors on August 14, 2017:
   (1) Discussed adjustments to the 2017 remunerations for officers of the Company. Director, Mr. Tsai Ming-Lun and Director, Mr. Ho Yue-Ming are stakeholders of this proposal and therefore recused themselves from discussion and voting of this resolution.
   (2) Discussed matters pertaining to the 2016 distribution of employee compensation for officers of the Company. Because Chairman of the Board, Mr. Chan Lu-Min, Director Mr. Lu Chin-Chu, Director Mr. Tsai Ming-Lun, and Director, Mr. Ho Yue-Ming are managers of the Company, making them as stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
   (3) Discussed matters pertaining to the 2016 distribution of remunerations for directors of the Company. Chairman of the Board, Mr. Chan, Lu-Min, Director, Mr. Lu, Chin-Chu, Director, Mr. Tsai Pei-Chun, Director, Mr. Tsai, Min-Chieh, Director, Mr. Tsai, Ming-Lun, and Director, Mr. Ho, Yue-Ming have conflicts of interest and are therefore recused themselves from discussion and voting of their remuneration resolution.

3. In the 9th meeting of the 22nd Board of Directors on November 14, 2017:

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

III. Goals to strengthen the functionality of the board of directors and assessment of implementation results in the current year and previous year:

1. To develop sound corporate governance and strengthen the functionality of the board of directors, the Company has elected six directors and three independent directors in June 2016. The Audit Committee is formed by all independent directors of the Company.
2. As of December 31st, 2017, the three independent directors have not served consecutive terms for over 9 years.
3. Independent directors attended all board meetings personally or by proxy in 2017 for supervision.
4. The Company's Remuneration Committee regularly assesses director and manager performance in goal achievement, and provides suggestions on individual remunerations.

(2) Operational status of the Audit Committee

Five meetings of the 1st Audit Committee were held in 2017. The attendance status is as follows:

Title	Name	Attendance in person	Attendance Rate (%)	Notes
Convener	Chen, Jung-Tung	4	80.00	
Member	Chen, Bor-Liang	5	100.00	
Member	Chiu, Tien-I	5	100.00	

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
2017.03.27	5th meeting of the 22nd board of directors	1. Discussed the 2016 Business Report and Financial Report. 2. Discussed the 2016 internal control system effectiveness assessment. 3. Discussed an amendment to the Company's "Procedure for Acquisition and Disposal of Assets".	Approved as proposed.	None, Submit to the Board of Directors for approval
2017.04.28	6th meeting of the 22nd board of directors	1. Discussed the 2016 earnings distribution proposal.	Approved as proposed.	None, Submit to the Board of Directors for approval
2017.08.14	8th meeting of the 22nd board of directors	1. Discussed the Company's Financial Report for the second quarter in 2017. 2. Provided endorsement for the Company's subsidiaries.	Approved as proposed.	None, Submit to the Board of Directors for approval
2017.11.14	9th meeting of the 22nd board of directors	1. Discussed the amendment to the Company's "Internal Control System" and "Internal Auditing Implementation Regulations." 2. Formulated the Company's internal audit plan for 2018. 3. Independence assessment and appointment of the Company's CPA and discussed the CPA's remuneration. 4. Made and rescinded endorsement for the Company's subsidiaries.	Approved as proposed.	None, Submit to the Board of Directors for approval
2017.12.22	10th meeting of the 22nd board of directors	1. Made endorsement for the Company's subsidiaries.	Approved as proposed.	None, 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.
   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.
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 2017 are listed below:

Date	Communication Method	Party Communicated	Matters Communicated	Results
2017.03.27	Audit Committee	CPAs	Reported conclusions from auditing the 2016 financial statements of Pou Chen Corporation.	After thorough communication and discussion, the Audit Committee approved the 2016 financial report and submitted the report to the board for approval.
		The head of internal auditors	Internal control system effectiveness assessment report.	After thorough communication and discussion, the Audit Committee approved the 2016 design of the internal control system and determined that its execution was effective.

Date	Communication Method	Party Communicated	Matters Communicated	Results
2017.11.14	Audit Committee	CPAs	Explained the independence of CPAs and Audit members.	After thorough communication and discussion, the Audit Committee approved the CPA independence assessment and appointment, and submitted them to the board for approval.
		The head of internal auditors	Explained key points of amendments to the Company's "Internal Control System" and "Internal Auditing Implementation Regulations".	After thorough communication and discussion, the Audit Committee approved the amendments to the Company's "Internal Control System" and "Internal Auditing Implementation Regulations," and submitted the amendments to the board for approval.
			Submitted the internal audit plan for 2018.	After thorough communication and discussion, the Audit Committee approved the 2018 internal audit plan and submitted the plan to the board for approval.

(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 urges 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 according to their practical	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			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 22^{nd} 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 responsibilities.	No Discrepancy.
ii. Does the Company voluntarily establish other functional committees in addition to the Remuneration	V		ii. The Company has established Remuneration Committee and Audit Committee in accordance with	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	Summaries	
Committee and the Audit Committee?			law. Other functional committees shall be established whenever deemed necessary.	
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 2017. The results of such evaluation were all “Excellent” and submitted to the Board of Directors’ meeting on March 26, 2018.	No Discrepancy.
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 2017, the	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			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.	
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 are 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 stakeholders' concerns on material CSR issues.	No Discrepancy.
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.

Evaluation Item	Operational status			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	Summaries	
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, the Company has appointed two acting spokesperson in 2017. 3. The Company participated two investor conferences in 2017. All relevant information was disclosed on the Company’s website.	No Discrepancy.

<table>
<tr><th>Evaluation Item</th><th>Operational status</th><th>Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons</th></tr>
<tr><td colspan="3">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 and directors’ training, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing liability insurance for directors):

Yes, other important information to better understand the Company’s 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.</td></tr>
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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	63	Statistics Department, National Chung Hsing University	V		Finance and accounting, business management
Tsai, Pei-Chun	Female	38	Economic and Finance Department, Wharton School of the University of Pennsylvania, USA	V		Finance, strategic planning and enterprise development
Tsai, Min-Chieh	Female	35	Economic and Finance Department, Wharton School of the University of Pennsylvania, USA	V		Finance
Lu, Chin-Chu	Male	64	Master Degree of Business Administration, National Chung Hsing University	V		Production management and business management
Tsai, Ming-Lun	Male	40	Master Degree of Design, Graduate School of Design, Harvard University, USA	V		Factory management and business development.
Ho, Yue-Ming	Male	47	Master Degree of Laws Department, National Taiwan University	V		Legal and administrative management
Chen, Bor-Liang	Male	56	Ph.D. in Applied Mathematics, National Chiao Tung University	V	V	Business management
Chiu,Tien-I	Male	49	S.J.D.,Tunghai University	V	V	Legal
Chen, Jung-Tung (Note)	Male	66	Master Degree of Economic and Taxation Department, Jinan University, Guangzhou, China	V		Accounting, auditing, and taxation.

Note: Mr. Chen, Jung-Tung passed away and was dismissed on January 8, 2018.

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	2017.02.02	2017.02.02	Taiwan Institute of Directors	2017 Global Economic Trends and the Impact of Black Swans	3
		2017.04.20	2017.04.20	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Financial and Tax Management of Companies, Directors and Supervisors	3
Director	Tsai, Pei-Chun	2017.02.22	2017.02.22	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Regulatory Compliance and the Authority of Directors (Phase 1)	3.5
		2017.03.16	2017.03.16	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Crisis Management Strategy and Management Workshop	3
Representative of corporate director	Tsai, Min-Chieh	2017.03.16	2017.03.16	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Crisis Management Strategy and Management Workshop	3
		2017.09.11	2017.09.11	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Corporate Sustainability and Management	3
Representative of corporate director (President)	Lu, Chin-Chu	2017.05.11	2017.05.11	Taiwan Institute of Directors	Company Management and Transformation, the Inevitable Road to Survival of Companies	3
		2017.09.15	2017.09.15	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Corporate Sustainability and Management	3
Representative of corporate director (Vice President)	Tsai, Ming-Lun	2017.10.20	2017.10.20	Corporate Operation Association	Board Operation Practices: Board Meeting Agenda and Minute Management	3
		2017.12.19	2017.12.19	Securities & Futures Institute	Corporate operation and tax system review Advanced Practices Seminar for Directors and Supervisors (independent included)	3

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

Title	Name	Date of training		Host by	Name of the course	Duration
		From	To			
Representative Director (Executive Senior Manager)	Ho, Yue-Ming	2017.01.13	2017.01.13	Taiwan Corporate Governance Association	Strategy, Competitiveness, Risk, and Crisis Issues of Concern to the Board of Directors	3
		2017.02.22	2017.02.22	Taiwan Institute of Directors	2017 Global Economic Trends and the Impact of Black Swans	3
Independent Director	Chen, Bor-Liang	2017.02.22	2017.02.22	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Regulatory Compliance and the Authority of Directors (Phase 1)	3.5
		2017.07.07	2017.07.07	Taiwan Corporate Governance Association	Tax Evasion and Anti-Tax Evasion	3
Independent Director	Chiu, Tien-I	2017.01.20	2017.01.20	Taiwan Corporate Governance Association	Annual Law Amendments and Matters Requiring the Attention of the Shareholders Meeting	3
		2017.07.26	2017.07.26	Taiwan Institute of Directors	Retrospection of Major Decisions by the Board of Directors over the Last Decade and Outlooks	3
Independent Director	Chen, Jung-Tung	2017.07.07	2017.07.07	Taiwan Corporate Governance Association	Tax Evasion and Anti-Tax Evasion	3
		2017.07.28	2017.07.28	Securities & Futures Institute	Workshop on Compliance with Stock Transaction Laws for Internal Staff of Listed Companies	3
Executive Senior Manager	Ho, Ming-Kun	2017.09.07	2017.09.08	Accounting Research and Development Foundation	Continuing Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges.	12
Senior Manager	Wu, Hui-Chi	2017.12.21	2017.12.22	Accounting Research and Development Foundation	Continuing Education 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: The Company has purchased liability insurance for all directors. 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: The Company was ranked in top 5% and gets an excellent score for four years in the Corporate Governance Evaluation, which was announced at the end of April 2018, 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. Three meetings of the Remuneration Committee were held in 2017. 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	
Member	Chiu, Tien-I	3	0	100.00	
Member	Chen, Jung-Tung	3	0	100.00	

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 2017, 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 2017, a total of 37 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	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	
			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 complaints and provide psychological counseling. 636 of employee and cadre symposiums are arranged in 2017. 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: 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. In 2017, a total of 471 times family and 1,213 times employees' family been visited. (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	

Evaluation Item	Operational status			Discrepancy with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			examinations. Implementation result: Cooperate with suppliers, substantially improved safer designs for the production equipment, and thorough safety checks and rectifications on highly dangerous equipment are executed, gradually improving equipment safety levels. The Company invested in firefighting equipment since 2014, and invested around US$5.6 million in 2017. 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 implemented overall environmental audit in 2017. The Company's headquarter also 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 energy efficiency. In 2017, the accumulated quantity of energy-saving by making shoes decrease 1.48% from previous year. An online energy monitoring system is still building to track energy consumption in real time and discover energy-saving opportunities.	
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	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	
			to promote economic, environmental and social progresses with such activities, and truly meet the expectation of "benefitting the hometown; connecting with the world".	
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	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	
			shoe materials, simultaneously promotes better manufacturing processes, decreases production of wasted materials and categorizes part of the wastes for recycle and reuse.	
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 2017 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. The Company amended Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace, and 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.

Evaluation Item	Operational status			Discrepancy with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			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.	
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 amended group Employee complaints consultation management methods. The Group specified clearly the rights of personnel responsible for labor safety and life guidance, the ways to complaints and handle method. It's to make sure that all complaints be solved and recorded properly.	No Discrepancy.
iii. Does the Company provide a healthy and safe working environment and conduct training on health and safety for its employees periodically?	v		iii. In compliance with requirements by the government, the clients, NGO and other stakeholders, the Company effectively operates and keeps improving each 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.	No Discrepancy.
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	v		v. The Company plans its annual training programs according to its mission, vision,	No Discrepancy.

Evaluation Item	Operational status: Yes	Operational status: No	Operational status: Summaries	Discrepancy with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
development and training sessions?			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 and 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, such as system thinking lesson. c. Management Course: The Company plans management courses for various management levels according to their duties and competencies, including general management lesson and advanced management lesson.	

Evaluation Item	Operational status			Discrepancy with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			d. Professional Course: Based on work content 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 such as language training lesson, encourage autonomous learning and improving skills and capabilities. (2) Personal development plans: Arranged employees' personal development plans and annual training courses for each unit based on the capacity evaluation results and annual performance evaluation development. The Company also provides training resources to strengthen the employees' management capability, self-developing capacity and common working techniques, so as to enrich the group talent pool, 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.

Evaluation Item	Operational status			Discrepancy with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
viii. Does the Company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	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 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.	No Discrepancy.
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	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	
			implementation.	

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 2016 Corporate Social Responsibility Report has passed a SGS inspection, and the standards referred to are GRI 4.0 and AA1000. The 2017 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, the Company's 'Working Rules" and "Incentive and Disciplinary Regulations". Where the employee objects to the accused violation and disciplinary decision, such employee may file a complaint according to the "Working Rules" and "Management Rules of Employee Complaints".	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	
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. The Company has set relevant conduct to follow in Procedures for Ethical Corporate Management and Conduct Guidelines. 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. The Company requires the trading partner to execute “Honest Transaction Agreement”, 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) dedicated unit supervised by the Board to be in charge of	V		ii. The Company’s Board of Directors established an Ethical Corporate Management Promotion Committee to	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	
corporate integrity?			implement the Company's ethical corporate management policy and unethical conduct prevention program. The committee reports to the Board of Directors at least once a year. The committee's work results in 2017 are as follows: 1. Established best practices for ethical corporate management applicable to domestic and overseas affiliated enterprises based on the Company's "Ethical Corporate Management Principles," and promoted concepts of ethical corporate management. 2. Increased the ratio of Taiwanese employees who signed the "Letter of Commitment to Professional Ethics for Employees" and "Confidentiality Agreement." 3. Completed an inventory of penalties for unethical conduct by the Company and domestic and overseas affiliated enterprises. 4. Besides continuing to put courses promoting best practices of ethical corporate management on the Company's employee training platform, the committee carried out a campaign for face-to-face promotion among overseas management of the Company and affiliated enterprises. Regulatory compliance (including regulations on ethical corporate management) was listed as an annual audit item with an emphasis on personnel's self-evaluation for ethical corporate management related operating procedures.	

Evaluation Item	Operational status			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
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.
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 recurrent training 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	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	
			(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.	
ii. Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		ii. The Company has enacted standard operating procedures 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.	No Discrepancy.
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.

Evaluation Item	Operational status			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
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 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 26, 2018

Based on the findings of its self-assessment, the Company states the following with regard to its internal control system during the year 2017:

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, 2017, 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 2017 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 26, 2018, with all eight 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) Important resolutions of shareholders meeting and board meeting in the most recent year and during the current fiscal year up to the date of publication of the annual report:

A. Material resolutions of 2017 annual general shareholders' meeting and the implementation status thereof :

Date	The type of meeting	Material resolutions	Implementation status
2017.06.15	Annual general shareholders' meeting	Ratification: i. Ratification of the Company's 2016 Business Report and Financial Statements.	The resolution has been implemented accordingly.
		ii. Ratification of the Company's 2016 Profit Distribution.	The ex-dividend record date is July 14, 2017, and the cash dividends have been distributed on August 9, 2017.
		Discussion: i. Discussion on the amendments to the Company's "Articles of Incorporation".	Approved for registration by the Ministry of Economic Affairs on July 21, 2017 and announced on the Company's website.
		ii. 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".

B. Material Resolutions during the Board of Directors' Meetings in 2017 and to the date of publication of this Annual Report:

Date	Term	Material resolutions
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 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.

Date	Term	Material resolutions
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.
2017.08.14	8th meeting of the 22nd Board of Directors	1. Discussed and approved the 2017 adjustments to remunerations for the Company's managers. 2. Adopted the 2016 Employees' Compensation for the Company's officers. 3. Adopted the amount of the Company's 2016 distribution for directors' remuneration. 4. Adopted the proposal to enact the Company's "Organizational Rules for the Audit Committee". 5. Adopted the amendment of the Company's "Rules of Procedure for Board of Directors' Meeting". 6. Adopted the application for increasing the line of credit for the Company to lend funds from financial institutions. 7. Adopted endorsements for the Company's subsidiaries.
2017.11.14	9th meeting of the 22nd Board of Directors	1. Adopted to review the award for Company's officers. 2. Adopted the amendment of the Company's "Internal Control System" and "Internal Control System and Implementation Rules". 3. Adopted the Company's 2018 Internal Audit Plan. 4. Adopted the independence evaluation of the Company's CPA and the CPA's appointment and remuneration. 5. Adopted the application for increasing the line of credit for the Company to lend funds from financial institutions. 6. Adopted the line of credit for the Company to make and remove endorsement or guarantee for its subsidiary.
2017.12.22	10th meeting of the 22nd Board of Directors	1. Adopted the Company's 2018 Business Plan. 2. Adopted the proposal to add an acting spokesperson. 3. Adopted the application for the line of credit for the Company to lend funds from financial institutions. 4. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiary.
2018.01.19	11th meeting of the 22nd Board of Directors	Adopted the proposal to make endorsement for the application of subsidiary Wealthplus Holdings Limited to Citibank, N.A., Offshore Banking Branch for a line of credit not exceeding HK$10,795,326,000.
2018.01.21	12th meeting of the 22nd Board of Directors	Adopted the privatization of Pou Sheng International (Holdings) Limited (herein after referred to as "Pou Sheng") via a scheme of arrangement.

Date	Term	Material resolutions
2018.03.09	13th meeting of the 22nd Board of Directors	Adopted the capital increase of subsidiary Wealthplus Holdings Limited.
2018.03.26	14th meeting of the 22nd Board of Directors	1. Adopted the amount of the Company's 2017 distribution for director remuneration and employee compensation. 2. Adopted the remuneration for the Company's officers. 3. Adopted the Company's 2017 Business Report and Financial Statements. 4. Adopted the amendment of the Company's 2017 "Internal Control System" and "Internal Control System and Implementation Rules". 5. Adopted the hiring of one Remuneration Committee member. 6. Adopted the by-election of one independent director. 7. Adopted the list of independent director candidates. 8. Relevant matters regarding convening the Company's 2018 annual general shareholders' meeting. 9. Adopted the application for increasing and renewing the line of credit for the Company to lend funds from financial institutions. 10. Adopted the line of credit for the Company to make and remove endorsement or guarantee for its subsidiary.
2018.04.30	15th meeting of the 22nd Board of Directors	1. Adopted the Company's 2017 profit distribution. 2. Verified to adopt the list of independent director candidates. 3. Release the Director of the Company from non-competition restrictions.
2018.05.15	16th meeting of the 22nd Board of Directors	1. Adopted the proposal to appoint the new officer. 2. Release the officer of the Company from non-competition restrictions. 3. Adopted the application for increasing and renewing the line of credit for the Company to lend funds from financial institutions. 4. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiary.

(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 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: N/A.

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 Hong, Kuo-Tyan	12,580	0	0	0	0	0	2017 Q1~Q3 quarterly financial reports and 2017 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

A. Regarding previous CPA

<table>
<tr><td>Date of change</td><td colspan="4">October 2017</td></tr>
<tr><td>Reasons for change and remark</td><td colspan="4">Yu, Hung-Bin, CPA at Deloitte Taiwan, was replaced by Hung Kuo-Tyan due to internal adjustments of the accounting firm.</td></tr>
<tr><td rowspan="3">Termination initiated by client or accountant declined to accept the appointment</td><td colspan="2">Parties / Scenario</td><td>CPAs</td><td>Client</td></tr>
<tr><td colspan="2">Termination initiated</td><td>V</td><td></td></tr>
<tr><td colspan="2">CPA declined to accept (continue) the appointment</td><td></td><td></td></tr>
<tr><td>Audit opinions other than unqualified opinions issued in the past two years and reasons</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Opinions different from those of issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principle or practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td></td><td colspan="2">Audit scope or steps</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td>Explanation</td><td colspan="3"></td></tr>
<tr><td>Other disclosures (Matters that should be disclosed in accordance with Items 1-4 to 1-7, Subparagraph 6, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies)</td><td colspan="4">None</td></tr>
</table>

B. Regarding succeeding CPA

Name of accounting firm	Deloitte Taiwan
Name of accountant	CPA Hung Kuo-Tyan ,CPA Wu Ker-Chang
Date of appointment	Approved by the Board of Directors in November 2017
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	N/A
Written opinions of succeeding CPA different from those of previous CPA	N/A

C. Reply of previous CPA to matters provided in Items 1 & 2-3, Subparagraph 6, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: N/A.

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, Officers or Major Shareholders with a Stake of More than 10 Percent

Unit: shares

Title	Name	Year 2017		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
Director	Tsai, Pei-Chun	0	0	0	0
Director	Tzong Ming Investments Co., Ltd.	0	0	0	0
	Representative: Tsai, Min-Chieh	0	0	0	0
Director	Ever Green Investments Corporation	0	0	0	0
	Representative: Lu, Chin-Chu (President)(Note 1)	(57,000)	0	0	0
Director	Sheachang Enterprise Corporation	0	0	0	0
	Representative: Tsai, Ming-Lun (Vice President)	0	0	0	0
Director	Lai Chia Investments Co.,Ltd.	0	0	0	0
	Representative: Ho, Yue-Ming (Executive Senior Manager)	0	0	0	0

Title	Name	Year 2017		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	Chen, Bor-Liang	0	0	0	0
Independent Director	Chiu, Tien-I	0	0	0	0
Independent Director	Chen, Jung –Tung (Note 2)	0	0	0	0
President of Footwear Joint Venture Business Department	Kung, Sung-Yen	0	0	0	0
Vice President	Liu, Hong-Chih	0	0	0	0
Executive Senior Manager	Ho, Ming-Kun	0	0	0	0
Senior Manager	Chang, Yea-Fen	0	0	0	0
Senior Manager	Wu, Hui-Chi	0	0	0	0

Note 1: The counterparty of the share transfer is a related party. The information about the share transfer is as follows:

Name	Reason for share transfer	Date of transfer	Transferee	Relationship between Transferee and Directors, Managers and Major Shareholders	Number of shares	Transaction price
Lu, Chin-Chu	Disposal (as gift)	2017.12.13	Lu, Yi-Shan	Father and daughter	19,000	N/A
			Lu, Yen-Miao	Father and daughter	19,000	N/A
			Lu, Chien-Yu	Father and daughter	19,000	N/A

Note 2: Mr. Chen, Jung-Tung was death and been dismissed in January 8, 2018.

3.9 Relationship among the Top Ten Shareholders

April 17, 2018 (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: Lin, Kuo Chiang	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.	80,485,000	2.73	0	-	0	-	N/A	-	-
Representative: Tsai, Richard M.	0	-	0	-	0	-	N/A	-	-
Seafarer Overseas Growth and Income Fund	71,700,000	2.43	0	-	0	-	N/A	-	-
Cathay Life Insurance Co., Ltd.	65,672,000	2.23	0	-	0	-	N/A	-	-
Representative: Huang, Tiao Kuei	0	-	0	-	0	-	N/A	-	-
Mega International Commercial Bank in custody for Beevest Securities Limited	54,826,517	1.86	0	-	0	-	N/A	-	-
JPMorgan in custody for Furstentum Liechtenstein bank	50,281,174	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, 2018 (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	251,662,040	99.49	323,370	0.13	251,985,410	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.	2,617,800,000	20.00	0	-	2,617,800,000	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	11,335,000,000 (including convertible	856,421,995	8,564,219,950	Note 10	—	—

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 of 200 million shares)	corporate bonds of NT$2 billion)					
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$2 billion)	875,762,784	8,757,627,840	Note 11	—	—
2000.07.15	10	2,303,500,000 (including convertible corporate bonds of 200 million shares)	23,035,000,000 (including convertible corporate bonds of NT$ 2 billion)	1,229,174,619	12,291,746,190	Note 12	—	—
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	30,280,000,000 (including employee share options, preferred share options or corporate bonds	1,884,799,453	18,847,994,530	Note 15	—	—

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
		with options available for subscription in the amount of 250 million shares)	with options available for subscription in the amount of NT$ 2.5 billion)					
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 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)	2,093,673,386	20,936,733,860	Note 18	—	—
2005.04.19	10	3,475,000,000 (including employee share options, preferred	34,750,000,000 (including employee share options, preferred	2,094,816,386	20,948,163,860	Note 19	—	—

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)					
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	38,000,000,000 (including	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
		employee share options, preferred share options or corporate bonds with options available for subscription in the amount of 250 million shares)	employee share options, preferred share options or corporate bonds with options 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	—	—

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
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	—	—
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	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for subscription in the	2,447,329,695	24,473,296,950	Note 30	—	—

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
		amount of 250 million shares)	amount of NT$ 2.5 billion)					
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 share options or corporate bonds with options	38,000,000,000 (including employee share options, preferred share options or corporate bonds with options	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
		available for subscription in the amount of 250 million shares)	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	45,000,000,000 (including employee share options, preferred share options or	2,740,005,495	27,400,054,950	Note 38	—	—

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)					
2009.04.14	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)	2,712,567,495	27,125,674,950	Note 39	—	—
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	45,000,000,000 (including employee share	2,843,084,728	28,430,847,280	Note 42	—	—

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 300 million shares)	options, preferred share options or corporate bonds with options available for subscription in the amount of NT$ 3 billion)					
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 (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)	2,899,755,922	28,997,559,220	Note 45	—	—
2011.04.18	10	4,500,000,000	45,000,000,000	2,900,061,922	29,000,619,220	Note 46	—	—

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)					
2011.07.15	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	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	2,924,146,922	29,241,469,220	Note 49	—	—

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
		million shares)	billion)					
2012.05.01	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)	2,940,283,922	29,402,839,220	Note 50	—	—
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	45,000,000,000 (including employee share options, preferred share options or corporate bonds with options available for	2,943,780,104	29,437,801,040	Note 53	—	—

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)					
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 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)	2,946,787,213	29,467,872,130	Note 55	—	—

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, 2018; 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, 2018; Unit: persons; shares

Shareholder's structure / Number	Governmental Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions and Foreigners	Total
Number of shareholders	9	67	160	73,027	909	74,172
Number of shares held	105,322,281	327,501,792	440,945,853	402,204,929	1,670,812,358	2,946,787,213
Ratio (%)	3.57%	11.11%	14.96%	13.66%	56.70%	100.00%

(3) Distribution profile of shareholding

April 17, 2018

Interval of number of shares (shares)	Number of Shareholders (persons)	Number of shares held (shares)	Ratio (%)
1 to 999	31,476	7,399,623	0.25%
1,000 to 5,000	29,025	65,193,807	2.21%
5,001 to 10,000	6,577	48,967,756	1.66%
10,001 to 15,000	2,259	27,938,330	0.95%
15,001 to 20,000	1,308	23,077,071	0.78%
20,001 to 30,000	1,161	28,450,174	0.97%
30,001 to 40,000	566	19,772,461	0.67%
40,001 to 50,000	331	15,081,722	0.51%
50,001 to 100,000	554	39,514,509	1.34%
100,001 to 200,000	308	43,739,490	1.48%
200,001 to 400,000	197	55,772,173	1.89%
400,001 to 600,000	90	44,957,193	1.53%
600,001 to 800,000	48	33,223,667	1.13%
800,001 to 1,000,000	34	30,827,926	1.05%
More than 1,000,001	238	2,462,871,311	83.58%
Total	74,172	2,946,787,213	100.00%

(4) List of major shareholders

April 17, 2018

Shares / Name of major shareholders	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.	80,485,000	2.73%
Seafarer Overseas Growth and Income Fund	71,700,000	2.43%
Cathay Life Insurance Co., Ltd.	65,672,000	2.23%
Mega International Commercial Bank in custody for Beevest Securities Limited	54,826,517	1.86%
JPMorgan in custody for Furstentum Liechtenstein bank	50,281,174	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>2016</th><th>2017</th><th>2018 (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>49.80</td><td>43.95</td><td>39.75</td></tr>
<tr><td colspan="2">Lowest price</td><td>36.10</td><td>36.00</td><td>36.30</td></tr>
<tr><td colspan="2">Average price</td><td>41.91</td><td>40.26</td><td>37.91</td></tr>
<tr><td rowspan="2">Net value per share(dollars)</td><td colspan="2">Before distribution</td><td>25.69</td><td>28.38</td><td>30.20(Note 6)</td></tr>
<tr><td colspan="2">After distribution</td><td>24.19</td><td>26.38(Note 5)</td><td>28.20(Note 6)</td></tr>
<tr><td rowspan="2">Earnings per share</td><td colspan="2">Weighted average shares (thousand shares)</td><td>2,946,787</td><td>2,946,787</td><td>2,946,787 (Note 6)</td></tr>
<tr><td colspan="2">Earnings per share (dollars)</td><td>4.43</td><td>4.38</td><td>0.69(Note 6)</td></tr>
<tr><td rowspan="4">Dividends per share (dollars)</td><td colspan="2">Cash dividends</td><td>1.5</td><td>2.0 (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>9.50</td><td>9.19</td><td>N/A</td></tr>
<tr><td colspan="2">Price-dividend ratio (Note 3)</td><td>28.05</td><td>20.13(Note 5)</td><td>N/A</td></tr>
<tr><td colspan="2">Cash dividend yield (Note 4)</td><td>3.57%</td><td>4.97% (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 2017 is adopted at the board of directors' meeting on April 30, 2018, and now pending the approval of the Shareholders' Meeting.

Note 6: The financial statement for Q1 of 2018 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 2018:

The board of directors has adopted 2017 profit distribution proposal on April 30, 2018 to distribute cash dividends of NT$2.0 per share, all in the form of cash. The distribution will be made after the approval of the proposal at 2018 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 remuneration

A. The percentage or scope of Employees compensation, and Directors 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' remuneration) for employees' compensation and may appropriate no higher than 3% of the same profit as Directors' 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' compensation and Directors' remuneration in accordance with the ratios prescribed by the preceding paragraph.

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) 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 26, 2018 to allocate the profit in 2017 (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)	246,856	123,428	No discrepancy
Amount proposed at the Board of Directors' Meeting (B)	246,856	123,428	
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 and directors 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 and directors with the Company's profit in 2016 (the profit refers to the amount of pre-tax profit before distribution of Employees' compensation, and Directors' remuneration), 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	Status of addressing the discrepancy
Estimated amount in the year the remuneration is recognized as expenses (A)	255,108	127,554	No discrepancy
Amount actually distributed (B)	255,108	127,554	
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: The Employee Share Options issued by the Company in November 6, 2007 had been expired in November 5, 2017.

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

4.7 Status of New Share Issuance in Connection with Mergers and Acquisitions: 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) Footwear Manufacturing Business：

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 footwear, leisure shoes, outdoor shoes, and athletic sandals. The Company is primarily focused on athletic footwear, the total revenue of which accounts for more than 70% of our footwear manufacturing business. We also manufacture footwear accessories and apparel.

(B) Retailing of Sporting Goods and Brand Licensing Business：

We have an extensive sales network in Greater China for our retailing and brand licensing business. We have become the distributor and agent of international brands through our omni-channel business model, which includes single brand stores, multi-brand stores, sports city, and online sales. We provide consumers with a variety of footwear, clothing, and accessories for sports and casual wear, and we expanded our scope of business from product sales to sports services marketing.

(C) Other Businesses：

We are also in the real estate development and tourist hotel businesses to create the most value for the Company.

B. Revenues by Product Category：

(In NT$ thousands)

Year / Primary business	2016		2017	
	Revenues	Ratio	Revenues	Ratio
Manufacturing of shoes	194,830,122	71%	185,597,169	67%
Retailing of sporting goods and brand licensing business	78,880,234	29%	92,101,627	33%
Other	1,184,990	-	933,076	-
Total	274,895,346	100%	278,631,872	100%

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

We are primarily engaged in the footwear manufacturing business. Besides developing new models of athletic footwear, casual shoes, and outdoor shoes, we are also developing advanced processes and production technologies. We are working with brand customers in more rapidly and flexibly meeting market demand. Future directions for research and development are as follows:

(A) Modularized development of automated equipment and processes, and adjustment of production models based on different requirements.

(B) Continue to develop 3D printing technologies and introduce new materials, and develop customized production abilities for large variety in small quantities.

(C) Combine intelligent scheduling applications with factory data collection and integration to achieve a smart manufacturing factory

(D) Depending on the design of different production lines, artificial intelligence technologies, such as automated visual quality inspection and production line scheduling simulation, will be introduced once the adoption of automated equipment reaches a certain extent. This will enable future production models and innovative business models to be developed.

(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 2016 reached 23 billion pairs, which was roughly the same as 2015, in which 87% were manufactured in Asia. China remains the leading country in the production of footwear (57.4%) in the world, despite the decline from 59.1% in the previous year (2015). Meanwhile, the competition among India, Vietnam, and Indonesia continues to escalate. 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 54% of world footwear consumption in 2016. This is attributed to the continual increase in national income per capita, urban development, and the population dividend enjoyed by Asia. The three leading countries with the largest consumer markets for footwear are China, United States, and India.

(B) Global Athletic Footwear Market

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 continued to rise in 2016, with a market scale of nearly US$58 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 improve their brand image 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

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 2016 (overall scale) increased by 11.1% compared with the previous year, reaching RMB1.9 trillion. The added value of the industry was RMB647.5 billion, an increase of 17.8% compared with the previous year, accounting for 0.9% of the gross domestic product (GDP), an increase from the 0.8% in 2015. In terms of industry structure, almost 80% of the added industry value came from the manufacturing and sales of sporting goods and related products. Overall, China's sporting goods market has grown rapidly over the last few years after the industry's adjustment stage due to favorable policies, an increase in average income, and rising health awareness. The market looks to have a bright future and has thus attracted international brands, such as Nike and Adidas. Meanwhile, China's local brands, such as Anta, Li-Ning, Xtep, 361°, and Peak are also focused on developing the market. International brands currently have larger market share due to their brand image and marketing advantages. As the pace of upgrades continues to accelerate, consumers will have even higher expectations for product quality and shopping experience, and it will inevitably make the industry and market performance more diverse with stronger competition.

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) Deeper Application of Industry 4.0 for Automated and Smart Developments

In the past, the footwear industry typically relied on manual operations because it was difficult for them to standardize and automate their production procedures, which is why such the industry was considered labor-intensive. As labor costs continue to rise and technologies become growingly mature, the development of automated, smart manufacturing processes for footwear has become the new trend.

Smart manufacturing provides new directions for the footwear manufacturing industry. Starting from product design, production resources are optimized through the support of smart devices and material technologies, as well as IoT, cloud computing, and big data applications. This creates environments suitable for humans and machines to work together, and improves operational efficiency and product quality. More importantly, automation and innovation incorporated in the production process accelerates the supply chain and production development processes, and enables us to find production models with greater flexibility and agility, so that we can more rapidly respond to product trends and market changes.

(B) Product Innovation, From Retro to Street wear

Footwear manufacturing technology and sports technology have taken leaps forward in recent years, including the use of midsole technology, 3D printing, woven upper, and environmentally friendly recycled materials. As a result, athletic footwear has become more flexible, shock absorbent, lighter, and environmental. However, consumers are going after even higher quality personalized products, and athletic shoes have gradually shifted from being worn during sports to a way of expressing one's personality and taste. Athletic shoes are a fashion product that achieves balance between fashion elements and innovative technologies, and this gives it a greater opportunity to be favored by young consumers.

Sports consumption is being upgraded and consumers have different preferences and acceptance. The fusion and impact of retro, fashion, female, new technology, cultural, and cross-border elements in the consumer market have given athletic shoes a diverse appearance, while creating new added value. Consumers will attach even greater importance to the value and uniqueness of products. Hence, the continual innovation of products will be the core driving force that will create even more possibilities and opportunities for the athletic footwear market.

(C) Consumption Upgrade, Creating a Unique Shopping Experience

The 2017 Day Cat Double Eleven Carnival reported revenue of RMB168.2 billion in one day, surpassing the revenue of NT$120.7 billion in the previous year to set a new record. It is worth noting that the Double Eleven Carnival is not only an active effort to break the barrier and extend online influence to offline brick-and-mortar stores, but also more extensively combines artificial intelligence technology with business innovation. The event integrates all industries on a retail platform from purchase order processing, smart stores, intelligent customer services, logistics, to interactive AR experience for end consumers.

Widespread Internet access and information transparency have made consumption trends volatile, prompting consumers to pay more attention to service quality, purchasing experience, product value, and cultural implications. Even greater emphasis is being placed on individual characteristics and consumer emotions. Thus, changes in spending methods and developments in artificial intelligence will drive the development of new retailing. New retail is consumer-centric and engages consumers through an omni-channel approach. It builds relationships and emotional connections, and appeals to consumers with a different consumption experience and refined services, which increases consumers' identification and stickiness.

(D) Competition

We are the world's largest footwear manufacturing services provider, and we are focused on the manufacturing of footwear, retailing of sporting goods, and brand licensing business. We have maintained a stable and close cooperation relationship with brand customers in the footwear business. With production bases around the world, we have accumulated rich factory management experiences and established a relatively complete supply chain. Furthermore, we attach great importance to refining our production technologies and processes, and we are continuously investing in the R&D of core technologies to strengthen and upgrade factory automation. This has allowed us to maintain a leading position in the footwear manufacturing industry.

Additionally, we are engaged in the retailing of sporting goods and brand licensing businesses in the Greater China region, where major sports brands, distributors and agents are actively expanding their presence due to the rapid growth of China's sporting goods industry. Changes in consumption patterns and development of e-commerce, competition has only become more severe. Having cultivated the athletic footwear markets in the Greater China region for years, we have established a considerably sizable sales network, close relationships with brand companies, a stable financial structure, and abundant human capital, which have given us a niche in developing distribution channels.

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

A. Product and technology R&D Expenses

The Company’s R&D expenses in 2017 and as of March 31, 2018 were NT$ 6,431,287thousand and NT$ 1,475,949 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 2017, the Company achieved the following accomplishments:

(A) Developed automated production equipment that significantly improves production efficiency and stability of product quality.

(B) Actively engaged in the development of 3D printing technology and made progress in materials and processes. We will continue to work with brand companies in shortening the development timetable.

(C) Continual adoption and improvement of new production models to elevate operational efficiency, shorten delivery time, and gain flexible production ability for large variety in small quantities, which will help us rapidly respond to market demand.

(D) Optimized system of production equipment connected to the IoT to ensure maximum performance of equipment and stability of product quality. We also used big data analysis applications to improve the production efficiency of our factories

(E) Established a footwear knowledgebase to pass on experience of footwear manufacturing in digital form, which will help effectively cultivate professional talent.

C. Future R&D Projects

We will continue to develop advanced processes and production technologies, and work with brand customers in more rapidly and flexibly meeting market demand. Future directions for research and development are as follows:

(A) Modularized development of automated equipment and processes allows production models to be adjusted based on different requirements.

(B) Continue to work with academic units in developing 3D printing technologies, introducing new materials, and developing customized production abilities for large variety in small quantities.

(C) Utilize intelligent scheduling applications with factory data collection and integration to achieve a smart manufacturing factory.

(D) Depending on the design of different production lines, artificial intelligence technologies, such as automated visual quality inspection and production line scheduling simulation, will be introduced once the adoption of automated equipment reaches a certain extent. This will enable future production models and innovative business models to be developed

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) Introduce new production models and increase automated processes to strengthen flexible production capabilities.

(B) Leverage local production advantages to flexibly adjust production capacity allocation.

(C) Integrate supply chain resources to create added value.

(D) Strengthen our relationship with brand customers and offer innovative solutions.

■ Retailing of Sporting Goods and Brand Licensing

(A) Strengthen retail management as a means of increasing overall operational efficiency.

(B) Keep abreast of market trends and enrich the product portfolio.

(C) Expand sales network to enhance 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) Promote sports activities and events and refine sports services.

(C) Provide comprehensive range of consumer-oriented services that create unique consumption experiences.

5.2 Market Analysis and Production and Sales

(1) Market Analysis

A. Sales of Products (Services) by Region

(In NT$ thousands)

Year / Sales Area	2016		2017	
	Amount	Ratio	Amount	Ratio
Asia	134,417,566	49%	141,139,345	51%
USA	79,484,350	29%	78,435,723	28%
Europe	54,210,053	20%	53,276,125	19%
Other	6,783,377	2%	5,780,679	2%
Total	274,895,346	100%	278,631,872	100%

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, 2017, the Company had 8,778 stores in the Greater China region, including 5,465 directly operated retail stores and 3,313 franchises 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 survey report by

Transparency Market Research, sales in the global footwear market will exceed US$278.8 billion in 2025 with a CAGR reaching 3%. Expansion of product category and penetration of new markets will be the key to footwear market growth. The rise in health awareness and prevalence of sporting activity increased consumer demand on athletic footwear. Sports brands continue to engage in product innovation to increase product diversity following changes in lifestyle, and expanded the target market to people who do not play sports. 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 RMB36.6 trillion in 2017, a 10.2% increase from the previous year. The increase in disposable income, changes in population age, and decrease in family saving rate will drive the growth of China's consumer market and upgrade of its consumption structure. Sports related consumption can also expect to enjoy the market dividends that follow. According to the special report on China's sports industry released by the Economist in December 2016, the scale of China's sports and fitness market was nearly US$217 billion, in which nearly 70% was sports products and equipment consumption. The report also anticipated China's clothing and footwear, healthcare, leisure, and education industries to show strong growth of 26-42% in the next five years. The Chinese government recently announced a series of favorable policies, which provide clear guidelines for the development of China's sports industry, and this is expected to generate a positive influence on the long-term development of the China’s sporting goods market.

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

(A) Competitive Advantages and Favorable Factors

(a) Continue to enhance the Company's five core competitive advantages

The Company continues to make improvements in our five core competitive advantages, specifically innovative, fast, flexible, quality, and sustainable, so as to face the challenges of the constantly changing external environment, and provide customers with the most competitive products.

i. Innovative: The Company have invested considerable resources into materials R&D and process improvement each year. The Company also provides consumers with innovative and competitive products and services through subsidiaries in retail and distribution channels.

ii. Fast: To help sports brands rapidly react to market demand on products, The Company utilized managerial strengths gained through vertical and horizontal integration and smart factories to shorten the delivery time and increase the market competitiveness of customers' products.

iii. Flexible: The Company will continue to develop advanced technologies and modularized current production lines with the goal of providing customers with more flexible options for customized purchase orders of smaller quantities and larger variety.

iv. Quality: The Company continues to provide customers with stable and consistently high quality through our comprehensive control strategy.

v. Sustainable: Based on the principle to comply with laws and regulations and the framework of corporate sustainability, it is The Company's goal to achieve the green values of safety, environmental protection, health, and good labor-management relations, so as to achieve systematic development and prosperous growth through a positive cycle.

(b) Expand manufacturing and retail bridging services and provide customers with comprehensive solutions

The Company is the world's largest manufacturer of athletic and leisure footwear products, and is also a leader in the retailing business in Greater China. The Company provides unique strategic value to brand customers in manufacturing and retail to satisfy the different needs of brand customers. In the future, we will continue to utilize big data analysis at the sales end and combine our five competitive advantages at the manufacturing end to provide brand customers with both comprehensive and customized solutions. Our goal is to increase the added value of products and services to create a win-win situation for us and our brand customers.

(B) Unfavorable Factors and Countermeasures

The sporting goods industry is facing the impact of accelerated change as even more new technologies will be applied in products and footwear manufacturing. Consumers are now looking to buy personalized products that reflect on the latest fashion trends. This has forced companies to shift from a cost-oriented perspective to a customer-centric value-oriented perspective. The rise of platforms will impact business models based on a linear value chain. Hence, providing customers with value-added, customized products, services, or total solutions will be the key to companies seeking to make a breakthrough.

Countermeasures: The Company will continue to work with brands, industry, government, academia, and research institutes on the basis of The Company five core competitive advantages in future. The Company will continue to invest R&D resources in four aspects: equipment, materials, processes, and design, and construct a manufacturing platform that will add value to sporting goods. The Company's goal is to eventually achieve a diverse platform providing the world's highest added value through smart manufacturing and innovation services.

(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)

	2016				2017				As of March 31, 2018			
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	26,251,822	16	None	Supplier A	30,811,944	19	None	Supplier A	10,691,951	25	None
2	Supplier B	17,281,902	11	None	Supplier B	21,615,971	13	None	Supplier B	5,823,580	14	None
	Other suppliers	116,223,280	73		Other suppliers	113,114,830	68		Other suppliers	25,607,990	61	
	Net purchase	159,757,004	100		Net purchase	165,542,745	100		Net purchase	42,123,521	100	

There are only a couple of suppliers accounted for 10% or more of the purchasing of the Company in 2016, 2017 and the first quarter of 2018 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)

	2016				2017				As of March 31, 2018			
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	53,816,071	20	None	Customer A	50,675,853	18	None	Customer A	12,185,431	18	None
2	Customer B	52,176,821	19	None	Customer B	50,804,185	18	None	Customer B	9,853,268	15	None
	Other customers	168,902,454	61		Other customers	177,151,834	64		Other customers	45,225,208	67	
	Net sales	274,895,346	100		Net sales	278,631,872	100		Net sales	67,263,906	100	

There are two customers who account for 10% or more of the sales of the Company in 2016, 2017 and the first quarter of 2018. 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 2016 and 2017

(In NT$ thousands; pairs)

Year / Production / Main Products	2016			2017		
	Capacity	Production	Value	Capacity	Production	Value
Manufacturing of shoes	-	321,993,000	153,974,135	-	324,559,000	146,515,351

Note: Production refers to footwear production in pairs

(6) Sales Volume in 2016 and 2017

(In NT$ thousands; pairs)

Year / Sales / Main Products	2016				2017			
	Domestic sales		International sales		Domestic sales		International sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Manufacturing of shoes	3,096,000	2,978,875	318,897,000	191,851,247	3,129,000	2,611,948	321,430,000	182,985,221
Retailing of sporting goods and brand licensing business	-	611,319	-	78,268,915	-	512,444	-	91,589,183
Other businesses	-	1,184,990	-	-	-	933,076	-	-
Total	-	4,775,184	-	270,120,162	-	4,057,468	-	274,574,404

5.3 Human Resource

		2016	2017	As of April 30, 2018
Number of Employees	Direct labor	279,992	251,609	242,452
	Indirect labor	57,443	80,868	83,807
	Sales and Marketing	21,542	32,511	27,594
	Total	358,977	364,988	353,853
Average age of employees (in years)		32.36	32.11	33.10
Average length of service (in years)		5.78	6.06	6.50
Education (%)	Ph.D.	0.01	0.01	0.01
	Master's degree	0.21	0.32	0.44
	Bachelor's degree	5.00	9.29	9.11
	High school diploma	30.42	33.06	30.76
	Less than high school	64.36	57.32	59.68

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 Company's production operations in domestic and overseas factories strictly adhere to environmental laws and regulations of local governments and the Company's regulations. In 2017, our overseas production plants were reprimanded for four environmental incidents: three incidents involved a slight discrepancy in the environmental impact assessment documentation approved by the local government for the collection and processing of fugitive gases from organic solvents used in factory processes, and one incident involved emissions exceeding the limit due to an abnormality in our organic solvent treatment equipment. Total fines of US$43,260 were imposed. All 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 improve employees' potential and current health issues by organizing health related activities, including weight management, Chinese medicine health inspection, cancer screening, blood donation, and health awareness lecture. The Company hopes to thus prevent employees from getting sick and improve their health condition.

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 2017, the Company set aside accrued pension liabilities for 2.74% 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: Management courses for various management levels are planned according to their duties and competencies.

d. Professional Course: Specialty training courses are developed based on work contents and requirements for professional development.

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

(B) Personal Development Plans

Employee's personal development plans and each department's annual training courses are formulated based on professional competency assessment results, annual performance records, and the expectations of managers and employees. Besides providing employees with the professional knowledge they are still lacking, training resources are provided for their management abilities, self-management soft power, and common work skills. This will enrich the group's talent pool, and improve the overall quality of employees as well as the Company's 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 and 1 from the Internal Audit Department.

C. Taiwan Certified Information Systems Auditor: 1 from the Internal Audit Department.

D. 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

The Company remains devoted to strengthening various safety management practices. We focused on the following aspects in 2017:

A. Enhancing professional training: The Company continued to organize professional training and execution ability verification in each region, such as: electrician, infrared scanning inspection personnel, environmental safety and health personnel, and firefighters, so as to enhance the autonomous safety management ability of The Company factories and lower operating risks.

B. Machine safety management: Comprehensive machine safety is carried out by defining highly dangerous machines, specifying safety devices and operations, procurement source review, on-site safety inspections, safe production by machines, and periodic safety inspections.

C. Contractor construction management: The group established standards for implementing contractor entry control in each region, hazard notices, and control of special hazardous operations, on-site supervision, and penalties for violations.

D. Abnormal event management: The Company standardized the occupational accident investigation and management process to ensure accident reporting, follow-up, and verification is properly carried out. The Company will continue to strengthen factory accident investigations and improve verification abilities to prevent accidents from reoccurring, and will communicate the accidents throughout the Company.

E. Safety improvement proposal: The Company organizes a safety improvement proposal event on an annual basis to raise employees' safety awareness. The event encourages employees to make proposals to improve the work environment and work safety.

F. Complete fire prevention facilities: 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.

G. Enhancing the ability of firefighting teams: The Company have a total of 13 firefighting teams at our production bases. The firefighting teams comply with the Company standards for daily duties and physical training, which are periodically verified to ensure the firefighting teams stay in the best condition possible.

H. Fire safety inspections: Factories periodically conduct fire safety inspections, and independently inspect operations and equipment at risk of causing a fire accident, eliminating the possibility of a fire accident from occurring.

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.

(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 Agreements	Yue Yuen Industrial (Holdings) Limited	Since April 1997	Product design and development, knowledge of technologies, technology and market promotion services, raw materials procurement, and employee recruitment service provision agreement.	None.
Syndicated Loan Agreement	Bank of Taiwan (Lead Arranger) and other 10 Banks	2014.11.12-2020.01.10 (The loan was fully prepaid in November 2017 and the contract had been terminated)	The syndicated loan US$200 million was funded to repay the outstanding indebtedness under the 2011 Loan Agreement and for its general working capital.	Each Borrower and Corporate Guarantor undertakes and agrees with each of the Lenders throughout the continuance of the Agreement and so long as any sum remains owing to the Lenders, each of the Borrower and Corporate Guarantor is a company duly incorporated and validly existing under the laws of the jurisdiction of its incorporation. The Agreement also limited the Borrower and Corporate Guarantor on mergers, consolidations, divestiture, disposals and grant any loan or any form of indebtedness in favor of any third party, except for such merger, disposal or lending will not have material adverse impact on Borrower's or the Corporate Guarantor's ability to perform its obligations under this Agreement or arising or created in the ordinary course of its business.
Syndicated Loan Agreement	Mizuho Bank, Ltd.(Lead Arranger) and other 2 Banks	2014.11.12-2020.01.10 (The loan was fully prepaid in November 2017 and the contract had been terminated)	The syndicated loan US$100 million was funded to repay the outstanding indebtedness under the 2011 Loan Agreement.	Each Borrower and Corporate Guarantor undertakes and agrees with each of the Lenders throughout the continuance of the Agreement and so long as any sum remains owing to the Lenders, each of the Borrower and Corporate Guarantor is a company duly incorporated and validly existing under the laws of the jurisdiction of its incorporation. The Agreement also limited the Borrower and Corporate Guarantor on mergers, consolidations, divestiture, disposals and grant any loan or any form of indebtedness in favour of any third party, except for such merger, disposal or lending will

Type of Contract	Parties	Term	Summary	Restrictive Clauses
				not have material adverse impact on Borrower's or the Corporate Guarantor's ability to perform its obligations under this Agreement or such was arising or created in the ordinary course of its business.

VI. FINANCIAL INFORMATION

6.1Financial Summary foe the Past Five Fiscal Years

(1)Condensed balance sheet and statement of comprehensive income

A. Condensed consolidated balance sheet

(In NT$ thousands)

Item \ Year		2013 【Note 1】	2014 【Note 1】	2015 【Note 1】	2016 【Note 1】	2017 【Note 1】	Financial summary as of March 31,2018 【Note 1】
		Financial summary within five years					
Current assets		131,246,086	143,594,963	145,663,287	151,320,571	154,667,365	157,130,879
Property, plant and equipment		59,099,839	63,500,454	69,778,999	71,464,806	71,517,038	72,694,243
Intangible assets		12,123,200	12,726,168	12,817,838	11,954,099	12,394,627	12,164,182
Other assets		45,660,101	53,220,360	52,363,795	59,150,385	63,325,400	64,619,673
Total assets		248,129,226	273,041,945	280,623,919	293,889,861	301,904,430	306,608,977
Current liabilities	Before distribution	67,273,859	74,638,733	90,656,392	74,732,364	84,461,024	88,788,225
	After distribution【Note 2】	70,217,996	79,054,939	95,076,573	79,152,545	90,354,598	94,681,799
Non-current liabilities		43,235,190	46,277,617	35,163,860	56,146,793	59,063,460	56,627,149
Total liabilities	Before distribution	110,509,049	120,916,350	125,820,252	130,879,157	143,524,484	145,415,374
	After distribution【Note 2】	113,453,186	125,332,556	130,240,433	135,299,338	149,418,058	151,308,948
Equity attributable to owners of the Company	Before distribution	61,210,882	70,714,219	69,270,113	75,705,144	83,615,378	89,002,801
	After distribution【Note 2】	58,266,745	66,298,013	64,849,932	71,284,963	77,721,804	83,109,227
Share Capital		29,441,372	29,441,372	29,467,872	29,467,872	29,467,872	29,467,872
Capital surplus		4,366,099	4,627,549	4,631,708	4,540,163	4,615,341	4,616,607
Retained earnings	Before distribution	36,772,186	42,253,851	47,076,127	55,333,477	63,449,395	65,203,167
	After distribution【Note 2】	33,828,049	37,837,645	42,655,946	50,913,296	57,555,821	59,309,593
Other equity		(9,180,047)	(5,608,553)	(11,905,594)	(13,636,368)	(13,917,230)	(10,284,845)
Treasury shares		(188,728)	-	-	-	-	-
Non-controlling interests		76,409,295	81,411,376	85,533,554	87,305,560	74,764,568	72,190,802
Total equity	Before distribution	137,620,177	152,125,595	154,803,667	163,010,704	158,379,946	161,193,603
	After distribution【Note 2】	134,676,040	147,709,389	150,383,486	158,590,523	152,486,372	155,300,029

Note1: The financial statements for 2013 to 2017 have been audited by independent auditors and the financial statement for Q1 of 2018 has been reviewed by independent auditors.

Note2: The amounts after distributed are resolved by the Shareholders' Meeting of the following year. The Proposal of 2017 Profits Distribution was adopted by the Board of Directors on April 30, 2018, and now pending the approval of the Shareholders' Meeting.

B. Condensed consolidated statement of comprehensive income

(In NT$ thousands, except earnings per share)

Item \ Year	Financial summary within five years					Financial summary as of March 31,2018 【Note】
	2013 【Note】	2014 【Note】	2015 【Note】	2016 【Note】	2017 【Note】	
Operating revenue	226,664,569	243,976,298	269,081,173	274,895,346	278,631,872	67,263,906
Gross profit	50,527,932	55,268,748	64,505,418	70,382,794	73,068,324	17,314,176
Profit from operations	10,098,989	7,920,621	12,353,394	17,785,183	17,068,098	3,120,519
Non-operating income and expenses	8,633,104	7,953,758	7,886,880	8,494,619	7,749,406	1,536,428
Income before income tax	18,732,093	15,874,379	20,240,274	26,279,802	24,817,504	4,656,947
Net income	16,910,950	13,859,449	16,601,466	23,001,919	21,730,590	3,734,396
Other comprehensive (loss) income	(6,713,194)	2,677,034	(7,816,031)	(3,312,203)	719,523	(9,693,173)
Total comprehensive (loss) income	10,197,756	16,536,483	8,785,435	19,689,716	22,450,113	(5,958,777)
Net income attribute to owners of the Company	10,619,449	8,615,506	9,531,358	13,057,050	12,921,606	2,044,949
Net income attribute to non-controlling interests	6,291,501	5,243,943	7,070,108	9,944,869	8,808,984	1,689,447
Total comprehensive (loss) income attribute to owners of the Company	3,350,207	11,997,296	2,941,441	10,946,757	12,255,237	(8,386,229)
Total comprehensive income attribute to non-controlling interests	6,847,549	4,539,187	5,843,994	8,742,959	10,194,876	2,427,452
Earnings per share	3.62	2.93	3.24	4.43	4.38	0.69

Note：The financial statements for 2013 to 2017 have been audited by independent auditors and the financial statement for Q1 of 2018 has been reviewed by independent auditors.

C. Condensed separate balance sheet

(In NT$ thousands)

Item \ Year		2013 【Note 1】	2014 【Note 1】	2015 【Note 1】	2016 【Note 1】	2017 【Note 1】
		Financial summary within five years				
Current assets		8,374,271	9,515,961	7,036,621	7,541,527	7,863,357
Property, plant and equipment		4,145,123	4,103,169	4,187,849	4,503,791	4,859,896
Other assets		77,572,255	86,712,842	86,649,577	93,482,043	102,945,217
Total assets		90,091,649	100,331,972	97,874,047	105,527,361	115,668,470
Current liabilities	Before distribution	9,764,302	13,679,537	13,771,920	10,210,516	14,887,657
	After distribution 【Note 2】	12,708,439	18,095,743	18,192,101	14,630,697	20,781,231
Non-current liabilities		19,116,465	15,938,216	14,832,014	19,611,701	17,165,435
Total Liabilities	Before distribution	28,880,767	29,617,753	28,603,934	29,822,217	32,053,092
	After distribution 【Note 2】	31,824,904	34,033,959	33,024,115	34,242,398	37,946,666
Share capital		29,441,372	29,441,372	29,467,872	29,467,872	29,467,872
Capital surplus		4,366,099	4,627,549	4,631,708	4,540,163	4,615,341
Retained earnings	Before distribution	36,772,186	42,253,851	47,076,127	55,333,477	63,449,395
	After distribution 【Note 2】	33,828,049	37,837,645	42,655,946	50,913,296	57,555,821
Other equity		(9,180,047)	(5,608,553)	(11,905,594)	(13,636,368)	(13,917,230)
Treasury shares		(188,728)	-	-	-	-
Total equity	Before distribution	61,210,882	70,714,219	69,270,113	75,705,144	83,615,378
	After distribution 【Note 2】	58,266,745	66,298,013	64,849,932	71,284,963	77,721,804

Note1: The financial statements for 2013 to 2017 have been audited by independent auditors.

Note2: The amounts after distributed are resolved by the Shareholders' Meeting of the following year. The Proposal of 2017 Profits Distribution was adopted by the Board of Directors on April 30, 2018, and now pending the approval of the Shareholders' Meeting.

D. Condensed separate statement of comprehensive income

(In NT$ thousands, except earnings per share)

Item \ Year	Financial summary within five years				
	2013 【Note】	2014 【Note】	2015 【Note】	2016 【Note】	2017 【Note】
Operating revenue	12,051,187	12,661,506	12,748,522	12,294,428	11,704,905
Gross profit	3,238,539	3,471,849	3,744,314	3,834,602	3,982,222
Income from operations	604,920	200,408	448,660	244,462	478,923
Non-operating income and expenses	11,074,721	9,284,973	10,550,154	13,545,565	12,865,035
Income before income tax	11,679,641	9,485,381	10,998,814	13,790,027	13,343,958
Net income	10,619,449	8,615,506	9,531,358	13,057,050	12,921,606
Other comprehensive net (loss) income	(7,269,242)	3,381,790	(6,589,917)	(2,110,293)	(666,369)
Total comprehensive income	3,350,207	11,997,296	2,944,441	10,946,757	12,255,237
Earnings per share	3.62	2.93	3.24	4.43	4.38

Note：The financial statements for 2013 to 2017 have been audited by independent auditors.

(2) Auditors' Opinions from 2013 to 2017

Year \ Opinion	Accounting Firm	CPA	Audit 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
2017	Deloitte & Touche	HONG, KUO-TYAN WU, KER-CHANG	Unqualified Opinion

6.2 Financial Analysis for the Past Five Fiscal Years

(1) A. Consolidated financial analysis

Item	Year	Financial summary within five years (Note1)					As of March 31,2018 (Note 1)
		2013	2014	2015	2016	2017	
Financial structure (%)	Debt Ratio	44.53	44.28	44.83	44.53	47.53	47.42
	Ratio of long-term funds to property, plant and equipment	306.01	312.44	270.07	306.66	304.04	299.63
Liquidity (%)	Current ratio	195.09	192.38	160.67	202.48	183.12	176.97
	Quick ratio	125.27	123.22	104.38	134.23	114.90	102.46
	Time interest earned	15.98	15.76	19.05	20.96	13.49	8.97
Operating performance	Average collection turnover (times)	7.48	7.69	8.00	7.45	7.30	7.53
	Average collection period	49	47	46	49	50	48
	Average inventory turnover (times)	4.30	4.15	4.24	4.29	4.05	3.55
	Average payment turnover (times)	13.25	12.79	12.58	12.77	14.37	13.45
	Average inventory turnover period	85	88	86	85	90	102
	Property, plant and equipment turnover (times)	3.76	3.98	4.03	3.89	3.89	3.73
	Total assets turnover (times)	0.92	0.93	0.97	0.95	0.93	0.88
Profitability (%)	Return on total assets	7.29	5.66	6.33	8.38	7.84	5.52
	Return on shareholders' equity	12.51	9.56	10.81	14.47	13.52	9.34
	Profit before income tax to paid-in capital	63.62	53.91	68.68	89.18	84.21	63.21
	Profit ratio	7.46	5.68	6.16	8.36	7.79	5.55
	Earnings per share (NT$)	3.62	2.93	3.24	4.43	4.38	0.69
Cash flow (%)	Cash flow ratio	21.18	18.43	24.31	21.01	19.90	(6.17)
	Cash flow adequacy ratio	(Note 2)			86.70	73.70	66.39
	Cash flow reinvestment ratio	4.27	4.25	6.96	3.99	4.43	-
Leverage	Operating leverage	1.77	1.96	1.67	1.49	1.56	1.81
	Financial leverage	1.14	1.15	1.09	1.07	1.13	1.23

Note 1: The financial statements for 2013 to 2017 have been audited by independent auditors and the financial statement for Q1 of 2018 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 5 years and start to calculate the cash flow adequacy ratio since 2016; therefore the cash flow adequacy ratio is not calculated in 2013 to 2015.

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

1. Decrease in Interest Protection Multiples:

Mainly caused by the decrease in earnings before interest and taxes 2.87%, and the increase in interest expenses 50.92%, Explanations are as follows:

Market promotion and marketing expenses increased this year due to the expansion of sales network and store upgrade and optimization for the retailing of sporting goods and brand licensing business, resulting in a decrease in EBIT. The increase in interest expenses this year is due to the increase in total loans.

(1)B. Separate financial analysis

Item		2013	2014	2015	2016	2017
Year		Financial summary within five years (Note 1)				
Financial structure (%)	Debt ratio	32.05	29.51	29.22	28.26	27.71
	Ratio of long-term funds to property, plant and equipment	1,937.87	2111.84	2008.24	2116.36	2073.72
Liquidity (%)	Current ratio	85.76	69.56	51.09	73.86	52.81
	Quick ratio	84.27	68.37	50.27	72.69	51.92
	Times interest earned	32.15	27.61	31.71	41.75	43.56
Operating performance	Average collection turnover (times)	7.85	7.67	7.67	7.13	6.88
	Average collection period	47	48	48	52	53
	Average inventory turnover (times)	42.53	53.55	78.37	113.89	130.24
	Average payment turnover (times)	6.90	6.29	5.65	5.64	5.75
	Average inventory turnover period	9	7	5	3	2
	Property, plant and equipment turnover (times)	3.06	3.07	3.07	2.82	2.50
	Total assets turnover (times)	0.13	0.13	0.12	0.12	0.10
Profitability (%)	Return on total assets	12.15	9.35	9.91	13.11	11.91
	Return on shareholders' equity	17.20	13.06	13.61	18.01	16.22
	Pre-tax income to paid-in capital	39.67	32.21	37.32	46.79	45.28
	Profit ratio	88.11	68.04	74.76	106.20	110.39
	Earnings per share (NT$)	3.62	2.93	3.24	4.43	4.38
Cash flow (%)	Cash flow ratio	1.19	(1.78)	1.33	(17.85)	(9.46)
	Cash flow adequacy ratio	(Note 2)			(7.54)	(12.27)
	Cash flow reinvestment ratio	-	-	-	-	-
Leverage	Operating leverage	1.39	2.16	1.50	1.99	1.51
	Financial leverage	2.62	(1.28)	4.95	(2.60)	2.89

Note 1: The financial statements for 2013 to 2017have been audited by independent auditors.

Note 2: Our Company has adopted the IFRS approved by the Financial Supervisory Commission to construct financial statements for 5 years and start to calculate the cash flow adequacy ratio since 2016; therefore the cash flow adequacy ratio is not calculated in 2013 to 2015.

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

1. Liquidity:

(1) Decrease in current ratio:

Mainly caused by the margin of increase in current assets 4.27% being lower than the increase in current liabilities 45.81%, The increase in current liabilities was mainly due to increase in long-term borrowing.

(2) Decrease in quick ratio:

Mainly caused by the margin of increase in quick assets 4.14% being lower than the increase in current liabilities 45.81%. The increase in current liabilities was mainly due to increase in long-term borrowing.

2. Operating ability:

The decrease in average inventory turnover days is mainly caused by the increase in inventory turnover 14.36%.

3. Cash flow:

(1) Increase in cash flow ratio:

Mainly due to the decrease in net cash outflow from operating activities and the increase in current liabilities this year. Explanations are as follows:

Net cash outflow from operating activities this year decreased by NT$400 million compared with the same period last year. This is mainly due to a decrease of NT$450 million in pre-tax income compared with the same period last year, and a decrease of NT$460 million in the share of "Income Charges (Credits) not Affecting Cash" of subsidiaries and associates accounted for using the equity method, an increase of NT$740 million in accounts receivables from "Changes in Certain Working Capital Components and Other Assets and Liabilities", an increase of NT$750 million in other accounts payable, a decrease of NT$920 million in net defined benefit liabilities, and a decrease of NT$730 million in income tax paid compared with the same period last year. The increase in current liabilities was mainly due to increase in long-term borrowing.

(2) Decrease in net cash flow adequacy ratio:

Mainly due to the decrease in net cash inflow from operating activities in the last 5 years, and the increase in capital expenditures and cash dividends in the last 5 years.

4. Leverage

(1) Decrease in operating leverage:

Mainly due to operating revenue this year—deducted by variable operating costs and expenses—increasing at a lower degree 49.1% than the degree at which operating income increased 95.91%.

(2) Increase in financial leverage:

Mainly due to the increase in operating income this year 95.91% and the decrease in interest expenses 7.35%.

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)

6.3 The Audit Committee's Review Report on the 2017 Financial Statements

Audit Committee's Review Report

The Board of Directors has prepared and submitted the Company's 2017 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:

2018 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:

Chen, Bor-Liang

Date: March 26, 2018

Audit Committee's Review Report on Profit Distribution Plan

The Board of Directors has prepared and submitted the 2017 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:

2018 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:

Chen, Bor-Liang

Date: April 30, 2018

6.4 Financial Statements for the Most Recent Fiscal Year

Deloitte.

勤業眾信

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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, 2017 and 2016, 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 in the Other Matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, 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, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following are the key audit matters of the consolidated financial statements of the Group as of and for the year ended December 31, 2017:

Write-down of Inventory

As of December 31, 2017, the carrying amount of finished goods for the retail products included in the inventories was $25,363,734 thousand. For the related disclosures, refer to Notes 4, 5 and 12 to the consolidated financial statements.

The determination of net realizable value required evaluation of the condition of the product market sales and quality and assessed obsolete and slow-moving inventory; the evaluation involved significant judgments and estimations made by management. Therefore, the write-down of inventory is regarded as a key audit matter of the 2017 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

As of December 31, 2017, goodwill allocated to the manufacturing and marketing of footwear materials and the retail and distribution of sportswear products of the Group amounted to $5,460,722 thousand and $2,454,932 thousand, respectively. For the related disclosures, refer to Notes 4, 5 and 20 to the consolidated financial statements.

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. The test of impairment involved significant judgments and estimations made by management. As a result, the impairment of goodwill is regarded as a key audit matter of the 2017 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 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, 2017 and 2016, the carrying value of the investments were $16,659,984 thousand and $8,912,633 thousand which constituted 5.52% and 3.03% of the Group's consolidated total assets, respectively. For the years ended December 31, 2017 and 2016, the share of profit of the associate were $3,775,090 thousand and $4,255,105 thousand which constituted 15.21% and 16.19% 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, 2017 and 2016 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including 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, 2017 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 Kenny Hong and Ker-Chang Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 34,108,353	11	$ 35,635,653	12
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,096,915	-	1,110,141	-
Available-for-sale financial assets - current (Notes 4 and 8)	14,590,513	5	13,875,320	5
Held-to-maturity financial assets - current (Notes 4 and 9)	1,359,820	1	972,124	-
Debt investments with no active market - current (Notes 4 and 10)	372,848	-	793,924	-
Notes receivable (Notes 4 and 11)	54,953	-	22,743	-
Notes receivable from related parties (Notes 4, 11 and 38)	64	-	17	-
Accounts receivable (Notes 4 and 11)	36,805,201	12	38,073,679	13
Accounts receivable from related parties (Notes 4, 11 and 38)	61,539	-	54,156	-
Other receivables (Notes 4 and 11)	3,665,966	1	4,328,034	2
Inventories - manufacturing and retailing (Notes 4 and 12)	47,776,580	16	40,709,470	14
Inventories - construction (Notes 4 and 12)	4,777,895	2	4,895,683	2
Prepayments for leases (Note 4)	138,455	-	152,980	-
Non-current assets held for sale (Notes 4 and 13)	23,659	-	1,386,879	-
Other current assets (Notes 4 and 14)	9,834,604	3	9,309,768	3
Total current assets	154,667,365	51	151,320,571	51
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	582,701	-	328,492	-
Available-for-sale financial assets - non-current (Notes 4 and 8)	1,146,061	-	908,711	-
Held-to-maturity financial assets - non-current (Notes 4 and 9)	4,286,504	1	5,191,289	2
Financial assets measured at cost - non-current (Notes 4 and 15)	495,121	-	592,550	-
Debt investments with no active market - non-current (Notes 4, 10 and 39)	40,029	-	35,205	-
Investments accounted for using equity method (Notes 4 and 17)	40,826,193	14	39,108,525	13
Property, plant and equipment (Notes 4 and 18)	71,517,038	24	71,464,806	25
Investment properties (Notes 4, 19 and 39)	2,247,431	1	2,309,447	1
Goodwill (Notes 4 and 20)	8,691,600	3	9,103,660	3
Other intangible assets (Notes 4 and 21)	3,703,027	1	2,850,439	1
Deferred tax assets (Notes 4 and 29)	1,418,577	1	861,151	-
Long-term prepayments for leases (Note 4)	5,575,528	2	5,575,613	2
Other non-current assets (Notes 4 and 14)	6,707,255	2	4,239,402	2
Total non-current assets	147,237,065	49	142,569,290	49
TOTAL	$ 301,904,430	100	$ 293,889,861	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 22)	$ 33,448,199	11	$ 24,031,120	8
Short-term bills payable (Note 22)	2,966,334	1	2,544,755	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	232,577	-	915,676	-
Notes payable (Notes 4 and 23)	51,547	-	19,526	-
Notes payable to related parties (Notes 4, 23 and 38)	11,250	-	26,809	-
Accounts payable (Notes 4 and 23)	12,730,775	4	13,189,428	4
Accounts payable to related parties (Notes 4, 23 and 38)	1,126,538	-	1,450,017	1
Other payables (Note 24)	26,027,401	9	25,218,684	9
Current tax liabilities (Notes 4 and 29)	2,497,360	1	1,574,657	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)	750,000	-	-	-
Other current liabilities	4,619,043	2	4,693,927	2
Total current liabilities	84,461,024	28	74,732,364	26
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 22)	54,461,632	18	50,363,126	17
Deferred tax liabilities (Notes 4 and 29)	1,121,029	1	1,774,228	1
Long-term payables (Note 24)	151,364	-	159,330	-
Net defined benefit liabilities (Notes 4 and 25)	3,284,204	1	3,810,791	1
Other non-current liabilities	45,231	-	39,318	-
Total non-current liabilities	59,063,460	20	56,146,793	19
Total liabilities	143,524,484	48	130,879,157	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	4,615,341	1	4,540,163	2
Retained earnings				
Legal reserve	12,518,889	4	11,213,184	4
Special reserve	13,636,368	5	11,905,595	4
Unappropriated earnings	37,294,138	12	32,214,698	11
Total retained earnings	63,449,395	21	55,333,477	19
Other equity	(13,917,230)	(5)	(13,636,368)	(5)
Total equity attributable to owners of the Company	83,615,378	27	75,705,144	26
NON-CONTROLLING INTERESTS	74,764,568	25	87,305,560	29
Total equity	158,379,946	52	163,010,704	55
TOTAL	$ 301,904,430	100	$ 293,889,861	100

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

(With Deloitte & Touche audit report dated March 26, 2018)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 27 and 38)	$ 278,631,872	100	$ 274,895,346	100
OPERATING COSTS (Notes 25, 28 and 38)	205,563,548	74	204,512,552	75
GROSS PROFIT	73,068,324	26	70,382,794	25
OPERATING EXPENSES (Notes 25 and 28)				
Selling and marketing expenses	30,051,746	11	26,038,771	9
General and administrative expenses	19,517,193	7	19,366,648	7
Research and development expenses	6,431,287	2	7,192,192	3
Total operating expenses	56,000,226	20	52,597,611	19
INCOME FROM OPERATIONS	17,068,098	6	17,785,183	6
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 28)	4,131,649	2	4,181,557	1
Other gains and losses (Note 28)	(179,369)	-	(642,987)	-
Finance costs (Note 28)	(1,986,075)	(1)	(1,316,016)	-
Share of the profit of associates and joint ventures (Notes 4 and 17)	5,783,201	2	6,272,065	2
Total non-operating income and expenses	7,749,406	3	8,494,619	3
INCOME BEFORE INCOME TAX	24,817,504	9	26,279,802	9
INCOME TAX EXPENSE (Notes 4 and 29)	(3,086,914)	(1)	(3,277,883)	(1)
NET INCOME FOR THE YEAR	21,730,590	8	23,001,919	8
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 25)	(494,241)	-	(441,804)	-
Share of the other comprehensive loss of associates and joint ventures	(40,298)	-	(26,353)	-

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (3,497,789)	(1)	$ (3,059,800)	(1)
Unrealized gain on available-for-sale financial assets	1,033,280	-	1,473,111	-
Share of the other comprehensive income (loss) of associates and joint ventures	3,718,571	1	(1,257,357)	-
Other comprehensive income (loss) for the year, net of income tax	719,523	-	(3,312,203)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 22,450,113	8	$ 19,689,716	7
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 12,921,606	5	$ 13,057,050	5
Non-controlling interests	8,808,984	3	9,944,869	3
	$ 21,730,590	8	$ 23,001,919	8
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 12,255,237	4	$ 10,946,757	4
Non-controlling interests	10,194,876	4	8,742,959	3
	$ 22,450,113	8	$ 19,689,716	7
EARNINGS PER SHARE (Note 30)				
Basic	$ 4.38		$ 4.43	
Diluted	$ 4.37		$ 4.29	

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

(With Deloitte & Touche audit report dated March 26, 2018) (Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(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, 2016	$ 29,467,872	$ 4,631,708	$ 10,260,048	$ 5,608,553	$ 31,207,526	$ 5,020,886	$ (16,926,480)	$ 69,270,113	$ 85,533,554	$ 154,803,667
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
Appropriation of 2016 earnings (Note 26)										
Legal reserve	-	-	1,305,705	-	(1,305,705)	-	-	-	-	-
Special reserve	-	-	-	1,730,773	(1,730,773)	-	-	-	-	-
Cash dividends	-	-	-	-	(4,420,181)	-	-	(4,420,181)	-	(4,420,181)
	-	-	1,305,705	1,730,773	(7,456,659)	-	-	(4,420,181)	-	(4,420,181)
Net income for the year ended December 31, 2017	-	-	-	-	12,921,606	-	-	12,921,606	8,808,984	21,730,590
Other comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	(385,507)	(4,899,702)	4,618,840	(666,369)	1,385,892	719,523
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,536,099	(4,899,702)	4,618,840	12,255,237	10,194,876	22,450,113
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 26)	-	(47,650)	-	-	-	-	-	(47,650)	-	(47,650)
Share of changes in equities of subsidiaries (Notes 4 and 26)	-	(7,579)	-	-	-	-	-	(7,579)	-	(7,579)
Changes in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 26)	-	130,407	-	-	-	-	-	130,407	-	130,407
Change in non-controlling interests	-	-	-	-	-	-	-	-	(22,735,868)	(22,735,868)
Change in equity for the year ended December 31, 2017	-	75,178	1,305,705	1,730,773	5,079,440	(4,899,702)	4,618,840	7,910,234	(12,540,992)	(4,630,758)
BALANCE AT DECEMBER 31, 2017	$ 29,467,872	$ 4,615,341	$ 12,518,889	$ 13,636,368	$ 37,294,138	$ (1,790,529)	$ (12,126,701)	$ 83,615,378	$ 74,764,568	$ 158,379,946

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

(With Deloitte & Touche audit report dated March 26, 2018)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax for the year	$ 24,817,504	$ 26,279,802
Adjustments for:		
Depreciation expenses	8,895,832	8,427,917
Amortization expenses	689,903	365,488
(Reversal of) provision for impairment of accounts receivable	(141,115)	65,832
Net gain on fair value change of financial instruments at fair value through profit or loss	(956,473)	(781,268)
Finance costs	1,986,075	1,316,016
Interest income	(605,978)	(530,490)
Dividends income	(856,941)	(874,208)
Compensation cost of employee share options	142,912	58,890
Share of profit of associates and joint ventures	(5,783,201)	(6,272,065)
Net loss on disposal of property, plant and equipment	821,180	251,490
Net gain on disposal of investment properties	(14,199)	-
Net gain on disposal of investments	(37,984)	(31,530)
Net gain on disposal of subsidiaries, associates and joint ventures	(480,603)	(70,892)
Recognized of impairment loss	161,865	272,723
Gain from bargain purchase - acquisition of subsidiaries	(2,320)	-
Changes in operating assets and liabilities		
Financial instruments held for trading	615,937	(289,872)
Notes receivable	(32,210)	(10,522)
Notes receivable from related parties	(47)	3
Accounts receivable	1,409,593	(4,342,889)
Accounts receivable from related parties	(7,383)	23,950
Other receivables	648,793	(600,687)
Inventories	(6,949,322)	653,189
Other current assets	(524,836)	(19,551)
Other operating assets	(153,730)	186,924
Notes payable	32,021	(1,811)
Notes payable to related parties	(15,559)	11,729
Accounts payable	(458,653)	(2,240,828)
Accounts payable to related parties	(323,479)	(416,266)
Other payables	605,563	(660,928)
Other current liabilities	(74,884)	311,553
Net defined benefit liabilities	(1,020,828)	13,860
Other operating liabilities	(7,966)	(17,857)
Cash generated from operations	22,379,467	21,077,702
Interest paid	(1,878,472)	(1,297,091)
Income tax paid	(3,692,347)	(4,074,686)
Net cash generated from operating activities	16,808,648	15,705,925

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets design at FVTPL	$ (595,200)	$ -
Proceeds on sale of financial assets design at FVTPL	11,654	379,743
Acquisition of debt investments with no active market	(687,838)	(766,383)
Proceeds on sale of debt investments with no active market	1,104,090	1,360,722
Acquisition of held-to-maturity financial assets	(672,677)	(5,024,724)
Proceeds on held-to-maturity financial assets	1,007,080	49,960
Acquisition of financial assets measured at cost	(4,085)	(12,191)
Proceed on sale of financial assets measured at cost	99,891	99,844
Acquisition of associates and joint ventures	(115,283)	(118,514)
Proceeds from disposal of associates and joint ventures	1,825,208	12,467
Net cash outflow on acquisition of subsidiaries	52,647	-
Net cash outflow (inflow) on disposal of subsidiaries	175,411	(37,557)
Acquisition of property, plant and equipment	(15,107,635)	(13,569,790)
Proceeds from disposal of property, plant and equipment	531,478	1,760,564
Increase in refundable deposits	(173,888)	(201,540)
Acquisition of intangible assets	(22)	-
Acquisition of investment properties	(978)	(57,094)
Proceeds from disposal of investment properties	86,103	-
Increase in prepayments for equipment	(2,140,235)	(1,284,269)
Acquisition of long-term prepayments for leases	(15,469)	(59,313)
Proceeds from disposal of long-term prepayments for leases	25,542	75,693
Interest received	618,857	402,892
Dividends received	3,307,163	3,141,728
Cash dividends from reduction of capital surplus from associates	-	5,435
Net cash used in investing activities	(10,668,186)	(13,842,327)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	9,417,079	8,322,367
Proceeds from short-term bills payable	422,000	-
Repayments of short-term bills payable	-	(45,500)
Proceeds from long-term borrowings	5,156,200	-
Repayments of long-term borrowings	-	(586,500)
Increase in guarantee deposits	5,913	895
Cash dividend	(4,420,181)	(4,420,181)
Change in non-controlling interests	(22,735,868)	(6,970,953)
Net cash used in financing activities	(12,154,857)	(3,699,872)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	4,443,590	(305,479)

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (1,570,805)	$ (2,141,753)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	35,679,158	37,820,911
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 34,108,353	$ 35,679,158

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

	December 31	
	2017	2016
Cash and cash equivalents in consolidated balance sheets	$ 34,108,353	$ 35,635,653
Cash and cash equivalents included in a disposal group held for sale	-	43,505
Cash and cash equivalents in consolidated statements of cash flow	$ 34,108,353	$ 35,679,158

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

(With Deloitte & Touche audit report dated March 26, 2018) (Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(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 ("HKEx").

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 26, 2018.

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

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

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

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

      The amendments clarify 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 the fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. When the amendments are applied retrospectively from January 1, 2017, the application of amendments will not have a significant effect on the accounting of the Group.

2) IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues the related liability when the transaction or activity that triggers the payment of the levy occurs. If the obligating event occurs over a period of time (such as the generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached. When the amendments are applied retrospectively from January 1, 2017, the application of IFRIC 21 will not have a significant effect on the accounting of the Group.

3) Annual Improvements to IFRSs 2010-2012 Cycle

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

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

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

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

Under the amended IFRS 13, short-term receivables and payables with no stated interest rate are measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 “Related Party Disclosures” was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the services 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.

4) 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 which do not meet the definitions of financial assets or financial liabilities within IAS 32.

When the amendments are applied retrospectively from January 1, 2017, the application of amendments will not have a significant effect on the accounting of the Group.

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

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

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

The amended IAS 38 "Intangible Assets" clarifies 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 when:

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

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

6) Annual Improvements to IFRSs 2012-2014 Cycle

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

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

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

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an 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 transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount 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 conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosure of related party transaction is enhanced, please refer to Note 38.

b. IFRSs endorsed by the FSC for application starting from 2018

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014 - 2016 Cycle	Note 2
Amendments 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
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
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 amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

1) Annual Improvements to IFRSs 2014-2016 Cycle

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

The amendment to IFRS 12 clarifies 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.

2) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

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

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

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

b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling 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 gains or losses are recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above measurements, 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 Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;

b) Debt investments classified as held-to-maturity financial assets or debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A loss allowance is required for financial assets measured at amortized cost, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for 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.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9; the cumulative effect of the initial application is recognized at the date of initial application and disclosures related to the classification and the adjustment information are made on initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Financial assets at fair value through profit or loss - current	$ 1,096,915	$ 577,878	$ 1,674,793
Financial assets at fair value through other comprehensive income - current	-	14,012,635	14,012,635
Available-for-sale financial assets - current	14,590,513	(14,590,513)	-
Held-to-maturity financial assets - current	1,359,820	(1,359,820)	-
Debt investments with no active market - current	372,848	(372,848)	-
Financial assets measured at amortized cost - current	-	1,732,668	1,732,668
Financial assets at fair value through other comprehensive income - non-current	-	1,488,619	1,488,619
Financial assets at fair value through profit or loss - non-current	582,701	316,698	899,399
Available-for-sale financial assets - non-current	1,146,061	(1,146,061)	-
Financial assets measured at cost - non-current	495,121	(495,121)	-
Financial assets measured at amortized cost - non-current	-	4,326,533	4,326,533
Held-to-maturity financial assets - non-current	4,286,504	(4,286,504)	-
Debt investments with no active market - non-current	40,029	(40,029)	-
Investments accounted for using equity method	40,826,193	13,608,251	54,434,444
Total effect on assets	$ 64,796,705	$ 13,772,386	$ 78,569,091

(Continued)

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Financial liabilities at fair value through profit or loss - current	$ 232,577	$ -	$ 232,577
Total effect on liabilities	$ 232,577	$ -	$ 232,577
Retained earnings	$ 63,449,395	$ 292,111	$ 63,741,506
Other equity	(13,917,230)	13,480,275	(436,955)
Non-controlling interests	74,764,568	-	74,764,568
Total effect on equity	$ 124,296,733	$ 13,772,386	$ 138,069,119

(Concluded)

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

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

When applying IFRS 15, the Group 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 Group satisfies a performance obligation.

The application of amendments will not have a significant effect on the accounting of the Group.

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

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

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

In assessing a deferred tax asset, the Group currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendments will be applied retrospectively in 2018.

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

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

There is no material impact of the amendments to reflect the conditions that exist at January 1, 2018.

6) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

The Group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed application of other standards and interpretations will not have significant effect on the Group's financial position and financial performance.

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
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 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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

The amendments stipulate that, when 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 over 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.

2) IFRS 16 "Leases"

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

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

The application of IFRS 16 will not have a significant effect 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.

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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

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

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

5) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 "Borrowing Costs", were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

6) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

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

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

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. Levies

A levy imposed by a government is accrued as other liability when the transaction or activity that triggers the payment of the levy occurs. If the obligating event occurs over a period of time, the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

q. 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.

r. 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".

s. 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.

t. 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.

u. 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.

v. 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 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. 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	
	2017	2016
Cash on hand	$ 32,791	$ 37,039
Checking accounts and demand deposits	26,736,680	21,881,193
Cash equivalent (investments with original maturities of less than three months)		
Time deposits	6,737,778	12,451,531
Repurchase agreements collateralized by bonds	601,104	1,265,890
	$ 34,108,353	$ 35,635,653

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
Financial assets designated as at FVTPL		
Structured deposit (a)	$ 882,574	$ 328,492
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts (b)	47,108	55,324
Exchange rate option contracts (c)	7,280	-
Exchange rate swap contracts (d)	-	118,917
Cross-currency swap contracts (e)	-	12,998
Interest rate swap contracts (f)	29,705	33,365
Non-derivative financial assets		
Domestic open-ended mutual funds	712,949	889,537
	$ 1,679,616	$ 1,438,633
Current	$ 1,096,915	$ 1,110,141
Non-current	582,701	328,492
	$ 1,679,616	$ 1,438,633
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Exchange rate option contracts (c)	$ -	$ 768,646
Exchange rate swap contracts (d)	197,154	129,784
Cross-currency swap contracts (e)	32,314	-
Interest rate swap contracts (f)	3,109	17,246
	$ 232,577	$ 915,676
Current	$ 232,577	$ 915,676

a. Structured deposits

1) Wealthplus entered into a five-year USD structured time deposit contract with a bank in January 2013. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. As of December 31, 2017 and 2016, the structured time deposit was recorded under "financial assets at FVTPL - current" and "financial assets at FVTPL - non-current", respectively.

2) Wealthplus entered into a five-year USD structured time deposit contract with a bank in October 25, 2017. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. As of December 31, 2017, the structured time deposit was recorded under "financial assets at FVTPL - non-current".

3) 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, 2017

Notional Amount (In Thousands)		Forward Exchange Rates
US$	144,800	Sell US$/buy IDR at 13,680 to 13,925

December 31, 2016

Notional Amount (In Thousands)		Forward Exchange Rates
US$	116,000	Sell US$/buy IDR at 13,725 to 14,389

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

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

December 31, 2017

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

December 31, 2016

Notional Amount (In Thousands)		Type	Buy/Sale	Maturity	Rate
US$	20,000	Put	Sell	2017.01-2017.05	US$:RMB6.6700
US$	24,000	Put	Sell	2017.01-2017.06	US$:RMB6.7000
US$	14,000	Put	Sell	2017.01-2017.07	US$:RMB6.7500
US$	42,000	Put	Sell	2017.01-2017.07	US$:RMB6.8000
US$	8,000	Put	Sell	2017.01-2017.04	US$:RMB6.7600
US$	12,000	Put	Sell	2017.01-2017.06	US$:RMB6.7000
US$	10,000	Put	Sell	2017.01-2017.04	US$:RMB6.7700
US$	48,000	Put	Sell	2017.12-2018.11	US$:RMB6.9000
US$	48,000	Put	Sell	2017.12-2018.11	US$:RMB6.9000
US$	8,000	Put	Sell	2017.02-2017.05	US$:RMB6.7530
US$	24,000	Put	Sell	2017.01-2017.06	US$:RMB6.7000

(Continued)

Notional Amount (In Thousands)		Type	Buy/Sale	Maturity	Rate
US$	28,000	Put	Sell	2017.01-2017.06	US$:RMB6.7530
US$	24,000	Put	Sell	2017.06-2018.05	US$:RMB7.2000
US$	24,000	Put	Sell	2017.06-2018.05	US$:RMB7.5000
US$	42,000	Put	Sell	2017.01-2017.07	US$:RMB6.3485
US$	28,000	Put	Sell	2017.01-2017.07	US$:RMB6.3485
US$	28,000	Put	Sell	2017.01-2017.07	US$:RMB6.3485
US$	42,000	Put	Sell	2017.01-2017.07	US$:RMB6.3900
US$	48,000	Put	Sell	2017.01-2017.08	US$:RMB6.5200
US$	10,000	Put	Sell	2017.01	US$:NT$ 32.30
US$	20,000	Put	Sell	2017.01	US$:NT$ 32.20
US$	82,000	Put	Sell	2017.01-2017.10	US$:NT$ 33.00
US$	92,000	Put	Sell	2017.01-2017.11	US$:NT$ 32.95

(Concluded)

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

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

December 31, 2017

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

December 31, 2016

Notional Amount (In Thousands)		Maturity Date	Rate	
US$	7,300	2017.01	US$:NT$	31.820
US$	20,600	2017.01	US$:NT$	31.820
US$	23,400	2017.01	US$:NT$	31.870
US$	30,000	2017.01	US$:NT$	31.859
US$	48,000	2017.01	US$:NT$	31.805
US$	6,000	2017.01	US$:NT$	31.805
US$	30,000	2017.01	US$:NT$	31.805
US$	2,000	2017.01	US$:NT$	31.805
US$	21,300	2017.01	US$:NT$	31.881
US$	10,000	2017.01	US$:NT$	31.881
US$	18,000	2017.01	US$:NT$	32.012
US$	35,000	2017.02	US$:NT$	32.017
US$	35,000	2017.02	US$:NT$	32.017
US$	32,300	2017.02	US$:NT$	32.017
US$	26,000	2017.02	US$:NT$	32.187
US$	3,000	2017.02	US$:NT$	32.187
US$	32,200	2017.02	US$:NT$	32.187
US$	30,300	2017.02	US$:NT$	32.187
US$	25,000	2017.02	US$:NT$	32.187
US$	26,800	2017.02	US$:NT$	32.187
US$	40,000	2017.02	US$:NT$	32.187
RMB	45,000	2017.03	RMB:NT$	4.8513
RMB	123,900	2017.03	RMB:NT$	4.8500
RMB	53,000	2017.03	RMB:NT$	4.8500
RMB	30,000	2017.03	RMB:NT$	4.6150
RMB	50,000	2017.07	RMB:NT$	4.6993
RMB	91,000	2017.03	US$:RMB	6.7800
RMB	40,000	2017.03	US$:RMB	6.7799
RMB	50,208	2017.03	US$:RMB	6.7800

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

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

December 31, 2017

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

December 31, 2016

Notional Amount (In Thousands)		Maturity Date	Rate		Interest %
US$	10,000	2017.02	US$:NT$	31.920	0.76
US$	10,000	2017.03	US$:NT$	31.263	0.76

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

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

December 31, 2017

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

December 31, 2016

Notional Amount (In Thousands)		Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)
$	375,000	2018.06	1.340	0.65922
	675,000	2018.06	1.310	0.65922
	450,000	2018.06	1.310	0.65922
	375,000	2018.06	1.290	0.65922
	375,000	2018.06	1.278	0.65922
	225,000	2018.06	1.265	0.65922
	375,000	2018.06	1.280	0.65922
	150,000	2018.06	1.260	0.65922
US$	60,000	2020.01	1.545	0.93417
US$	50,000	2021.03	0.840	0.95872

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic investments		
Listed shares	$ 15,158,696	$ 14,264,621
Foreign investments		
Listed shares	577,878	519,410
	$ 15,736,574	$ 14,784,031
Current	$ 14,590,513	$ 13,875,320
Non-current	1,146,061	908,711
	$ 15,736,574	$ 14,784,031

9. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic investments		
Bonds	$ 737,359	$ 749,828
Foreign investments		
Bonds	1,477,320	1,918,939
Commercial paper	2,469,347	2,518,046
Structured product	962,298	976,600
	$ 5,646,324	$ 6,163,413
Current	$ 1,359,820	$ 972,124
Non-current	4,286,504	5,191,289
	$ 5,646,324	$ 6,163,413

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Time deposits with original maturity more than three months	$ 372,848	$ 793,924
Others	40,029	35,205
	$ 412,877	$ 829,129
Current	$ 372,848	$ 793,924
Non-current	40,029	35,205
	$ 412,877	$ 829,129

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 2017	December 31 2016
Notes receivable (including related parties)		
Notes receivable - operating	$ 2,162	$ 22,514
Notes receivable - non-operating	52,855	246
Less: Allowance for doubtful accounts	-	-
	$ 55,017	$ 22,760
Accounts receivable (including related parties)		
Accounts receivable	$ 37,418,873	$ 38,867,053
Less: Allowance for doubtful accounts	(552,133)	(739,218)
	$ 36,866,740	$ 38,127,835
Other receivables		
Tax refund receivables	$ 1,742,347	$ 1,632,482
Others	1,924,478	2,696,410
Less: Allowance for doubtful accounts	(859)	(858)
	$ 3,665,966	$ 4,328,034

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, 2017 and 2016 were not past due.

b. Accounts receivable

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

December 31, 2017

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

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

The above aging schedule was based on the invoice date.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 739,218	$ -	$ 739,218
Less: Reversal of impairment losses	(141,115)	-	(141,115)
Less: Amounts written off during the year as uncollectable	(3,270)	-	(3,270)
Effects of exchange rate changes	(42,700)	-	(42,700)
Balance at December 31, 2017	$ 552,133	$	$ 552,133
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

12. INVENTORIES

	December 31	
	2017	2016
Inventories - manufacturing and retailing	$ 47,776,580	$ 40,709,470
Inventories - construction	4,777,895	4,895,683
	$ 52,554,475	$ 45,605,153

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

	December 31	
	2017	2016
Raw materials	$ 7,647,272	$ 7,728,453
Work in progress	5,068,405	4,462,189
Finished goods and merchandise	35,060,903	28,518,828
	$ 47,776,580	$ 40,709,470

The cost of manufacturing and retailing inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $205,287,477 thousand and $204,274,366 thousand, respectively.

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

	December 31	
	2017	2016
Land and buildings held for development	$ 4,612,454	$ 4,730,966
Land and buildings held for sale	54,549	53,825
Land held for construction site	110,892	110,892
	$ 4,777,895	$ 4,895,683

The cost of construction inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $276,071 thousand and $238,186 thousand, respectively.

13. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

	December 31	
	2017	2016
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	23,659	18,963
Other assets	-	95,943
	$ 23,659	$ 1,386,879
Liabilities directly associated with non-current assets held for sale		
Accounts payable and other payables	$ -	$ 1,067,765

a. Yue Yuen resolved to dispose assets of its subsidiaries during 2017 and reclassified the assets to “non-current assets held for sale”. The carrying amount of the assets was $23,659 thousand (US$795 thousand) at December 31, 2017.

b. Pou Sheng resolved to dispose its joint venture during 2016 and reclassified it to “non-current assets held for sale”. The carrying amount was $46,376 thousand (US$1,438 thousand) at December 31, 2016.

c. 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 was $272,738 thousand (US$8,457 thousand) at December 31, 2016.

14. OTHER ASSETS

	December 31	
	2017	2016
Prepayments	$ 8,144,841	$ 7,937,123
Refundable deposits	531,329	357,441
Defined benefit assets (Note 25)	43,754	43,754
Prepayments for equipment	5,616,393	3,476,158
Others	2,205,542	1,734,694
	$ 16,541,859	$ 13,549,170
Current	$ 9,834,604	$ 9,309,768
Non-current	6,707,255	4,239,402
	$ 16,541,859	$ 13,549,170

15. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2017	2016
Domestic investments		
Unlisted shares	$ 73,167	$ 73,221
Foreign investments		
Unlisted shares	166,440	196,825
Mutual funds	255,514	322,504
	421,954	519,329
	$ 495,121	$ 592,550
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 495,121	$ 592,550

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 2017	Proportion of Ownership December 31 2016
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 2017	Proportion of Ownership December 31 2016
Yue Yuen Industrial (Holdings) Limited	Bermuda	Manufacturing and sale of athletic and casual footwear and sports apparel	48.94%	48.93%
Pou Sheng International (Holdings) Limited	Bermuda	Retailing of sporting goods and brand licensing business	30.55%	30.54%
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, 2017 the ownership percentage was 1.05%). Investing is its primary operation activities.

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

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership December 31 2017	Proportion of Ownership December 31 2016
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 2017	2016
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 2017	2016
Yue Yuen Industrial (Holdings) Limited	50.01%	50.02%
Pou Sheng International (Holdings) Limited	37.59%	37.59%

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31 2017	2016	Accumulated Non-controlling Interests December 31 2017	2016
Yue Yuen Industrial (Holdings) Limited	$ 7,902,157	$ 8,600,772	$ 63,128,345	$ 75,958,104
Pou Sheng International (Holdings) Limited	665,178	1,041,992	10,921,682	10,319,355

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 2017	2016
Current assets	$ 130,449,506	$ 128,035,423
Non-current assets	114,198,106	116,290,696
Current liabilities	(64,831,535)	(54,720,629)
Non-current liabilities	(41,830,150)	(26,317,677)
Equity	$ 137,985,927	$ 163,287,813
Equity attributable to:		
Owners of the Company	$ 63,473,013	$ 76,290,824
Non-controlling interests of Yue Yuen	63,128,345	75,958,104
Non-controlling interests of Yue Yuen's subsidiaries	11,384,569	11,038,885
	$ 137,985,927	$ 163,287,813

	For the Year Ended December 31	
	2017	2016
Operating revenue	$ 277,409,708	$ 273,572,133
Net income	$ 16,773,963	$ 18,547,628
Other comprehensive loss	2,157,269	(1,704,608)
Total comprehensive income	$ 18,931,232	$ 16,843,020
Net income attributable to:		
Owners of the Company	$ 7,954,806	$ 8,603,813
Non-controlling interests of Yue Yuen	7,902,157	8,600,772
Non-controlling interests of Yue Yuen's subsidiaries	917,000	1,343,043
	$ 16,773,963	$ 18,547,628
Total comprehensive income attributable to:		
Owners of the Company	$ 8,714,106	$ 8,071,718
Non-controlling interests of Yue Yuen	8,662,047	8,068,264
Non-controlling interests of Yue Yuen's subsidiaries	1,555,079	703,038
	$ 18,931,232	$ 16,843,020
Net cash (outflow) inflow from:		
Operating activities	$ 14,489,857	$ 17,033,451
Investing activities	(12,632,179)	(10,887,537)
Financing activities	(2,745,020)	(6,183,921)
Net cash outflow	$ (887,342)	$ (38,007)
Dividends paid to:		
Non-controlling interests of Yue Yuen	$ 15,542,155	$ 4,097,523
Non-controlling interests of Yue Yuen's subsidiaries	$ 238,146	$ 450,760

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2017	2016
Investments in associates	$ 33,380,099	$ 27,252,593
Investments in joint ventures	7,446,094	11,855,932
	$ 40,826,193	$ 39,108,525

a. Investments in associates

	December 31	
	2017	2016
Material associate		
Ruen Chen Investment Holding Co., Ltd.	$ 16,659,984	$ 8,912,633
Associates that are not individually material	16,720,115	18,339,960
	$ 33,380,099	$ 27,252,593

1) Material associate

Name of Associate	Proportion of Ownership and Voting Rights (%) December 31 2017	2016
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 2017	2016
Assets	$ 4,035,948,083	$ 3,644,010,238
Liabilities	(3,936,746,594)	(3,587,128,559)
Non-controlling interests	(15,605,007)	(12,021,953)
Owners of Ruen Chen Investment Holding Co., Ltd.	$ 83,596,482	$ 44,859,726
Proportion of the Group	20%	20%
Equity attributable to the Group	$ 16,719,296	$ 8,971,945
Other adjustments	(59,312)	(59,312)
Carrying amount	$ 16,659,984	$ 8,912,633

	For the Year Ended December 31 2017	2016
Operating revenue	$ 674,451,923	$ 657,143,807
Net income	$ 20,864,196	$ 23,499,027
Other comprehensive income (loss)	20,744,687	(6,963,584)
Total comprehensive income	$ 41,608,883	$ 16,535,443

2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights (%) December 31 2017	2016
Luen Thai Holdings Ltd.	-	9.74
Eagle Nice (International) Holdings Limited	38.42	38.42
Evermore Chemical Industry Co., Ltd. (Note 41)	29.05	29.05
San Fang Chemical Industry Co., Ltd.	44.72	44.72
Elitegroup Computer Systems Co., Ltd.	19.50	19.50
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
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
Just Lucky Investments Limited	38.30	38.30
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	40.00
Venture Well Holdings Ltd.	31.55	31.55
Zhuhai Baohong Technology Service Co., Ltd.	-	40.00
Zhuhai Poulik Properties Management Co., Ltd.	40.00	40.00
Nan Pao Resins Chemical Co., Ltd.	19.52	20.09
Techview International Technology Inc.	50.00	50.00

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 2017	2016
The Group's share of:		
Net income	$ 1,373,246	$ 1,664,297
Other comprehensive income (loss)	215,417	(124,318)
Total comprehensive income	$ 1,588,663	$ 1,539,979

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

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

Name of Associate	December 31 2017	December 31 2016
Luen Thai Holdings Ltd.	$ -	$ 1,028,561
Eagle Nice (International) Holdings Limited	$ 2,509,314	$ 1,748,611
Evermore Chemical Industry Co., Ltd.	$ 552,391	$ 356,400
San Fang Chemical Industry Co., Ltd.	$ 5,995,225	$ 6,287,101
Elitegroup Computer Systems Co., Ltd.	$ 2,157,800	$ 1,695,802

b. Investments in joint ventures

	December 31 2017	December 31 2016
Joint ventures that are not individually material	$ 7,432,475	$ 11,842,023
Long-term receivable		
Joint ventures that are not individually material	13,619	13,909
	$ 7,446,094	$ 11,855,932

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 2017	Proportion of Ownership and Voting Rights (%) December 31 2016
Artesol Limited	-	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
Great Skill Industrial Limited	50.00	50.00
Guiyang Baoshang Sports Goods Company Limited	-	50.00
Hangzhou Baohong Sports Goods Company Limited	50.00	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
Texas Clothing Holdings Corp.	-	49.99
Top Units Developments Limited	49.00	-
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	
	2017	2016
The Group's share of:		
Net income	$ 634,866	$ 352,662
Other comprehensive income (loss)	194,420	(179,233)
Total comprehensive income	$ 829,286	$ 173,429

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, 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
Cost								
Balance at January 1, 2017	$ 2,375,731	$ 75,524,027	$ 44,150,158	$ 1,302,918	$ 7,294,225	$ 199,458	$ 4,010,087	$ 134,856,604
Additions	-	4,144,361	6,429,475	134,731	1,152,797	7,996	3,420,971	15,290,331
Acquisitions through business combinations	-	209,387	32,420	2,410	289,410	-	44,535	578,162
Disposal	-	(2,134,700)	(3,423,400)	(112,356)	(793,730)	(7,075)	(7,470)	(6,478,731)
Disposal of subsidiaries	-	(485,261)	(135,378)	(7,797)	(4,586)	-	(146,032)	(779,054)
Reclassification - other	(92,666)	2,109,486	24,167	-	107,198	4,400	(3,008,193)	(855,608)
Reclassified as non-current assets held for sale	-	(65,769)	-	-	-	-	-	(65,769)
Effects of exchange rate changes	-	(4,912,554)	(3,291,357)	(70,769)	(475,697)	(13)	(286,636)	(9,037,026)
Balance at December 31, 2017	$ 2,283,065	$ 74,388,977	$ 43,786,085	$ 1,249,137	$ 7,569,617	$ 204,766	$ 4,027,262	$ 133,508,909
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ (5,241)	$ (30,295,994)	$ (26,981,330)	$ (898,146)	$ (4,991,476)	$ (162,514)	$ (57,097)	$ (63,391,798)
Depreciation expenses	-	(4,160,013)	(3,776,408)	(106,899)	(810,308)	(11,467)	-	(8,865,095)
Acquisitions through business combinations	-	-	-	(301)	(198)	-	-	(499)
Reversal of impairment losses	-	116	-	-	-	-	-	116
Disposal	-	1,543,466	2,750,711	100,733	724,553	6,610	-	5,126,073
Disposal of subsidiaries	-	303,759	72,405	3,989	3,107	-	-	383,260
Reclassification - other	-	161,650	-	-	(7,886)	(7)	57,097	210,854
Reclassified as non-current assets held for sale	-	42,110	-	-	-	-	-	42,110
Effects of exchange rate changes	-	1,984,036	2,122,257	50,550	346,227	38	-	4,503,108
Balance at December 31, 2017	$ (5,241)	$ (30,420,870)	$ (25,812,365)	$ (850,074)	$ (4,735,981)	$ (167,340)	$ -	$ (61,991,871)
Carrying amounts at January 1, 2017	$ 2,370,490	$ 45,228,033	$ 17,168,828	$ 404,772	$ 2,302,749	$ 36,944	$ 3,952,990	$ 71,464,806
Carrying amounts at December 31, 2017	$ 2,277,824	$ 43,968,107	$ 17,973,720	$ 399,063	$ 2,833,636	$ 37,426	$ 4,027,262	$ 71,517,038

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	50-55 years
Elevators	15 years
Machinery and equipment	5-12 years
Transportation equipment	5 years
Office equipment	3-7 years
Other equipment	3-10 years

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

	2017	2016
Cost		
Balance at January 1	$ 2,886,324	$ 2,885,925
Additions	978	57,094
Disposal	(95,008)	-
Reclassification	114,615	(27,921)
Effects of exchange rate changes	(114,108)	(28,774)
Balance at December 31	$ 2,792,801	$ 2,886,324
Accumulated depreciation and impairment		
Balance at January 1	$ (576,877)	$ (569,344)
Depreciation expenses	(30,737)	(30,932)
Disposal	23,104	-
Reclassification	(1,349)	13,658
Effects of exchange rate changes	40,489	9,741
Balance at December 31	$ (545,370)	$ (576,877)
Carrying amounts at January 1	$ 2,309,477	$ 2,316,581
Carrying amounts at December 31	$ 2,247,431	$ 2,309,447

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, 2017 and 2016 were $3,594,750 thousand and $3,498,353 thousand, respectively.

c. Refer to Note 39 for the carrying amount of investments properties pledged by the Group to secure borrowings.

20. GOODWILL

	2017	2016
Cost		
Balance at January 1	$ 9,171,837	$ 9,535,733
Acquisitions through business combinations	339,974	-
Effects of exchange rate changes	(597,189)	(363,896)
Balance at December 31	$ 8,914,622	$ 9,171,837
Accumulated impairment		
Balance at January 1	$ (68,177)	$ -
Recognized impairment losses	(161,981)	(67,021)
Effects of exchange rate changes	7,136	(1,156)
Balance at December 31	$ (223,022)	$ (68,177)
Carrying amounts at January 1	$ 9,103,660	$ 9,535,733
Carrying amounts at December 31	$ 8,691,600	$ 9,103,660

The carrying value of goodwill allocated to four cash-generating units was as follows:

	December 31	
	2017	2016
Goodwill		
Manufacturing and marking of footwear materials	$ 5,460,722	$ 5,922,713
Manufacturing and marking of sports apparel	10,297	184,599
Retailing business - retail and distribution of sportswear products	2,454,932	2,503,632
Retailing business - retail and distribution of apparel	332,598	-
Others	433,051	492,716
	$ 8,691,600	$ 9,103,660

The Group has evaluated the recoverable amount of these cash-generating units for the years ended December 31, 2017 and 2016, 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			
	2017		2016	
	Discount Rate	Growth Rate	Discount Rate	Growth Rate
Manufacturing and marking of footwear materials	15%-22%	3%	13%-14%	2%
Manufacturing and marking of sports apparel	15%-22%	1%	13%-14%	2%
Retailing business - retail and distribution of sportswear products	15%-22%	3%	13%-14%	3%
Retailing business - retail and distribution of apparel	15%-22%	4%	-	-

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, 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
Cost							
Balance at January 1, 2017	$ 708	$ 134	$ 247,583	$ 2,166,716	$ 464,142	$ 2,062,452	$ 4,941,735
Additions	-	22	-	-	-	-	22
Acquisitions through business combinations	-	1,389,738	420,009	-	-	-	1,809,747
Disposal	-	-	-	-	-	(133,950)	(133,950)
Effects of exchange rate changes	(16)	(26,108)	(14,271)	(45,096)	(9,231)	(47,640)	(142,362)
Balance at December 31, 2017	$ 692	$ 1,363,786	$ 653,321	$ 2,121,620	$ 454,911	$ 1,880,862	$ 6,475,192
Accumulated amortization and impairment							
Balance at January 1, 2017	$ (207)	$ (32)	$ (200,143)	$ (276,124)	$ (197,209)	$ (1,417,581)	$ (2,091,296)
Acquisitions through business combinations	-	-	(351,686)	-	-	-	(351,686)
Disposal	-	-	-	-	-	133,950	133,950
Amortization expenses	(501)	(104)	(31,421)	(313,903)	(45,397)	(120,125)	(511,451)
Effects of exchange rate changes	16	3	11,709	452	3,455	32,683	48,318
Balance at December 31, 2017	$ (692)	$ (133)	$ (571,541)	$ (589,575)	$ (239,151)	$ (1,371,073)	$ (2,772,165)
Carrying amounts at January 1, 2017	$ 501	$ 102	$ 47,440	$ 1,890,592	$ 266,933	$ 644,871	$ 2,850,439
Carrying amounts at December 31, 2017	$ -	$ 1,363,653	$ 81,780	$ 1,532,045	$ 215,760	$ 509,789	$ 3,703,027

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
Brand names	5 years
Licensing agreements	10 years
Non-compete agreements	5-20 years

22. BORROWINGS

a. Short-term borrowings

	December 31 2017	December 31 2016
Unsecured borrowings		
Credit borrowings	$ 33,448,199	$ 24,031,120

The range of effective interest rate on bank borrowings was 0.67%-15.88% and 0.80%-11.90% per annum as of December 31, 2017 and 2016, respectively.

b. Short-term bills payable

December 31, 2017

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

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

c. Long-term borrowings

	December 31 2017	December 31 2016
Secured borrowings		
Bank loans	$ -	$ 488,000
Unsecured borrowings		
Bank loans	55,539,200	49,895,000
	55,539,200	50,383,000
Less: Long-term expenses for syndicated loan	(327,568)	(19,874)
Less: Current portion	(750,000)	-
	$ 54,461,632	$ 50,363,126

Maturity date and range of annual interest rate:

	December 31	
	2017	2016
Maturity date		
Long-term borrowings	2019.03.27-2022.08.18	2018.07.12-2021.12.21
Current portion of long-term borrowings	2018.09.27	-
Range of interest rate	1.09%-2.79%	1.09%-2.27%

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	
	2017	2016
Notes payable (included related parties)		
Operating	$ 57,529	$ 45,661
Non-operating	5,268	674
	$ 62,797	$ 46,335
Accounts payable (included related parties)	$ 13,857,313	$ 14,639,445

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	
	2017	2016
Payables for salaries	$ 12,685,110	$ 13,211,352
Payables for purchase of property, plant and equipment	1,965,672	1,782,976
Compensation due to directors and supervisors	186,995	219,828
Employee compensation payables	698,669	645,013
Interest payables	125,024	104,566
Payables for acquisition of subsidiary and business	8,035	352,783
Payables for annual leave	1,512,948	1,413,211
Others	8,996,312	7,648,285
	$ 26,178,765	$ 25,378,014
Current	$ 26,027,401	$ 25,218,684
Non-current	151,364	159,330
	$ 26,178,765	$ 25,378,014

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 – Yue Yuen and its subsidiaries

The net amounts in respect of the defined benefit liability were $2,531,624 thousand and $2,021,623 thousand as of December 31, 2017 and 2016, respectively. Movements in the net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation
Balance at January 1, 2017	$ 2,021,623
Current service cost	255,507
Past service gain	(10,925)
Net interest expense	130,070
Recognized in profit or loss	374,652
Remeasurement	
Actuarial loss arising from changes in demographic assumptions	99,696
Actuarial loss arising from changes in financial assumptions	278,940
Actuarial loss arising from experience adjustments	1,220
Effect of exchange rate changes of remeasurement	3,839
Recognized in other comprehensive loss	383,695
Benefits paid	(98,143)
Effect of exchange rate changes on foreign plans	(150,203)
Balance at December 31, 2017	$ 2,531,624

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, 2017
Discount rate	7.00-8.75 %
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, 2017
Discount rate	
0.25% increase	$ (68,457)
0.25% decrease	$ 79,336
Expected rate of salary increase	
0.25% increase	$ 84,144
0.25% decrease	$ (73,463)

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 (excluding Yue Yuen and its subsidiaries) 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 (excluding Yue Yuen and its subsidiaries) were as follows:

	December 31	
	2017	2016
Defined benefit liability	$ 752,580	$ 1,789,168
Less: Defined benefit assets (Note 14)	(43,754)	(43,754)
	$ 708,826	$ 1,745,414

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	
	2017	2016
Present value of defined benefit obligation	$ 1,517,664	$ 2,107,020
Fair value of plan assets	(808,838)	(361,606)
Net defined benefit liability	$ 708,826	$ 1,745,414

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, 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
Balance at January 1, 2017	$ 2,107,020	$ (361,606)	$ 1,745,414
Current service cost	22,501	-	22,501
Net interest expense	22,955	(5,947)	17,008
Recognized in profit or loss	45,456	(5,947)	39,509
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	763	763
Actuarial loss arising from changes in demographic assumptions	199,141	-	199,141
Actuarial loss arising from changes in financial assumptions	(25,637)	-	(25,637)
Actuarial loss arising from experience adjustments	32,195	-	32,195
Recognized in other comprehensive income	205,699	763	206,462
Contributions from the employer	-	(548,267)	(548,267)
Benefits paid	(106,219)	106,219	-
Others	(734,292)	-	(734,292)
Balance at December 31, 2017	$ 1,517,664	$ (808,838)	$ 708,826

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	
	2017	2016
Operating costs	$ 210	$ 148
Selling and marketing expenses	22	62
General and administrative expenses	28,407	52,927
Research and development expenses	10,870	18,073
	$ 39,509	$ 71,210

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	
	2017	2016
Discount rate	1.25%	1.125%
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	
	2017	2016
Discount rate		
0.25% increase	$ (44,769)	$ (52,270)
0.25% decrease	$ 46,740	$ 54,296
Expected rate of salary increase		
0.25% increase	$ 45,574	$ 52,531
0.25% decrease	$ (43,881)	$ (50,834)

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	
	2017	2016
The expected contributions to the plan for the next year	$ 169,807	$ 554,666
The average duration of the defined benefit obligation	12.1 years	10.1 years

26. EQUITY

a. Share capital

	December 31	
	2017	2016
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

b. Capital surplus

	December 31	
	2017	2016
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	343,269	390,919
May be used to offset a deficit only (2)		
Recognized from share of changes in equities of subsidiaries	15,653	23,232
May not be used for any purpose		
Recognized from share of changes in net assets of associates and joint ventures	135,716	5,309
	$ 4,615,341	$ 4,540,163

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 is 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 2016 and 2015 had been approved in the shareholders' meetings on June 15, 2017 and June 15, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2016	For Year 2015	For Year 2016	For Year 2015
Legal reserve	$ 1,305,705	$ 953,136	$ -	$ -
Special reserve	1,730,773	6,297,042	-	-
Cash dividends	4,420,181	4,420,181	1.50	1.50

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 15, 2018.

d. Other equity item

1) Exchange differences on translation foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 3,109,173	$ 5,020,886
Exchange differences arising on translation of foreign operations	(4,849,928)	(1,818,089)
Share of exchange differences of associates and joint ventures accounted for using equity method	(49,774)	(93,624)
Balance at December 31	$ (1,790,529)	$ 3,109,173

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (16,745,541)	$ (16,926,480)
Unrealized gain on available-for-sale financial assets	850,495	1,344,672
Unrealized gain (loss) on available-for-sale financial assets of associates and joint ventures accounted for using equity method	3,768,345	(1,163,733)
Balance at December 31	$ (12,126,701)	$ (16,745,541)

e. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 87,305,560	$ 85,533,554
Share of non-controlling interests		
Net income	8,808,984	9,944,869
Exchange differences arising on translation of foreign operations	1,352,139	(1,241,711)
Unrealized gain on available-for-sale financial assets	182,785	128,439
Actuarial loss arising from defined benefit plans	(149,032)	(88,638)
Change in non-controlling interests	(22,735,868)	(6,970,953)
Balance at December 31	$ 74,764,568	$ 87,305,560

27. REVENUE

	For the Year Ended December 31	
	2017	2016
Sales revenue	$ 278,000,934	$ 274,277,613
Revenue from the rendering of services	79,060	82,307
Rental income	30,853	32,227
Revenue from entertainment and resort	521,025	503,199
	$ 278,631,872	$ 274,895,346

28. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Year Ended December 31	
	2017	2016
Rental income		
Rental income from operating lease		
Investment properties	$ 35,123	$ 33,419
Others	355,531	275,267
	390,654	308,686
Interest income		
Cash in bank	332,663	286,722
Repurchase agreements collateralized by bonds	20,490	14,054
Held-to-maturity financial assets	230,613	180,552
Debt investments with no active market	18,073	46,826
Others	4,139	2,336
	605,978	530,490
Dividend income	856,941	874,208
Others	2,278,076	2,468,173
	$ 4,131,649	$ 4,181,557

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Net loss on disposal of property, plant and equipment	$ (821,180)	$ (251,490)
Net foreign exchange loss	(529,593)	(839,582)
Net gain on disposal of subsidiaries, associates and joint ventures	480,603	70,892
Net gain on disposal of financial assets measured at cost	37,984	31,530
Net gain on disposal of investment properties	14,199	-
Net gain arising on financial assets designated as at FVTPL	880,482	741,655
Net gain arising on financial liabilities designated as at FVTPL	75,991	39,613
Recognized of impairment loss	(161,865)	(272,723)
Others	(155,990)	(162,882)
	$ (179,369)	$ (642,987)

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank borrowings	$ 1,927,332	$ 1,256,080
Interest on short-term bills payable	22,977	21,372
Other interest expense	35,766	38,564
	$ 1,986,075	$ 1,316,016

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 8,865,095	$ 8,396,985
Investment properties	30,737	30,932
Other intangible assets	511,451	209,120
Long-term prepaid expenses	1,345	-
Prepayments for lease	177,107	156,368
	$ 9,585,735	$ 8,793,405
An analysis of depreciation by function		
Operating costs	$ 5,322,933	$ 5,488,170
Operating expenses	3,562,564	2,930,358
Non-operating expenses	10,335	9,389
	$ 8,895,832	$ 8,427,917
An analysis of amortization by function		
Operating costs	$ 1,185	$ 1,256
Operating expenses	688,718	364,232
	$ 689,903	$ 365,488

e. Direct operating expenses from investment properties

	For the Year Ended December 31	
	2017	2016
Direct operating expenses from investment properties that generated rental income	$ 46,612	$ 43,473

f. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits		
Defined contribution plans	$ 6,865,330	$ 8,019,377
Defined benefit plans	414,161	417,626
	7,279,491	8,437,003
Share-based payments		
Equity-settled	142,912	58,890
Termination benefits	19,244	11,606
Other employee benefits	61,116,001	62,603,706
	$ 68,557,648	$ 71,111,205
An analysis of employee benefits expense by function		
Operating costs	$ 46,298,803	$ 51,036,446
Operating expenses	22,258,845	20,074,759
	$ 68,557,648	$ 71,111,205

As of December 31, 2017 and 2016, there were 364,988 and 358,977 employees, respectively, in the Group. The Group accounts for employee benefits expense based on the number of employees.

- Employees' compensation and remuneration of directors and supervisors for 2017 and 2016

  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, 2017 and 2016 which were approved by the Company's board of directors on March 26, 2018 and March 27, 2017, respectively, were as follows:

  Accrual rate

	For the Year Ended December 31	
	2017	2016
Employees' compensation	1.8%	1.8%
Remuneration of directors and supervisors	0.9%	0.9%

  Amount

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

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, 2016.

Information on the employees' compensation and remuneration to of directors and supervisors resolved by the Company's board of directors in 2018 and 2017 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	
	2017	**2016**
Current tax		
In respect of the current year	$ 2,489,271	$ 3,250,101
Income tax on unappropriated earnings	522,087	-
	3,011,358	3,250,101
Deferred tax	25,530	26,729
Adjustments for prior years	50,026	1,053
Income tax expense recognized in profit or loss	$ 3,086,914	$ 3,277,883

A reconciliation of accounting profit and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2017	**2016**
Income before income tax	$ 24,817,504	$ 26,279,802
Income tax expense calculated at the statutory rate	4,218,975	4,467,566
Tax effect of adjusting items		
Tax-exempt income	(185,728)	(107,928)
Investment income recognized under equity method	(983,144)	(1,066,251)
Others	(560,832)	(43,286)
Income tax on unappropriated earnings	522,087	-
Current tax	3,011,358	3,250,101
Deferred tax	25,530	26,729
Adjustments for prior years' income tax	50,026	1,053
Income tax expense recognized in profit or loss	$ 3,086,914	$ 3,277,883

The applicable tax rate used by the Company is the corporate tax rate of 17%.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $250,337 thousand and $182,556 thousand, respectively, in 2018.

As the status of 2018 appropriations of earnings is uncertain, the potential income tax consequences of 2017 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	
	2017	**2016**
Deferred tax assets		
Temporary differences		
Unrealized pension expense	$ -	$ 47,929
Others	1,418,577	813,222
	$ 1,418,577	$ 861,151
Deferred tax liabilities		
Temporary differences		
Investment income from foreign subsidiaries	$ -	$ 712,725
Land value increment tax	86,547	86,547
Others	1,034,482	974,956
	$ 1,121,029	$ 1,774,228

c. Integrated income tax

	December 31	
	2017	**2016**
Unappropriated earnings		
Generated before January 1, 1998	$ -	$ 221,425
Generated on and after January 1, 1998	-	31,993,273
	$ - Note	$ 32,214,698
Imputation credit account	$ - Note	$ 2,562,413

	For the Year Ended December 31	
	2017	**2016**
Creditable ratio for distribution of earning	Note	10.01%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

d. Income tax assessments

The tax returns of the Company through 2015, except 2014, 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, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Net income (in thousand dollars)		
Earnings used in the computation of earnings per share	$ 12,921,606	$ 13,057,050
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	2,946,787
Effect of potentially dilutive common shares:		
Employee share options	-	85,463
Bonus to employee	7,888	8,502
Weighted average number of common shares used in the computation of diluted earnings per share	2,954,675	3,040,752
Earnings per share (in dollars)		
Basic earnings per share	$4.38	$4.43
Diluted earnings per share	$4.37	$4.29

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.

Information about employee share options for the years ended December 31, 2017 and 2016 was as follows:

Employee Share Options	For the Year Ended December 31 2017 Number of Shares Purchasable (In Thousands)	2017 Weighted-average Exercise Price (NT$)	2016 Number of Shares Purchasable (In Thousands)	2016 Weighted-average Exercise Price (NT$)
Balance at January 1	145,791	$ 17.40	145,791	$ 18.00
Options exercised	(145,791)	16.80	-	-
Balance at December 31	-		145,791	17.40
Exercisable options at December 31	-		145,791	17.40

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

	December 31 2017	2016
Exercise price (NT$)	$ -	$ 17.40
Weighted-average remaining contractual life (years)	-	0.85

b. Information about Yue Yuen's employee share options

On January 28, 2014 and amended on March 23, 2016, 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, 2017 and 2016 was as follows:

	Number of Shares (In Thousands) 2017	2016
Balance at January 1	1,120	1,440
Options granted	18	1,120
Options cancelled	(67)	(67)
Options exercised	(18)	(1,373)
Balance at December 31	1,053	1,120

Yue Yuen adopted the Black-Scholes option pricing model and the estimated fair value of the share options amounted to $109,874 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 $53,476 thousand and $23,842 thousand compensation cost for the years ended December 31, 2017 and 2016, 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 amended on May 7, 2012, 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, 2017 and 2016 was as follows:

	For the Year Ended December 31			
	2017		2016	
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	54,549	$ 1.63	54,612	$ 1.39
Options granted	-	-	11,663	2.494
Options cancelled	-	-	(100)	1.62
Options exercised	(800)	1.28	(11,626)	1.34
Balance at December 31	53,749	1.64	54,549	1.63
Exercisable options at December 31	43,252	1.43	42,886	1.40

Pou Sheng adopted the binomial option pricing model, and the estimated fair value of the share options amounted to $42,735 thousand (US$1,436 thousand) on the grant date, and the factors were as follows:

	Granted on November 14, 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, 2017 and 2016, was as follows:

	December 31	
	2017	2016
Range of exercise price (HK$)	$1.05-$2.494	$1.05-$2.494
Weighted-average remaining contractual life (years)	1.48	2.47

The Group recognized $13,555 thousand and $2,249 thousand in compensation costs for the years ended December 31, 2017 and 2016, 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, 2017 and 2016 was as follows:

	Number of Shares (In Thousands)	
	2017	2016
Balance at January 1	45,130	27,738
Options granted	11,326	20,927
Options cancelled	(10,443)	(3,535)
Options exercised	(4,934)	-
Balance at December 31	41,079	45,130

Pou Sheng adopted the Black-Scholes option pricing model and the estimated fair value of the share options amounted to $43,390 thousand (US$1,458 thousand) and $124,324 thousand (US$3,855 thousand) on the grant date, respectively, and the factors were as follows:

	Granted on November 14, 2017	Granted on July 3, 2017	Granted on March 25, 2017	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
Grant date share price	HK$1.17	HK$1.48	HK$1.87	HK$2.41	HK$2.55	HK$2.40	HK$2.07	HK$1.61
Risk free rates	0.832-1.257%	0.85%	0.62-1.14%	0.50-1.07%	0.84%	0.48%	0.60%	0.85%
Expected volatility	54-57%	58%	48-59%	51-57%	55%	55%	57%	54%
Vesting period	0.29-3 years	3 years	1-3 years	0.8-4.8 years	2.8 years	3 years	2.3 years	3 years
Expected dividend yield	2.0%	3.0%	2.0%	2.0%	2.0%	2.0%	-	-

Pou Sheng recognized $42,913 thousand and $32,799 thousand compensation cost for the years ended December 31, 2017 and 2016, respectively.

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

1) TCHC share option scheme was adopted on November 7, 2012. In 2017, TCHC made a repurchase of its own shares and TCHC therefore became an indirect non-wholly owned subsidiary of the Company. The TCHC share option scheme was amended on October 9, 2017 and the amendment will not affect the validity of any of the previously granted TCHC. The validity period of the TCHC share option scheme is ten years from October 9, 2017.

TCHC was granted 249 thousand share options on November 30, 2017. The exercise price of these options is US$24.18. Information about exercise duration and exercise proportion of the TCHC share option scheme was as follows:

Exercise Period	Proportion of Exercise Quantity
2017.11.30-2027.11.30	44%
2018.09.02-2027.11.30	4%
2018.11.30-2027.11.30	21%
2019.09.02-2027.11.30	4%
2019.11.30-2027.11.30	21%
2020.11.30-2027.11.30	3%
2021.11.30-2027.11.30	3%

Information about the TCHC share option scheme for the years ended December 31, 2017 was as follows:

	For the Year Ended December 31 2017	
Employee Share Options	**Number of Shares Purchasable (In Thousands)**	**Weighted-average Exercise Price (US$)**
Balance at January 1	669	$ 19.59
Options granted	249	24.18
Options cancelled	(101)	27.50
Balance at December 31	817	20.01
Exercisable options at December 31	676	19.14

TCHC adopted the binomial option pricing model, and the estimated fair value of the share options amounted to $71,275 thousand (US$2,395 thousand) on the grant date, and the factors were as follows:

	Granted on November 30, 2017
Exercise price	US$24.18
Grant date share price	US$24.18
Risk free rates	1.92-2.14%
Expected volatility	40-40.6%
Expected life of share options	5.31-6.30 years
Expected dividend yield	-

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

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

The Group recognized compensation costs of $32,968 thousand for the years ended December 31, 2017.

32. BUSINESS COMBINATIONS

The Group acquired sports marketing and agency businesses from independent third parties during the year ended December 31, 2017 which were as follows:

a. Considerations transferred

Cash and cash equivalents	$ 482,619

b. Assets acquired and liabilities assumed at the date of acquisition

Assets	
Cash and cash equivalents	$ 535,266
Debt investments with no active market	3,660
Receivables and other receivables	2,457,346
Inventories	2,872,634
Other current assets	1,964
Property, plant and equipment	577,663
Intangible assets	1,458,061
Deferred tax assets	399,506
Liabilities	
Bank borrowings	(1,766,368)
Payables and other payables	(3,124,803)
Deferred tax liabilities	(506,432)
	$ 2,908,497

c. Goodwill recognized on acquisition

Consideration transferred	$ 482,619
Fair value of the ownership	2,520,354
Plus: Non-controlling interests	243,178
Less: Fair value of identifiable net assets acquired	(2,908,497)
Goodwill recognized on acquisition	$ 337,654

Goodwill on acquisition was $339,974 thousand (US$11,176 thousand) and the amount of gain from bargain purchase of $2,320 thousand (US$78 thousand) was recorded under "other income".

d. Net cash outflow on acquisition of subsidiaries

Consideration paid in cash	$ (482,619)
Less: Cash and cash equivalent balances acquired	535,266
	$ 52,647

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	$ 378,970
Receivables and other receivables	1,257,716
Inventories	690,102
Property, plant and equipment	413,685
Other current assets	80,563
Liabilities	
Payables and other payables	(1,480,235)
Tax payable	(8,452)
	$ 1,332,349

1) Gain on disposal of subsidiaries

Consideration received in cash and cash equivalents	$ 554,381
Consideration received in investments accounted for using equity method	418,991
Net value of net assets disposed of	(1,332,349)
Non-controlling interests	564,916
The reclassification of other comprehensive income in respect of the subsidiary	20,821
Gain on disposal	$ 222,760

2) Net cash outflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	$ 554,381
Less: Cash and cash equivalents balance disposed of	(378,970)
	$ 175,411

b. 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)

34. NON-CASH TRANSACTIONS

For the year ended December 31, 2017, 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	
	2017	**2016**
Not later than 1 year	$ 3,551,136	$ 2,768,964
Later than 1 year and not later than 5 years	5,329,370	3,880,253
Later than 5 years	1,503,177	1,697,705
	$ 10,383,683	$ 8,346,922

b. The Group as lessor

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

	December 31	
	2017	**2016**
Not later than 1 year	$ 610,953	$ 415,732
Later than 1 year and not later than 5 years	1,377,040	574,823
Later than 5 years	1,197,959	681,733
	$ 3,185,952	$ 1,672,288

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

Except for financial assets measured at cost which cannot be measured by fair value, management considers the carrying amounts of financial assets and financial liabilities recognized in the financial statements as approximate fair values.

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	
	2017	**2016**
Financial assets		
Financial assets at FVTPL		
Domestic open-ended mutual funds	$ 712,949	$ 889,537
Available-for-sale financial assets		
Domestic listed securities		
Equity investment	15,158,696	14,264,621
Foreign listed securities		
Equity investment	577,878	519,410

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	
	2017	**2016**
Financial assets		
Financial assets at FVTPL		
Derivative financial instruments	$ 84,093	$ 220,604
Financial assets designated as at FVTPL	882,574	328,492
Financial liabilities		
Financial liabilities at FVTPL		
Derivative financial instruments	232,577	915,676

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 was 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	
	2017	**2016**
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 797,042	$ 1,110,141
Designated as at FVTPL	882,574	328,492
Held-to-maturity financial assets	5,646,324	6,163,413
Loans and receivables (Note 1)	75,640,282	80,038,442
Available-for-sale financial assets	15,736,574	14,784,031
Financial assets measured at cost	495,121	592,550
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	232,577	915,676
Amortized cost (Note 2)	131,758,859	118,098,466

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 42.

Sensitivity analysis

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

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

	For the Year Ended December 31	
	2017	**2016**
USD	$ (35,484)	$ (85,120)
RMB	(491,021)	(459,668)
HKD	(21,361)	(5,740)
VND	35,467	36,418
IDR	(10,114)	47,131

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	
	2017	**2016**
Cash flow interest rate risk		
Financial liabilities	$ 86,126,165	$ 60,261,584

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 $861,262 thousand and $602,616 thousand during the years ended December 31, 2017 and 2016, respectively.

c) Other price risk

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

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity price declined by 1%, the fair value of the investments at December 31, 2017 and 2016 would have decrease by $277,012 thousand and $271,331 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 issued by upper-medium rating grade bank 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, 2017 and 2016, the Group had available unutilized short-term bank borrowing facilities set out in (c) below.

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

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

December 31, 2017

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

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	-	$ 19,274,848	$ 9,379,612	$ 11,257,230	$ 118,743	$ 61,267
Floating interest rate liabilities	1.71	22,134,002	3,308,868	1,610,357	45,960,956	-
Fixed interest rate liabilities	1.50	-	-	-	5,500,000	-
Financial guarantee contracts	-	3,715,350	-	-	-	-
		$ 45,124,200	$ 12,688,480	$ 12,867,587	$ 51,579,699	$ 61,267

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

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

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

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Interest rate swap contracts	$ -	$ -	$ 3,109	$ -	$ -
Cross-currency swap contracts	-	5,797	26,517	-	-
Exchange rate swap contracts	173,367	23,787	-	-	-
	$ 173,367	$ 29,584	$ 29,626	$ -	$ -

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	$ -

c) Financing facilities

	December 31	
	2017	2016
Unsecured bank facility:		
Amount used	$ 92,153,212	$ 76,643,124
Amount unused	25,390,742	19,879,552
	$ 117,543,954	$ 96,522,676
Secured bank facility:		
Amount used	$ -	$ 488,000
Amount unused	-	-
	$ -	$ 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. Related party name and categories

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

b. Operating revenue

		For the Year Ended December 31	
Account Items	Related Party Categories	2017	2016
Sales	Associates	$ 124,285	$ 119,280
	Joint ventures	627,761	753,551
		$ 752,046	$ 872,831

Sales to related parties have prices and receivable terms that have no significant differences with non-related parties.

c. Purchases

Related Party Categories	For the Year Ended December 31 2017	2016
Associates	$ 1,763,094	$ 2,298,202
Joint ventures	3,977,330	4,975,110
	$ 5,740,424	$ 7,273,312

Purchases from related parties have prices and payment terms that have no significant differences with non-related parties.

d. Receivables from related parties

Account Items	Related Party Categories	December 31 2017	2016
Notes receivable, accounts receivable	Associates	$ 15,537	$ 7,986
	Joint ventures	46,066	46,187
		$ 61,603	$ 54,173

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

e. Payables to related parties

Account Items	Related Party Categories	December 31 2017	2016
Notes payable, accounts payable	Associates	$ 161,310	$ 332,457
	Joint ventures	976,478	1,144,369
		$ 1,137,788	$ 1,476,826

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 2017	2016
Short-term employee benefits	$ 237,354	$ 232,465

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	
	2017	2016
Debt investmtnets with no active market	$ 40,029	$ 35,205
Investment properties	-	657,296
	$ 40,029	$ 692,501

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	2017	2016
USD	$ 3,010	$ 2,562
EUR	238	473
IDR	24,445,723	13,618,125

b. The Company invests in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd. According to a request by the FSC, the Company provided 61,295 thousand ordinary shares of Yue Yuen in the custody of the trust department of Mega Bank during the period from June 27, 2011 to June 27, 2021. The Company will not dispose of or make encumbrance to the shares of Wealthplus equal to the share value of Yue Yuen during the trust period.

c. Because of the Company’s investment in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd., the Company received a request by the FSC to provide 490,000 thousand common shares of Ruen Chen in the custody of the trust department of First Bank, and the trust period is ten years.

d. The Company entered into project agreements with the Institute for Information Industry (“III”). According to the project agreements, the Company has to provide promissory notes and bank guarantee to III as guarantee.

e. The contracts of construction in progress that the Group entered into amounted to $988,074 thousand. As of December 31, 2017, the unpaid amount was $399,991 thousand.

41. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

a. The Group participated in the acquisition of Evermore Chemical Industry Co., Ltd. (“Evermore”) proposed by Aica Kogyo Co., Ltd. in November 2017. This transaction was completed in January 2018 and the Group disposed of 20,786 thousand shares with the amount of $415,720 thousand. After the transaction, the proportion of ownership and voting rights of the Group decreased from 29.05% to 8.13%, and lose significant influence over Evermore.

b. Wealthplus entered into a Scheme of Arrangement under the Company Act of Bermuda ("Scheme of Arrangement") to undertake privatization of Pou Sheng International (Holdings) Limited ("The Privatization Plan").

1) Under the Scheme of Arrangement and the Option Offer, Wealthplus will make an appropriate offer to all the ordinary shareholders and optionholders.

   a) To shareholders ("Scheme Shareholders") who hold 5,338,548,615 ordinary shares ("Scheme Shares") of Pou Sheng, the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK$2.03 per Scheme Share; and

   b) Optionholders (350,021,090 shares of Pou Sheng), can get cancellation price as below.

      - When the exercise price of Pou Sheng Option is lower than the cancellation price, an amount equal to the cancellation price minus the exercise price of such Pou Sheng Option; or

      - When the exercise price of Pou Sheng Option is higher than or equal to the cancellation price, a nominal amount of HK$0.00001.

   The transaction amount of Scheme and Options Offer is approximately HK$10,908,308 thousand.

2) Subject to Scheme of Arrangement becoming effective, all the ordinary shares and Options of Pou Sheng will be cancelled, in exchange for the payment of Cancellation Price stated in paragraph (1). On the effective date of Scheme of Arrangement and immediately before the Scheme Shares are cancelled, Pou Sheng will issue one share at par to Wealthplus. After Scheme Shares are cancelled, Pou Sheng will issue 5,338,548,615 ordinary shares to Wealthplus.

3) The Scheme of Arrangement should get the approval and resolution including but not limited to:

   a) Approval of meeting of the Scheme Shareholders of Pou Sheng at the direction of the Bermuda Court;

   b) Approval of Pou Sheng Special General Meeting ("SGM");

   c) The sanction of the Scheme by the Bermuda Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Bermuda Court for registration;

   d) The approval by Investment Commission of the Ministry of Economic Affairs of Taiwan on the additional investments in China by the Company du to Privatization;

   e) Approval of Yue Yuen SGM; and

   f) All documents and declarations of the Privatization approved by the Securities and Futures Commission of Hong Kong, and HKEx.

   The Scheme has been approved by Yue Yuen SGM on March 16, 2018.

42. 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, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 99,006	29.760	$ 2,946,437
NTD	214,838	1	214,838
RMB	2,317,249	4.565	10,578,243
HKD	129,622	3.807	493,471
VND	257,052,942	0.00119	305,893
IDR	201,580,269	0.00223	449,524
Non-monetary items			
NTD	1,155,003	1	1,155,003
RMB	983,016	4.565	4,487,467
HKD	75,930	3.807	289,065
Financial liabilities			
Monetary items			
USD	75,161	29.760	2,236,801
NTD	719,784	1	719,784
RMB	163,661	4.565	747,111
HKD	17,198	3.807	65,472
EUR	58	35.57	2,070
VND	848,164,706	0.00119	1,009,316
IDR	109,631,390	0.00223	244,478
Non-monetary items			
USD	7,711	29.760	229,468

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

For the years ended December 31, 2017 and 2016, net foreign exchange losses were $529,593 thousand and $839,582 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.

43. SEGMENT INFORMATION

a. Information about reportable segments

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as follows:

1) Manufacturing of shoes;
2) 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, 2017

	Manufacturing of Shoes	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Revenues from external customers	$ 185,597,169	$ 92,101,627	$ 933,076	$ 278,631,872
Segment income	$ 28,808,329	$ 7,205,780	$ 571,182	$ 36,585,291
Administrative cost, remuneration to directors and supervisors				(19,517,193)
Rental income				390,654
Interest income				605,978
Dividend income				856,941
Other income				2,278,076
Net loss on disposal of property, plant and equipment				(821,180)
Net foreign exchange loss				(529,593)
Net gain on disposal of subsidiaries, associates and joint ventures				480,603
Net gain on disposal of financial assets measured at cost				37,984
Net gain on disposal of investment property				14,199
Net gain arising on financial assets designated as at FVTPL				880,482
Net gain arising on financial liabilities designated as at FVTPL				75,991
Impairment loss				(161,865)
Other loss				(155,990)
Finance costs				(1,986,075)
Share of the profit of associates and joint ventures				5,783,201
Income before income tax				$ 24,817,504

For the year ended December 31, 2016

	Manufacturing of Shoes	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	$ 29,418,079	$ 7,123,502	$ 610,250	$ 37,151,831
Administrative cost, remuneration to directors and supervisors				(19,366,648)
Rental income				308,686
Interest income				530,490
Dividend income				874,208
Other income				2,468,173
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				70,892
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				(272,723)
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

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, net gain on disposal of subsidiaries, associates and joint ventures, net gain on disposal of financial assets measured at cost, gain 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	
	2017	2016
Asia	$ 141,139,345	$ 134,417,566
USA	78,435,723	79,484,350
Europe	53,276,125	54,210,053
Others	5,780,679	6,783,377
	$ 278,631,872	$ 274,895,346

d. Information about major customers

Revenue recognized from the manufacture of shoes in 2017 and 2016, amounted to $185,597,169 thousand and $194,830,122 thousand, respectively. Except as detailed in the following table, no other single customer contributed 10% or more to the Group's revenue for both 2017 and 2016.

	For the Year Ended December 31			
	2017		2016	
	Amount	% of Total	Amount	% of Total
Customer A	$ 50,675,853	18	$ 53,816,071	20
Customer B	50,804,185	18	52,176,821	19
	$ 101,480,038	36	$ 105,992,892	39

6.5 Separate Financial Statements Audited by Independent Auditors for the Most Recent Fiscal Year

Deloitte.

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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, 2017 and 2016, 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 our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, 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 Matter

Key audit matter is a matter that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. This matter was 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 this matter. The following is the key audit matter of the financial statements for the year ended December 31, 2017.

Impairment Assessment Goodwill on of Investments Accounted for Using Equity Method

We draw attention to Notes 4, 5 and 15 to the financial statements, which describes that any excess of the cost of investment over the fair value of the net identifiable assets of investee is recognized as goodwill. The management performs impairment test of goodwill in accordance with IAS 36.

The management evaluates impairment of an asset by estimating the recoverable amount of such asset based on forecast sales, estimated future cash flows, and discount rate. Impairment test involves the management's critical estimations and judgments. Therefore, we consider impairment assessment of goodwill of investments accounted for using equity method is a key audit matter for the year ended December 31, 2017.

For this key audit matter, we evaluated the reasonableness of the significant assumptions, the basis of the evaluation model, the rationality of the basic information, and the amount of impairment.

Other Matter

The Company's investments in Ruen Chen Investment Holding Co., Ltd. were accounted for by the equity method and were based on its 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, 2017 and 2016, the carrying value of the investments were $16,659,984 thousand and $8,912,633 thousand which constituted 14.4% and 8.45% of the Company's total assets, respectively. For the years ended December 31, 2017 and 2016, the share of profit of the associate were $3,775,090 thousand and $4,255,105 thousand which constituted 28.29% and 30.86% 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, 2017 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 Kenny Hong and Ker-Chang Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2018

<u>*Notice to Readers*</u>

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,199,584	1	$ 540,793	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	131,915	-
Available-for-sale financial assets - current (Notes 4 and 8)	4,685,590	4	4,468,517	4
Debt investments with no active market - current (Notes 4 and 9)	-	-	90,493	-
Notes receivable (Notes 4 and 10)	54,923	-	21,253	-
Notes receivable from related parties (Notes 4, 10 and 31)	64	-	17	-
Accounts receivable (Notes 4 and 10)	48,466	-	29,504	-
Accounts receivable from related parties (Notes 4, 10 and 31)	1,445,747	2	1,854,777	2
Other receivables (Notes 4 and 10)	257,958	-	266,973	-
Inventories (Notes 4 and 11)	38,650	-	76,257	-
Other current assets (Notes 4 and 12)	132,375	-	61,028	-
Total current assets	7,863,357	7	7,541,527	7
NON-CURRENT ASSETS				
Held-to-maturity financial assets - non-current (Notes 4 and 13)	282,432	-	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)	100,234,720	87	90,991,502	86
Property, plant and equipment (Notes 4 and 16)	4,859,896	4	4,503,791	4
Investment properties (Notes 4 and 17)	2,039,425	2	1,976,031	2
Deferred tax assets (Notes 4 and 25)	3,510	-	50,938	-
Other non-current assets (Notes 4 and 12)	324,130	-	116,700	-
Total non-current assets	107,805,113	93	97,985,834	93
TOTAL	$ 115,668,470	100	$ 105,527,361	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	$ 9,275,200	8	$ 6,515,000	6
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	206,060	-	113,284	-
Notes payable (Notes 4 and 19)	47,850	-	16,676	-
Notes payable to related parties (Notes 4, 19 and 31)	11,211	-	25,724	-
Accounts payable (Notes 4 and 19)	1,123,244	1	1,324,640	1
Accounts payable to related parties (Notes 4, 19 and 31)	44,428	-	101,253	-
Other payables (Note 20)	2,352,183	2	1,394,239	2
Current tax liabilities (Notes 4 and 25)	1,006,020	1	606,668	1
Current portion of long-term borrowings (Note 18)	750,000	1	-	-
Other current liabilities	71,461	-	113,032	-
Total current liabilities	14,887,657	13	10,210,516	10
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 18)	16,250,000	14	17,000,000	16
Deferred tax liabilities (Notes 4 and 25)	125,106	-	801,343	1
Net defined benefit liabilities (Notes 4 and 21)	752,580	1	1,789,168	1
Other non-current liabilities (Note 15)	37,749	-	21,190	-
Total non-current liabilities	17,165,435	15	19,611,701	18
Total liabilities	32,053,092	28	29,822,217	28
EQUITY (Notes 4 and 22)				
Share capital				
Common shares	29,467,872	25	29,467,872	28
Capital surplus	4,615,341	4	4,540,163	4
Retained earnings				
Legal reserve	12,518,889	11	11,213,184	11
Special reserve	13,636,368	12	11,905,595	11
Unappropriated earnings	37,294,138	32	32,214,698	31
Total retained earnings	63,449,395	55	55,333,477	53
Other equity	(13,917,230)	(12)	(13,636,368)	(13)
Total equity	83,615,378	72	75,705,144	72
TOTAL	$ 115,668,470	100	$ 105,527,361	100

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

(With Deloitte & Touche audit report dated March 26, 2018)

POU CHEN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 23 and 31)	$ 11,704,905	100	$ 12,294,428	100
OPERATING COSTS (Notes 24 and 31)	7,736,216	66	8,461,282	69
GROSS PROFIT	3,968,689	34	3,833,146	31
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	13,533	-	1,456	-
REALIZED GROSS PROFIT	3,982,222	34	3,834,602	31
OPERATING EXPENSES (Notes 21 and 24)				
Selling and marketing expenses	68,949	1	69,745	-
General and administrative expenses	1,785,903	15	2,054,693	17
Research and development expenses	1,648,447	14	1,465,702	12
Total operating expenses	3,503,299	30	3,590,140	29
INCOME FROM OPERATIONS	478,923	4	244,462	2
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 24 and 31)	670,751	6	530,857	4
Other gains and losses (Note 24)	(1,424,361)	(12)	(123,499)	(1)
Finance costs (Note 24)	(313,483)	(3)	(338,342)	(3)
Share of the profit of subsidiaries and associates (Notes 4 and 15)	13,932,128	119	13,476,549	110
Total non-operating income and expenses	12,865,035	110	13,545,565	110
INCOME BEFORE INCOME TAX	13,343,958	114	13,790,027	112
INCOME TAX EXPENSE (Notes 4 and 25)	(422,352)	(3)	(732,977)	(6)
NET INCOME FOR THE YEAR	12,921,606	111	13,057,050	106

(Continued)

POU CHEN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 21)	$ (206,462)	(2)	$ (272,105)	(2)
Share of the other comprehensive loss of subsidiaries and associates	(179,045)	(1)	(107,414)	(1)
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	217,073	2	349,438	3
Share of the other comprehensive loss of subsidiaries and associates	(497,935)	(5)	(2,080,212)	(17)
Other comprehensive loss for the year, net of income tax	(666,369)	(6)	(2,110,293)	(17)
TOTAL COMPREHENSIVE INCOME	$ 12,255,237	105	$ 10,946,757	89
EARNINGS PER SHARE (Note 26)				
Basic	$ 4.38		$ 4.43	
Diluted	$ 4.37		$ 4.29	

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

(With Deloitte & Touche audit report dated March 26, 2018) (Concluded)

POU CHEN CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(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, 2016	$ 29,467,872	$ 4,631,708	$ 10,260,048	$ 5,608,553	$ 31,207,526	$ 5,020,886	$(16,926,480)	$ 69,270,113
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
Appropriation of 2016 earnings (Note 22)								
Legal reserve	-	-	1,305,705	-	(1,305,705)	-	-	-
Special reserve	-	-	-	1,730,773	(1,730,773)	-	-	-
Cash dividends	-	-	-	-	(4,420,181)	-	-	(4,420,181)
	-	-	1,305,705	1,730,773	(7,456,659)	-	-	(4,420,181)
Net income for the year ended December 31, 2017	-	-	-	-	12,921,606	-	-	12,921,606
Other comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	(385,507)	(4,899,702)	4,618,840	(666,369)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,536,099	(4,899,702)	4,618,840	12,255,237
Excess of the consideration received over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Notes 4 and 22)	-	(47,650)	-	-	-	-	-	(47,650)
Share of changes in equities of subsidiaries (Notes 4 and 22)	-	(7,579)	-	-	-	-	-	(7,579)
Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 22)	-	130,407	-	-	-	-	-	130,407
Change in equity for the year ended December 31, 2017	-	75,178	1,305,705	1,730,773	5,079,440	(4,899,702)	4,618,840	7,910,234
BALANCE AT DECEMBER 31, 2017	$ 29,467,872	$ 4,615,341	$ 12,518,889	$ 13,636,368	$ 37,294,138	$ (1,790,529)	$(12,126,701)	$ 83,615,378

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

(With Deloitte & Touche audit report dated March 26, 2018)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 13,343,958	$ 13,790,027
Adjustments for:		
Depreciation expenses	261,758	244,682
Net gain on fair value change of financial instruments at FVTPL	(60,430)	(105,337)
Finance costs	313,483	338,342
Interest income	(27,010)	(17,197)
Dividends income	(275,865)	(288,827)
Share of the profit of subsidiaries and associates	(13,932,128)	(13,476,549)
Net loss on disposal of property, plant and equipment	21,149	296
Net loss on disposal of associates	-	4,277
Realized gain on the transactions with subsidiaries	(13,533)	(1,456)
Unrealized loss on foreign currency exchange	3,203	12,826
Changes in operating assets and liabilities		
Financial instruments held for trading	285,121	81,056
Notes receivable	(33,670)	(10,036)
Notes receivable from related parties	(47)	-
Accounts receivable	(18,962)	(2,444)
Accounts receivable from related parties	409,030	(352,267)
Other receivables	6,437	(56,429)
Inventories	37,607	(9,803)
Other current assets	(71,095)	(4,409)
Other operating assets	(24,766)	(3,119)
Notes payable	31,174	(2,931)
Notes payable to related parties	(14,513)	10,644
Accounts payable	(201,396)	(101,109)
Accounts payable to related parties	(56,825)	33,319
Other payables	850,727	96,253
Other current liabilities	(41,571)	43,607
Net defined benefit liabilities	(1,243,050)	(325,390)
Cash used in operations	(451,214)	(101,974)
Interest paid	(305,514)	(330,411)
Income tax paid	(651,808)	(1,377,626)
Net cash used in operating activities	(1,408,536)	(1,810,011)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of debt investments with no active market	-	(97,412)
Proceeds on sale of debt investments with no active market	90,493	401,524
Acquisition of held-to-maturity financial assets	-	(298,823)
Acquisition of associates under equity method	(82,000)	-
Acquisition of property, plant and equipment	(604,314)	(354,469)
Proceeds from disposal of property, plant and equipment	64,548	5,237
Increase in refundable deposits	(1,964)	(84)
Increase in prepayments for equipment	(13,974)	(178,832)

(Continued)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Increase in other prepayments	$ (226,594)	$ -
Interest received	29,825	13,903
Dividends received	4,471,593	4,862,609
Cash dividends from reduction of capital surplus from associates	-	3,503
Net cash generated from investing activities	3,727,613	4,357,156
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,760,200	1,808,500
Proceeds from long-term borrowings	-	12,500,000
Repayments of long-term borrowings	-	(12,500,000)
Cash dividend	(4,420,181)	(4,420,181)
Increase in guarantee deposits	-	736
Decrease in guarantee deposits	(305)	-
Net cash used in financing activities	(1,660,286)	(2,610,945)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	658,791	(63,800)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	540,793	604,593
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,199,584	$ 540,793

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

(With Deloitte & Touche audit report dated March 26, 2018) (Concluded)

POU CHEN CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(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 (“HKEx”).

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 26, 2018.

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

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

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

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

      The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Company is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amended IAS 36 will not have significant effect on the presentation of the financial statements for the year ended December 31, 2017.

2) IFRIC 21 "Levies"

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

IFRIC 21 will not have a significant effect on the presentation of the financial statements for the year ended December 31, 2017.

3) Annual Improvements to IFRSs 2010-2012 Cycle

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

The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Company or another entity in the same Company or the market price of the equity instruments of the Company or another entity in the same Company (i.e. a market condition); that a performance target can relate either to the performance of the Company 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 Company, but also of other entities outside the Company. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions are accounted for differently, and the aforementioned amendment should be applied prospectively to those share-based payments granted on or after January 1, 2017.

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

The amended IFRS 8 requires the Company 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 judgments made in applying the aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

The short-term receivables and payables with no stated interest rate are measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a 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 if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. The amended IFRS 13 will not have a significant effect the presentation of the financial statements for the year ended December 31, 2017.

5) Annual Improvements to IFRSs 2012-2014 Cycle

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

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

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

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an 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 transaction amount or balance with a specific related party is 10% or more of the Company’s respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosure of related party transaction is enhanced, please refer to Note 31.

b. IFRSs endorsed by the FSC for application starting from 2018

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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
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
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" and related amendments

Classification, measurement and impairment of financial assets

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

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

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

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

Except for the above measurements, 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.

The Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead; and

b) Debt investments classified as held-to-maturity financial assets and debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 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.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9; the cumulative effect of the initial application is recognized at the date of initial application and disclosures related to the classification and the adjustment information are made on initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Financial assets at fair value through other comprehensive income - current	$ -	$ 4,685,590	$ 4,685,590
Available-for-sale financial assets - current	4,680,590	(4,685,590)	-
Held-to-maturity financial assets - non -current	282,432	(282,432)	-
Financial assets measured at amortized cost -non- current	-	282,432	282,432
Financial assets measured at cost -non- current	61,000	(61,000)	-
Financial assets at fair value through other comprehensive income - non-current	-	63,923	63,923
Investments accounted for using equity method	100,234,720	13,769,463	114,004,183
Total effect on assets	$ 105,263,742	$ 13,772,386	$ 119,036,128
Financial liabilities at fair value through profit or loss - current	$ 206,060	$ -	$ 206,060
Total effect on liabilities	$ 206,060	$ -	$ 206,060
Retained earnings	$ 63,449,395	$ 292,111	$ 63,741,506
Other equity	(13,917,230)	13,480,275	(436,955)
Total effect on equity	$ 49,532,165	$ 13,772,386	$ 63,304,551

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

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

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

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

When adopted, IFRS 15 and related amendments will not have a significant effect on the presentation of the financial statements.

3) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

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

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

In assessing a deferred tax asset, the Company currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendments will be applied retrospectively in 2018.

4) 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.

There is no anticipated material impact of the amendments to reflect the conditions that exist at January 1, 2018.

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

Except for the above impact, as of the date the financial statements were authorized for issue, the Company assessed application of other standards and interpretations will not have significant effect on the Company's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
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 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

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

The amendments stipulate that, when 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 over 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.

2) IFRS 16 "Leases"

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

Under IFRS 16, if the 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 leases under IAS 17 to low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 will not have a significant effect 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.

3) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

On initial application, the Company shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

4) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

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

When the amendments become effective, the Company shall apply the amendments retrospectively. However, the Company may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

5) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 "Borrowing Costs", were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

6) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the 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 Company's financial statement, 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 30.

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 30.

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) Termination benefits

A liability for a termination benefit is recognized when the Group 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 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.

Investments Accounted for Using Equity Method

The Company immediately recognizes impairment losses on its net investment accounted for using equity method when there is any indication that the investment may be impaired and the carrying amounts may not be recoverable. The Company's management evaluates the impairment based on the estimated future cash flow expected to be generated by the investment. The Company also takes into consideration the market conditions and industry development to evaluate the appropriateness of the relevant assumptions.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 1,110	$ 1,374
Checking accounts and demand deposits	568,623	216,179
Cash equivalent (time deposits with original maturities of less than three months)		
Time deposits	327,847	-
Repurchase agreements collateralized by bonds	302,004	323,240
	$ 1,199,584	$ 540,793

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

	December 31 2017	December 31 2016
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Exchange rate swap contracts (a)	$ -	$ 118,917
Cross currency swap contracts (b)	-	12,998
	$ -	$ 131,915
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Exchange rate swap contracts (a)	$ 197,154	$ 88,583
Cross currency swap contracts (b)	5,797	-
Interest rate swap contracts (c)	3,109	17,246
Exchange rate option contracts (d)	-	7,455
	$ 206,060	$ 113,284

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

December 31, 2017

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

December 31, 2016

Notional Amount (In Thousands)		Maturity Date	Rate	
US$	7,300	2017.01	US$:NT$	31.820
US$	20,600	2017.01	US$:NT$	31.820
US$	23,400	2017.01	US$:NT$	31.870
US$	30,000	2017.01	US$:NT$	31.859
US$	48,000	2017.01	US$:NT$	31.805
US$	6,000	2017.01	US$:NT$	31.805
US$	30,000	2017.01	US$:NT$	31.805
US$	2,000	2017.01	US$:NT$	31.805
US$	21,300	2017.01	US$:NT$	31.881
US$	10,000	2017.01	US$:NT$	31.881
US$	18,000	2017.01	US$:NT$	32.012
US$	35,000	2017.02	US$:NT$	32.017
US$	35,000	2017.02	US$:NT$	32.017
US$	32,300	2017.02	US$:NT$	32.017
US$	26,000	2017.02	US$:NT$	32.187
US$	3,000	2017.02	US$:NT$	32.187
US$	32,200	2017.02	US$:NT$	32.187
US$	30,300	2017.02	US$:NT$	32.187
US$	25,000	2017.02	US$:NT$	32.187
US$	26,800	2017.02	US$:NT$	32.187
US$	40,000	2017.02	US$:NT$	32.187
RMB	45,000	2017.03	RMB:NT$	4.8513
RMB	123,900	2017.03	RMB:NT$	4.8500
RMB	53,000	2017.03	RMB:NT$	4.8500
RMB	30,000	2017.03	RMB:NT$	4.6150
RMB	50,000	2017.07	RMB:NT$	4.6993

The Company entered into exchange rate swap contracts for the years ended December 31, 2017 and 2016 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, 2017

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

December 31, 2016

Notional Amount (In Thousands)		Maturity Date	Rate		Interest %
US$	10,000	2017.02	US$:NT$	31.920	0.76
US$	10,000	2017.03	US$:NT$	31.263	0.76

The Company entered into cross-currency swap contracts for the years ended December 31, 2017 and 2016 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, 2017

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

December 31, 2016

Notional Amount (In Thousands)	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)
$ 375,000	2018.06	1.340	0.65922
675,000	2018.06	1.310	0.65922
450,000	2018.06	1.310	0.65922
375,000	2018.06	1.290	0.65922
375,000	2018.06	1.278	0.65922
225,000	2018.06	1.265	0.65922
375,000	2018.06	1.280	0.65922
150,000	2018.06	1.260	0.65922

The Company entered into interest rate swap contracts for the years ended December 31, 2017 and 2016 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 (In Thousands)	Type	Buy/Sale	Maturity Date	Rate
US$ 10,000	Put	Sell	2017.01	US$:NT$ 32.30
US$ 20,000	Put	Sell	2017.01	US$:NT$ 32.20

The Company entered into exchange rate option contracts for the year ended December 31, 2016 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31 2017	December 31 2016
Domestic investments		
Listed shares	$ 4,685,590	$ 4,468,517

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31 2017	December 31 2016
Time deposits with original maturity more than three months	$ -	$ 90,493

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31 2017	December 31 2016
Notes receivable (including related parties)		
Notes receivable - operating	$ 2,147	$ 21,039
Notes receivable - non-operating	52,840	231
Less: Allowance for doubtful accounts	-	-
	$ 54,987	$ 21,270
Accounts receivable (including related parties)		
Accounts receivable	$ 1,494,213	$ 1,884,281
Less: Allowance for doubtful accounts	-	-
	$ 1,494,213	$ 1,884,281
Other receivables		
Tax refund receivables	$ 31,984	$ 62,948
Others	225,974	204,025
Less: Allowance for doubtful accounts	-	-
	$ 257,958	$ 266,973

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, 2017 and 2016 were not past due.

b. Accounts receivable

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

December 31, 2017

	Not Past Due and Not Impaired	Not Past Due but Impaired	Past Due but Not Impaired	Past Due and Impaired	Total
Up to 30 days	$ 644,310	$ -	$ -	$ -	$ 644,310
31-90 days	849,903	-	-	-	849,903
More than 90 days	-	-	-	-	-
	$ 1,494,213	$ -	$ -	$ -	$ 1,494,213

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

The above aging schedule was based on the invoice date.

11. INVENTORIES

	December 31	
	2017	2016
Raw materials	$ 22,225	$ 47,212
Supplies	172	288
Work in progress	891	1,101
Finished goods	12,957	19,869
Merchandise	2,405	7,787
	$ 38,650	$ 76,257

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was $7,736,216 thousand and $8,461,282 thousand, respectively.

12. OTHER ASSETS

	December 31	
	2017	2016
Current		
Prepayments	$ 29,808	$ 33,659
Supplies inventory	64,313	8,583
Temporary payments	2,418	5,512
Value-added tax retained	35,836	13,274
	$ 132,375	$ 61,028
Non-current		
Prepayments	$ 289,742	$ 38,382
Prepayments for equipment	21,377	67,270
Refundable deposits	9,142	7,179
Others	3,869	3,869
	$ 324,130	$ 116,700

13. HELD-TO-MATURITY FINANCIAL ASSETS - NON-CURRENT

	December 31	
	2017	2016
Foreign investments		
Corporate bonds	$ 109,875	$ 111,349
Structured product	172,557	174,523
	$ 282,432	$ 285,872

14. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2017	2016
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	
	2017	2016
Investments in subsidiaries	$ 82,115,785	$ 80,593,852
Investments in associates	18,118,935	10,397,650
	$ 100,234,720	$ 90,991,502

a. Investments in subsidiaries

	December 31	
	2017	2016
Unlisted companies	$ 82,115,785	$ 80,593,852

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	2017	2016
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, 2017. Therefore, the Company recognized $19,855 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, 2017 and 2016 was based on the subsidiaries’ financial statements audited by the auditors for the same years.

b. Investments in associates

	December 31	
	2017	2016
Material associates		
Ruen Chen Investment Holding Co., Ltd.	$ 16,659,984	$ 8,912,633
Associates that are not individually material	1,458,951	1,485,017
	$ 18,118,935	$ 10,397,650

1) Material associates

Name of Associate	Proportion of Ownership and Voting Rights December 31 2017	2016
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 2017	2016
Assets	$ 4,035,948,083	$ 3,644,010,238
Liabilities	(3,936,746,594)	(3,587,128,559)
Non-controlling interests	(15,605,007)	(12,021,953)
Owners of Ruen Chen Investment Holding Co., Ltd.	$ 83,596,482	$ 44,859,726
Proportion of the Company	20%	20%
Equity attributable to the Company	$ 16,719,296	$ 8,971,945
Other adjustments	(59,312)	(59,312)
Carrying amount	$ 16,659,984	$ 8,912,633

	For the Year Ended December 31 2017	2016
Operating revenue	$ 674,451,923	$ 657,143,807
Net income	$ 20,864,196	$ 23,499,027
Other comprehensive income (loss)	20,744,687	(6,963,584)
Total comprehensive income	$ 41,608,883	$ 16,535,443

2) Associates that are not individually material

Name of Associate	Proportion of Ownership and Voting Rights December 31 2017	2016
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	
	2017	**2016**
The Company's share of:		
Net (loss) income	$ 27,870	$ (118,822)
Other comprehensive loss	(52,147)	(60,601)
Total comprehensive (loss) income	$ (24,277)	$ (179,423)

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	
	2017	**2016**
Elitegroup Computer Systems Co., Ltd.	$ 1,390,829	$ 1,093,044

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, 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
Cost								
Balance at January 1, 2017	$ 1,771,359	$ 4,037,422	$ 659,468	$ 166,203	$ 347,635	$ 88,918	$ 197,201	$ 7,268,206
Additions	-	12,377	201,814	19,143	31,179	3,517	435,280	703,310
Disposals	-	(69,091)	(126,804)	(10,406)	(34,666)	(1,678)	-	(242,645)
Transfers from prepayments for equipment	-	-	24,120	-	657	-	35,090	59,867
Reclassified	(94,223)	2,808	47	-	-	4,400	(30,733)	(117,701)
Balance at December 31, 2017	$ 1,677,136	$ 3,983,516	$ 758,645	$ 174,940	$ 344,805	$ 95,157	$ 636,838	$ 7,671,037

(Continued)

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Accumulated depreciation								
Balance at January 1, 2017	$ -	$ 1,888,431	$ 369,782	$ 134,948	$ 302,916	$ 68,338	$ -	$ 2,764,415
Disposals	-	(44,870)	(72,692)	(10,097)	(31,799)	(1,267)	-	(160,725)
Depreciation expenses	-	102,227	69,439	11,893	18,876	5,675	-	208,110
Reclassified	-	(666)	-	-	-	7	-	(659)
Balance at December 31, 2017	$ -	$ 1,945,122	$ 366,529	$ 136,744	$ 289,993	$ 72,753	$ -	$ 2,811,141
Carrying amounts at January 1, 2017	$ 1,771,359	$ 2,148,991	$ 289,686	$ 31,255	$ 44,719	$ 20,580	$ 197,201	$ 4,503,791
Carrying amounts at December 31, 2017	$ 1,677,136	$ 2,038,394	$ 392,116	$ 38,196	$ 54,812	$ 22,404	$ 636,838	$ 4,859,896

(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	50-55 years
Elevators	15 years
Machinery and equipment	5-12 years
Transportation equipment	5 years
Office equipment	3-7 years
Other equipment	3-10 years

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

	2017	2016
Cost		
Balance at January 1	$ 2,542,722	$ 2,542,722
Reclassified	117,701	-
Balance at December 31	$ 2,660,423	$ 2,542,722
Accumulated depreciation and impairment		
Balance at January 1	$ 566,691	$ 513,537
Depreciation expenses	53,648	53,154
Reclassified	659	-
Balance at December 31	$ 620,998	$ 566,691
Carrying amounts at January 1	$ 1,976,031	$ 2,029,185
Carrying amounts at December 31	$ 2,039,425	$ 1,976,031

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	50-55 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	
	2017	2016
Investment property	$ 3,093,510	$ 2,974,940

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Unsecured borrowings		
Credit borrowings	$ 9,275,200	$ 6,515,000

The range of effective interest rate on bank borrowings was 0.67%-2.10% and 0.80%-1.56% per annum as of December 31, 2017 and 2016, respectively.

b. Long-term borrowings

	December 31	
	2017	2016
Unsecured borrowings		
Bank loans	$ 17,000,000	$ 17,000,000
Less: Current portion	(750,000)	-
	$ 16,250,000	$ 17,000,000

Range of maturity dates and interest rates:

	December 31	
	2017	2016
Maturity date		
Long-term borrowings	2019.03.27-2021.12.21	2018.09.27-2021.12.21
Current portion of long-term borrowings	2018.09.27	-
Range of interest rate	1.09%-1.60%	1.09%-1.60%

19. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2017	2016
Notes payable (including related parties)		
Operating	$ 53,793	$ 41,726
Non-operating	5,268	674
	$ 59,061	$ 42,400
Accounts payable (including related parties)	$ 1,167,672	$ 1,425,893

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	
	2017	2016
Payables for salaries	$ 240,096	$ 240,500
Payables for purchase of property, plant and equipment	183,320	84,324
Compensation due to directors and supervisors	123,428	125,474
Employee compensation payables	678,216	623,725
Interest payables	32,116	23,896
Payables for annual leave	108,186	80,694
Others	986,821	215,626
	$ 2,352,183	$ 1,394,239

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 2017	December 31 2016
Present value of defined benefit obligation	$ 1,512,580	$ 2,103,407
Fair value of plan assets	(760,000)	(314,239)
Net defined benefit liability	$ 752,580	$ 1,789,168

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, 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
Balance at January 1, 2017	$ 2,103,407	$ (314,239)	$ 1,789,168
Service cost	21,030	-	21,030
Net interest expense	22,955	(5,947)	17,008
Recognized in profit or loss	43,985	(5,947)	38,038
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	763	763
Actuarial loss arising from changes in demographic assumptions	199,141	-	199,141
Actuarial loss arising from changes in financial assumptions	(25,637)	-	(25,637)
Actuarial loss arising from experience adjustments	32,195	-	32,195
Recognized in other comprehensive income (loss)	205,699	763	206,462

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Contributions from the employer	$ -	$ (546,796)	$ (546,796)
Benefits paid	(106,219)	106,219	-
Others	(734,292)	-	(734,292)
Balance at December 31, 2017	$ 1,512,580	$ (760,000)	$ 752,580

(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	
	2017	2016
Operating costs	$ 109	$ 148
Selling and marketing expenses	22	62
General and administrative expenses	27,093	44,972
Research and development expenses	10,814	18,073
	$ 38,038	$ 63,255

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	
	2017	2016
Discount rate	1.250%	1.125%
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	
	2017	2016
Discount rate(s)		
0.25% increase	$ (44,769)	$ (52,270)
0.25% decrease	$ 46,740	$ 54,296
Expected rate(s) of salary increase		
0.25% increase	$ 45,574	$ 52,531
0.25% decrease	$ (43,880)	$ (50,834)

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	
	2017	2016
The expected contributions to the plan for the next year	$ 169,807	$ 554,666
The average duration of the defined benefit obligation	12.1 years	10.1 years

22. EQUITY

a. Share capital

	December 31	
	2017	2016
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

b. Capital surplus

	December 31	
	2017	2016
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	343,269	390,919

(Continued)

	December 31	
	2017	2016
May be used to offset a deficit only (2)		
Recognized from share of changes in equities of subsidiaries	$ 15,653	$ 23,232
May not be used for any purpose		
Recognized from share of changes in net assets of associates	135,716	5,309
	$ 4,615,341	$ 4,540,163

(Concluded)

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus is 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 2016 and 2015 had been approved in the shareholders' meetings on June 15, 2017 and June 15, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2016	For Year 2015	For Year 2016	For Year 2015
Legal reserve	$ 1,305,705	$ 953,136	$ -	$ -
(Reversal) special reserve	1,730,773	6,297,042	-	-
Cash dividends	4,420,181	4,420,181	1.50	1.50

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 15, 2018.

d. Other equity item

1) Exchange differences on translation foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 3,109,173	$ 5,020,886
Exchange differences arising on translation of foreign subsidiaries and associates	(4,899,702)	(1,911,713)
Balance at December 31	$ (1,790,529)	$ 3,109,173

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (16,745,541)	$ (16,926,480)
Unrealized gain on available-for-sale financial assets	217,073	349,438
Unrealized gain (loss) on available-for-sale financial assets of subsidiaries and associates	4,401,767	(168,499)
Balance at December 31	$ (12,126,701)	$ (16,745,541)

23. REVENUE

	For the Year Ended December 31 2017	2016
Revenue from the products	$ 9,600,331	$ 10,458,648
Revenue from the rendering of services	2,104,574	1,835,780
	$ 11,704,905	$ 12,294,428

24. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Year Ended December 31 2017	2016
Rental income (Note 31)		
Rental income from operating lease		
Investment properties	$ 119,595	$ 118,647
Others	32,056	30,149
	151,651	148,796
Interest income		
Cash in bank	10,200	3,386
Repurchase agreements collateralized by bonds	4,428	990
Held-to-maturity financial assets	11,480	5,444
Debt investment with no active market	902	7,377
	27,010	17,197
Dividends income	275,865	288,827
Others	216,225	76,037
	$ 670,751	$ 530,857

b. Other gains and losses

	For the Year Ended December 31 2017	2016
Net loss on disposal of property, plant and equipment	$ (21,149)	$ (296)
Net foreign exchange loss	(1,400,702)	(164,491)
Net gain on disposal of available-for-sale financial assets	-	-
Net loss on disposal of associates	-	(4,277)
Net gain arising on financial assets designated as at FVTPL	146,545	158,907
Net loss arising on financial liabilities designated as at FVTPL	(86,115)	(53,570)
Others	(62,940)	(59,772)
	$ (1,424,361)	$ (123,499)

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank borrowings	$ 301,952	$ 310,626
Interest on short-term bills payable	3,911	1,781
Other interest expense	7,620	25,935
	$ 313,483	$ 338,342

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 208,110	$ 191,528
Investment properties	53,648	53,154
	$ 261,758	$ 244,682
An analysis of depreciation by function		
Operating costs	$ 8,384	$ 6,883
Operating expenses	199,726	184,645
Non-operating expenses	53,648	53,154
	$ 261,758	$ 244,682

e. Direct expenses with investment properties

	For the Year Ended December 31	
	2017	2016
Direct operating expenses from investment properties that generated rental income	$ 70,226	$ 66,675
Direct operating expenses from investment properties that did not generated rental income	65	65
	$ 70,291	$ 66,740

f. Employee benefits expense

	2017			2016		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Salary						
Termination benefits	$ 1,157	$ 11,959	$ 13,116	$ -	$ 11,087	$ 11,087
Others	23,728	2,467,549	2,491,277	20,109	2,390,166	2,410,275
	24,885	2,479,508	2,504,393	20,109	2,401,253	2,421,362
Labor and health insurance	2,523	221,593	224,116	2,239	209,495	211,734
Post-employment benefit						
Defined contribution plans	1,276	109,567	110,843	1,076	125,590	126,666
Defined benefit plans	109	37,929	38,038	148	63,107	63,255
	1,385	147,496	148,881	1,224	188,697	189,921
Other employee benefits	917	76,123	77,040	891	134,976	135,867
Total employee benefits expense	$ 29,710	$ 2,924,720	$ 2,954,430	$ 24,463	$ 2,934,421	$ 2,958,884

As of December 31, 2017 and 2016, there were 3,775 and 3,520 employees, respectively, in the Company. The Company accounts for employee benefits expense based on the number of employees.

- Employees' compensation and remuneration of directors and supervisors for 2017 and 2016

  In compliance with the Company Act, 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, 2017 and 2016 which were approved by the Company's board of directors on March 26, 2018 and March 27, 2017, respectively, were as follows:

  Accrual rate

	For the Year Ended December 31	
	2017	**2016**
Employees' compensation	1.8%	1.8%
Remuneration of directors and supervisors	0.9%	0.9%

  Amount

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

  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, 2016.

  Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2018 and 2017 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	
	2017	2016
Current tax		
In respect of the current year	$ 485,625	$ 608,121
Adjustments for prior years' income tax	43,448	(1,430)
Income tax expense of unappropriated earnings	522,087	-
	1,051,160	606,691
Deferred tax	(628,808)	126,286
Income tax expense recognized in profit or loss	$ 422,352	$ 732,977

A reconciliation of accounting profit and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2017	2016
Income before income tax	$ 13,343,958	$ 13,790,027
Income tax expense calculated at the statutory rate	$ 2,268,473	$ 2,344,305
Tax effect of adjusting items		
Tax-exempt income	(46,897)	(49,101)
Investment income recognized under equity method	(2,368,462)	(1,578,289)
Others	(39,661)	619
Income tax on unappropriated earnings	522,087	-
Current tax	335,540	717,534
Deferred tax	43,364	16,873
Adjustments for prior years' income tax	43,448	(1,430)
Income tax expense recognized in profit or loss	$ 422,352	$ 732,977

The applicable tax rate used by the Company is the corporate tax rate of 17%.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by $619 thousand and $6,805 thousand, respectively, in 2018.

As the status of 2018 appropriations of earnings is uncertain, the potential income tax consequences of 2017 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	
	2017	2016
Deferred tax assets		
Temporary differences		
Unrealized pension expense	$ -	$ 47,929
Others	3,510	3,009
	$ 3,510	$ 50,938
Deferred tax liabilities		
Temporary differences		
Investment income from foreign subsidiaries	$ -	$712,725
Land value increment tax	86,547	86,547
Others	38,559	2,071
	$ 125,106	$ 801,343

c. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated before January 1, 1998	$ -	$ 221,425
Generated on and after January 1, 1998	-	31,993,273
	$ - (Note)	$ 32,214,698
Imputation credit account	$ - (Note)	$ 2,562,413

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earning	Note	10.01%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

d. Income tax assessments

The tax returns of the Company through 2015, except 2014, 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, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Net income (in thousand dollars)		
Earnings used in the computation of earnings per share	$ 12,921,606	$ 13,057,050
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	2,946,787
Effect of potentially dilutive common shares:		
Employee share options	-	85,463
Bonus to employees	7,888	8,502
Weighted average number of common shares used in the computation of diluted earnings per share	2,954,675	3,040,752
Earnings per share (in dollars)		
Basic earnings per share	$4.38	$4.43
Diluted earnings per share	$4.37	$4.29

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.

Information about employee share options for the years ended December 31, 2017 and 2016 was as follows:

	For the Year Ended December 31			
	2017		2016	
Employee Share Options	**Number of Shares Purchasable (In Thousands)**	**Weighted-average Exercise Price (NT$)**	**Number of Shares Purchasable (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	145,791	$ 17.40	145,791	$ 18.00
Options exercised	(145,791)	16.80	-	-
Balance at December 31	-	-	145,791	17.40
Exercisable options at December 31	-	-	145,791	17.40

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

	December 31	
	2017	**2016**
Exercise price (NT$)	$ -	$ 17.40
Weighted-average remaining contractual life (years)	-	0.85

28. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Operating leases relate to leases of plant, dormitory, and office with lease terms between 1 to 6 years. The Company does not have a bargain purchase option to acquire the leased plant, dormitory, and office at the expiration of the lease periods.

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

	December 31	
	2017	**2016**
Not later than 1 year	$ 14,696	$ 6,227
Later than 1 year and not later than 5 years	13,340	9,835
	$ 28,036	$ 16,062

The lease contract includes terms of the contingent rental payments requiring that the Company should pay contingent rentals based on the actual application situation.

b. The Company as lessor

Operating leases relate to leasing of investment properties with lease terms between 1 to 10 years. The lessees do not have bargain purchase options to acquire the properties at the expiry of the lease periods.

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

	December 31 2017	December 31 2016
Not later than 1 year	$ 66,701	$ 148,373
Later than 1 year and not later than 5 years	49,059	84,417
	$ 115,760	$ 232,790

In addition to the minimum lease payments receivable, the above property lease contracts also included contingent rental clauses stipulating that the lessees should pay contingent rentals based on the actual application situation.

29. 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.

30. FINANCIAL INSTRUMENTS

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

Except for financial assets measured at cost whose fair value cannot be reliably measured, the management considers the carrying amounts of financial assets and financial liabilities recognized in the financial statements as approximate fair values.

b. 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:

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

	December 31 2017	December 31 2016
Financial assets		
Available-for-sale financial assets		
Domestic listed securities		
Equity investment	$ 4,685,590	$ 4,468,517

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	
	2017	2016
Financial assets		
Financial assets at FVTPL		
Derivative financial instruments	$ -	$ 131,915
Financial liabilities		
Financial liabilities at FVTPL		
Derivative financial instruments	206,060	113,284

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). When 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 was 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.

c. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ -	$ 131,915
Held-to-maturity financial assets	282,432	285,872
Loans and receivables (Note 1)	3,015,884	2,810,989
Available-for-sale financial assets	4,685,590	4,468,517
Financial assets measured at cost	61,000	61,000
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	206,060	113,284
Amortized cost (Note 2)	29,872,010	26,395,731

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.

d. 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 34.

Sensitivity analysis

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	
	2017	**2016**
USD	$ (102,228)	$ (94,774)
RMB	(314)	(4,954)

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	
	2017	2016
Cash flow interest rate risk		
Financial liabilities	$ 20,775,200	$ 18,015,000

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 $207,752 thousand and $180,150 thousand during the years ended December 31, 2017 and 2016, 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, 2017 and 2016 would have decrease by $60,764 thousand and $55,616 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 issued by upper-medium rating grade bank 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, 2017 and 2016, 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, 2017

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities						
Non-interest bearing	-	$ 720,650	$ 735,573	$ 2,140,586	$ -	$ -
Floating interest rate liabilities	1.12	5,660,000	1,895,200	1,720,000	11,500,000	-
Fixed interest rate liabilities	1.50	-	-	750,000	4,750,000	-
		$ 6,380,650	$ 2,630,773	$ 4,610,586	$ 16,250,000	$ -

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	$ -	$ -
Floating 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	$ -

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

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

The following table detailed the 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, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Exchange rate swap contracts	$ 173,367	$ 23,787	$ -	$ -	$ -
Interest rate swaps contracts	-	-	3,109	-	-
Cross-currency swap contracts	-	5,797	-	-	-
	$ 173,367	$ 29,584	$ 3,109	$ -	$ -

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 contracts	$ -	$ 75,090	$ 13,493	$ -	$ -
Interest rate swaps contracts	-	-	-	17,246	-
Exchange rate option contracts	7,455	-	-	-	-
	$ 7,455	$ 75,090	$ 13,493	$ 17,246	$ -

c) Financing facilities

	December 31	
	2017	2016
Unsecured bank facility and reviewed annually:		
Amount used	$ 26,320,826	$ 23,554,336
Amount unused	9,132,230	8,011,414
	$ 35,453,056	$ 31,565,750

31. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed below.

a. The names and the relationships of the related parties with whom the Company has significant transactions

Names of the Related Parties	Relationships
Yue Yuen Industrial (Holdings) Limited	Subsidiaries
Barits Development Corporation	Subsidiaries
Pan Asia Insurance Services Co., Ltd.	Subsidiaries
Pou Yii Development Co., Ltd.	Subsidiaries
Pou Shine Investments Co., Ltd.	Subsidiaries
Pou Chin Development Co., Ltd.	Subsidiaries
Song Ming Investments Co., Ltd.	Subsidiaries
Wang Yi Construction Co., Ltd.	Subsidiaries
Windsor Entertainment Co., Ltd.	Subsidiaries
Pro Arch International Development Enterprise Inc.	Subsidiaries
Chang Yang Material Corporation	Associates
High Shine Investments Ltd.	Associates
San Fang Chemical Industry Co., Ltd	Associates
Nan Pao Resins Chemical Co., Ltd.	Associates
Platinum Long John Co., Ltd.	Associates
Sheachang Enterprise Corporation	Other related parties

b. Operating revenue

Account Items	Related Parties Categories	For the Year Ended December 31 2017	2016
Sales and service revenue	Yue Yuen	$ 11,378,947	$ 12,041,168
	Subsidiaries	1,303	226
	Associates	67,361	42,644
		$ 11,447,611	$ 12,084,038

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.

c. Purchases

Account Items	Related Parties Categories	For the Year Ended December 31 2017	2016
Purchases	Subsidiaries	$ 2,135	$ 3,939
	Associates	751,799	793,431
		$ 753,934	$ 797,370

Purchases from related parties have prices and payment terms that have no significant differences with non-related parties.

d. Rental income

Account Items	Related Parties Categories	For the Year Ended December 31 2017	2016
Rent income	Windsor	$ 108,099	$ 108,071
	Yue Yuen	16,248	15,169
	Subsidiaries	2,266	1,879
	Associates	967	2,707
	Other related parties	4,670	4,670
		$ 132,250	$ 132,496

e. Receivables from related parties

Account Items	Related Parties Categories	For the Year Ended December 31 2017	2016
Notes receivable and accounts receivable	Yue Yuen	$ 1,417,774	$ 1,850,215
	Subsidiaries	78	-
	Associates	27,959	4,579
		$ 1,445,811	$ 1,854,794

f. Payables to related parties

Account Items	Related Parties Categories	For the Year Ended December 31 2017	2016
Notes payable and accounts payable	Subsidiaries	$ 112	$ 661
	Associates	55,527	126,316
		$ 55,639	$ 126,977

g. 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 2017	2016
Short-term employee benefits	$ 170,121	$ 171,674

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

32. 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 provided 61,295 thousand ordinary shares of Yue Yuen in the custody of the trust department of Mega Bank during the period from June 27, 2011 to June 27, 2021. The Company will not dispose of or make encumbrance to the shares of Wealthplus equal to the share value of Yue Yuen during the trust period.

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 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.

d. The total price of the construction in progress is $988,074 thousand. The unpaid balance as of December 31, 2017 was $399,991 thousand.

33. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

a. The Subsidiaries of the Company participated in the acquisition of Evermore Chemical Industry Co., Ltd. ("Evermore") proposed by Aica Kogyo Co., Ltd. in November 2017. This transaction was completed in January, 2018 and the subsidiaries disposed of 20,786 thousand shares with the amount of $415,720 thousand. After the transaction, the proportion of ownership and voting rights of the subsidiaries decreased from 29.05% to 8.13%, and lose significant influence over Evermore.

b. Wealthplus entered into a Scheme of Arrangeent under the Company Act of Bermuda ("Scheme of Arrangement") to undertake privatization of Pou Sheng International (Holdings) Limited ("The Privatization Plan").

1) Under the Scheme of Arrangement and the Option Offer, Wealthplus will make an appropriate offer to all the ordinary shareholders and option holders:

a) To shareholders ("Scheme Shareholders") who hold 5,338,548,615 ordinary shares ("Scheme Shares") of Pou Sheng, the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK$2.03 per Scheme Share; and

b) Option holders, (35,002,190 shares of Pou Sheng), can get cancellation price as below:

- When the exercise price of Pou Sheng Option is equal to or lower than the cancellation price, an amount equal to the cancellation price minus the exercise price of such Pou Sheng Option; or

- When the exercise price of Pou Sheng Option is higher than or equal to the cancellation price, a nominal amount of HK$0.00001.

The transaction amount of Scheme and Options Offer is approximately HK$10,908,308 thousand.

2) Subject to Scheme of Arrangement becoming effective, all the ordinary shares and Options of Pou Sheng will be cancelled, in exchange for the payment of Cancellation Price stated in paragraph (1). On the effective date of Scheme of Arrangement and immediately before the Scheme Shares are cancelled, Pou Sheng will issue one share at par to Wealthplus. After Scheme Shares are cancelled, Pou Sheng will issue 5,338,548,615 ordinary shares to Wealthplus.

3) The Scheme of Arrangement should get the approval and resolution including but not limited to:

a) Approval of meeting of the Scheme Shareholders of Pou Sheng at the direction of the Bermuda Court;

b) Approval of Pou Sheng Special General Meeting ("SGM");

c) The sanction of the Scheme by the Bermuda Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Bermuda Court for registration;

d) The approval by the Investment Commission of the Ministry of Economic Affairs of Taiwan of the additional investment in China by Pou Chen because of the Privatization;

e) Approval of Yue Yuen SGM; and

f) All documents and declarations of the Privatization approved by the Securities and Futures Commission of Hong Kong, and HKEx.

The Scheme has been approved by Yue Yuen SGM on March 16, 2018.

34. 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, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 89,598	29.76	$ 2,666,423
RMB	1,376	4.565	6,281
Non-monetary items			
RMB	61,869	4.565	282,432
Financial liabilities			
Monetary items			
USD	20,896	29.76	621,855
Non-monetary items			
USD	6,820	29.76	202,951

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

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	2017	2016	Difference	
			Amount	Percentage
Current Assets	154,667,365	151,320,571	3,346,794	2.21%
Non-Current Assets	147,237,065	142,569,290	4,667,775	3.27%
Total Assets	301,904,430	293,889,861	8,014,569	2.73%
Current Liabilities	84,461,024	74,732,364	9,728,660	13.02%
Non-Current Liabilities	59,063,460	56,146,793	2,916,667	5.19%
Total Liabilities	143,524,484	130,879,157	12,645,327	9.66%
Equity	29,467,872	29,467,872	-	-
Capital Surplus	4,615,341	4,540,163	75,178	1.66%
Retained Earnings	63,449,395	55,333,477	8,115,918	14.67%
Other Equity	(13,917,230)	(13,636,368)	(280,862)	(2.06%)
Non-Controlling Interests	74,764,568	87,305,560	(12,540,992)	(14.36%)
Total Equity	158,379,946	163,010,704	(4,630,758)	(2.84%)

(1) Analysis of changes in financial ratios: Less than 20% changes during 2017, so no need to make any explanation.

(2) Impact: no material impact.

(3) Action plan(s) for the future: N/A.

7.2 Financial Performance

(In NT$ thousands)

Year / Item	2017	2016	Difference	
			Amount	Percentage
Operating Revenue	278,631,872	274,895,346	3,736,526	1.36%
Operating Costs	205,563,548	204,512,552	1,050,996	0.51%
Operating Expenses	56,000,226	52,597,611	3,402,615	6.47%
Income from Operations	17,068,098	17,785,183	(717,085)	(4.03%)
Non-operating Income and Expenses	7,749,406	8,494,619	(745,213)	(8.77%)
Income Before Income Tax	24,817,504	26,279,802	(1,462,298)	(5.56%)
Income Tax Expense	3,086,914	3,277,883	(190,969)	(5.83%)
Net Income For the Year	21,730,590	23,001,919	(1,271,329)	(5.53%)
Other Comprehensive Net Income (Loss)	719,523	(3,312,203)	4,031,726	121.72%
Total Comprehensive Income For the Year	22,450,113	19,689,716	2,760,397	14.02%

(1) Analysis of changes in financial ratios :

Other comprehensive income increased by NT$4 billion mainly due to (1) the share of income of associates and joint ventures accounted for using the equity method increased by NT$5 billion. This is mainly due to the increase in unrealized revaluation income on available-for-sale financial assets in Nan Shan Life Insurance Company, as recognized by Ruen Chen Investment of the Pou Chen Group. (2) Unrealized revaluation income on available-for-sale financial assets decreased by NT$400 million, mainly due to the decrease in unrealized revaluation income of Mega Holdings, as recognized by the Pou Chen Group. (3) Exchange loss on translation of foreign financial statements increased by NT$400 million because the functional currency in foreign operations is USD, the exchange rate from USD to NTD is 32.25 in January 1, 2017 but appreciated 2.49(7.72%) which is 29.76 in December 31, 2017. The exchange rate in January 1, 2016 is 32.825 appreciated to 0.575(1.75%) which is 32.25 in December 31, 2016. The exchange rate appreciated more than 2016 compared to 2017, which caused the year's exchange loss on translation of foreign financial statements for the year to increase compared to the same period last year.

(2) Sales conditions forecast：

The Company will fully utilize our advantages in different regions, flexibly reallocate our production capacity, continue to implement production optimization measures, and expand the scope of automated production to increase added value and operating efficiency of footwear manufacturing in 2018. The Company will also pioneer innovation utilization and services, in the hope of benefiting brand customers and creating revenue. With regard to retailing and brand licensing, The Company will continue to develop an omni-channel sales network and create diverse distribution channels and business models to attract different market segments.

(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 2017

(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
35,679,158	16,808,648	(10,668,186)	(12,154,857)	4,443,590	34,108,353

A. Operating activities:

Net cash inflow from operating activities is NT$16.8 billion, mainly including NT$24.8 billion operating income before income tax adjusted by items that do not affect cash flow. These items include adding NT$8.9 billion depreciation expenses, deducting the NT$5.8 billion share of the profit of associates and joint ventures accounted for using the equity method, deducting NT$6.9 billion in inventory, NT$0.5 billion in accounts payable and NT$3.7 billion in income tax paid, etc.

B. Investing activities:

Net cash outflow from investing activities is NT$10.7 billion, mainly including NT$15.1 billion cash outflow for acquisition of property, plant, and equipment; NT$1 billion cash outflow for acquiring held-to-maturity financial assets; NT$3.3 billion cash inflow from dividends received, etc.

C. Financing activities:

Net cash outflow from financing activities is NT$12.2 billion, mainly including NT$9.4 billion cash inflow proceeds from short-term borrowings, NT$5.2 billion cash inflow from long-term borrowings, cash outflow for paying cash dividends to non-controlling shareholders by The Company and Yue Yuen (Holdings) Limited, 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
34,108,353	14,303,772	(17,917,754)	30,494,371	-	-

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:

The 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 2017, is NT$5.78 billion, a decrease of NT$0.49 billion compared to the NT$6.27 billion in 2016. This decrease is mainly because the reinvestment income from Elite Group increase NT$0.23 billion, Texas Clothing Holdings Corp. decrease NT$0.33 billion and Ruen Chen Investment decrease NT$0.48 billion.

(2) The investment plan for the coming year will continue focusing on two core businesses, which are footwear manufacturing and Retailing and Brand Licensing, 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 Company and its subsidiaries are exposed to interest rate risks mainly affected by the interest rate policy of the United States, Taiwan, and China. Changes in the interest rates of USD, TWD, and RMB will not only affect our interest earned on the deposits and return from financial products, but also affect our financing cost.

Regarding financial products investment, The Company mainly invests in low- risk financial products, such as bank deposits, repurchase agreements, and money funds to preserve principal and maintain liquidity requirements. Meanwhile, The Company also invests a portion of funds into investment grade floating rate securities or bonds, which provide higher return than cost of fund. Besides ensuring investment risks, The Company also focuses on the interest rate fluctuation effect on return.

The Company has entered in interest rate swap, cross currency swaps, and raised fixed rate loans to mitigate the interest rate risk on its borrowings and to lower its financing cost. The Company will continue to carry out hedging for interest rates, so as to lower the impact of interest rate fluctuations on financing cost.

In 2018, the rising in U.S. interest rates, timing of ending the quantitative easing in Euroland, and the force of China's political and economic reform, as well as its market stability after removing president's term limit will affect global trends in the financial market. Due to the low base effect last year, this year may be a year of inflation in Taiwan. Oil, food, commodities, and electricity price hikes will cause CPI to significantly increase this year. Hence, The Company will continue to follow changes in the global economic environment for timely managing interest rate movement risk.

B. Exchange Rate Fluctuation

The Company and subsidiaries follow its conservative hedging principles for foreign currency assets and liabilities from operations of the Company and subsidiaries acquired. The Company uses spot exchange and forward exchange, options or suitable financial instruments for hedging based on exchange rate trends and booking costs of assets and liabilities for each currency. In the future, according to The Company's policy, it will continue to observe the movements in the financial market and to decrease total exposure and currency fluctuation impact on profits by offsetting the currency exposure of assets and liabilities.

C. Inflation

Facing the fluctuation in raw materials and energy prices in the future, The Company will continue to observe the trends of raw materials prices, control raw materials inventory, and flexibly adjust business strategy to reduce the impact from the volatility of raw materials prices to The Company's operations.

(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 on page 95. 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

The Company has always upheld the principles of professionalism and integrity in our operations, and emphasizes CSR, corporate image, corporate governance, environmental protection, and risk management in hopes of achieving corporate sustainability. After being selected to become a constituent stock of the FTSE4Good Emerging Index in 2015, The Company was further selected to become a constituent stock of FTSE4Good TIP Taiwan ESG Index, which is jointly issued by Taiwan Index Plus Corporation and FTSE Russell, in December 2017. The Company continued to rank among the top 5% of listed companies in corporate governance ranked by the Taiwan Stock Exchange in 2017, and ranked 17^{th} in the manufacturing industry in the Taiwan Top 2,000 Survey of Commonwealth Magazine in both 2017 and 2016. At present, there are no potential crises in the foreseeable future.

(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 15, 2016, there has not been any transfer of significant number of shares by the directors. 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.

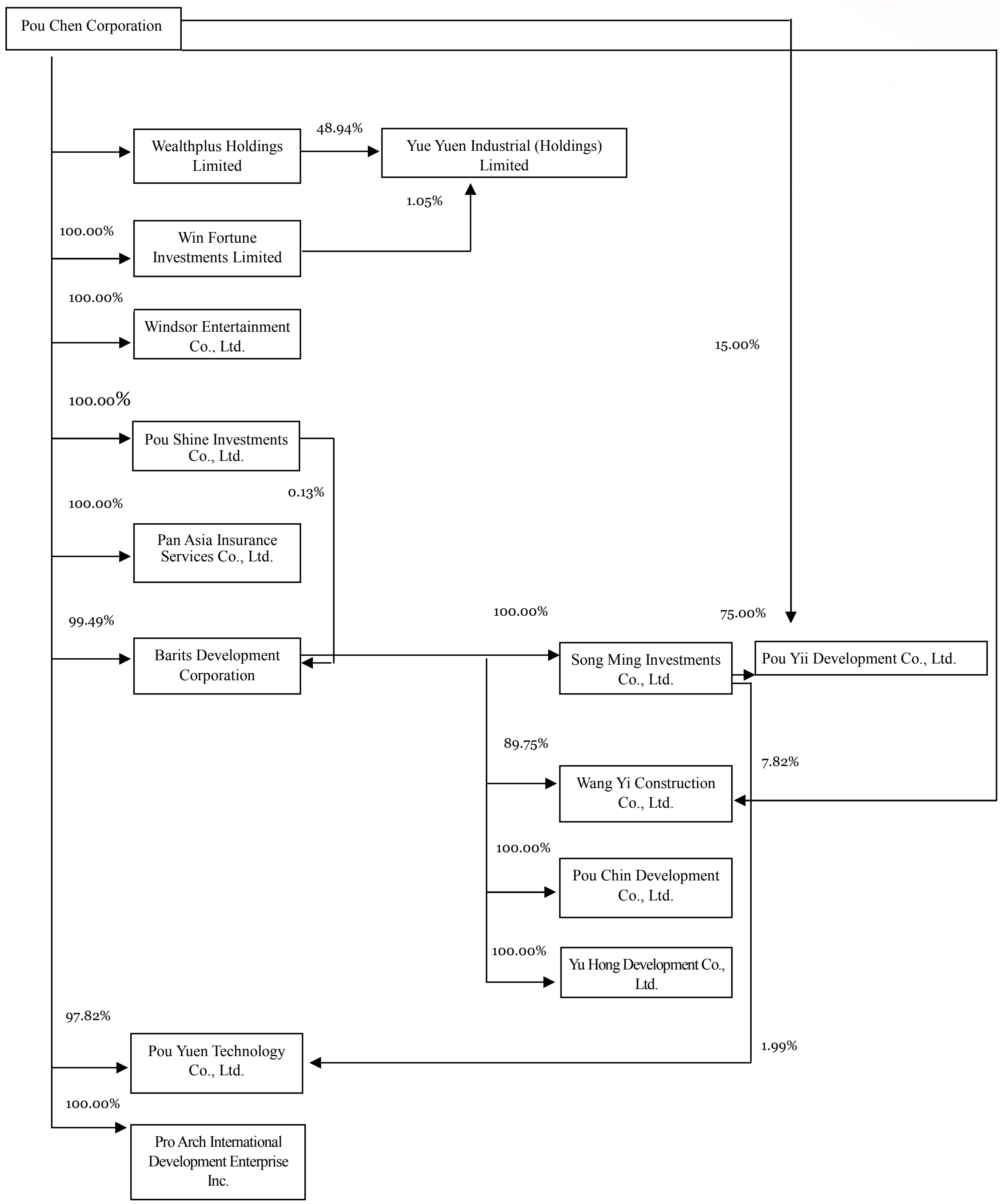
7.7 Other Material Items: N/A

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	7F., No.59, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	5,000	Agency of property and casualty insurance
Barits Development Corporation	November 21, 1985	No.2, Fu Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan	2,529,513	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	200,000	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$53,197,000	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	Chan, Lu-Min	-	-
	Director	Lu, Chin-Chu	-	-
	Director	Tsai, Pei-Chun	-	-
	Director	Tsai, Ming-Lun	-	-
	Director	Ho, Ming-Kun	-	-
Win Fortune Investments Limited	Director	Chan, Lu-Min	-	-
	Director	Lu, Chin-Chu	-	-
	Director	Ho, Ming-Kun	-	-
Windsor Entertainment Co., Ltd.	Chairman	Pou Chen Corporation, represented by Lu, Chim-Chu	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.	Chairman	Pou Chen Corporation, represented by Young , Hung - Bin	-	100.00
	Director	Pou Chen Corporation, represented by Hsu, Hsiang-Ming	-	100.00
	Director	Pou Chen Corporation, represented by Chuang, Shao - Jung	-	100.00
Barits Development Corporation	Chairman	Pou Chen Corporation, represented by Chan, Lu-Min	251,662,040	99.49
	Director	Pou Chen Corporation, represented by Sung, Chien-Shih	251,662,040	99.49
	Director	Pou Chen Corporation, represented by Lu, Chin-Chu	251,662,040	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	251,662,040	99.49
	Director	Pou Chen Corporation, represented by Hsiao, Hsiu-Chen	251,662,040	99.49
	Supervisor	Pou Shine Investments Co., Ltd., represented by Hsu, Hsiang-Ming	323,370	0.13
	Supervisor	Pou Shine Investments Co., Ltd., represented by Liu, Shu-Hsuan	323,370	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	Chen, Cheng-Feng	-	-
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	20,000,000	100.00

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(Continued)

Entity Name	Title	Name/Representative	Share Ownership	
			Number of Shares	Percentage
	Director	Barits Development Corporation, represented by Hsu, Hui-Min	20,000,000	100.00
	Director	Barits Development Corporation, represented by Liao, Yu-Tzu	20,000,000	100.00
	Supervisor	Barits Development Corporation, represented by Wu, Yu-Wen	20,000,000	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	Hu, Dien-Chien	-	-
	Executive Director	Tsai, Ming-Lun	-	-
	Executive Director	Liu, Hong-Chih	-	-

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(Continued)

Entity Name	Title	Name/Representative	Share Ownership	
			Number of Shares	Percentage
	Independent Non-Executive Director	Leung, Yee-Sik	-	-
	Independent Non-Executive Director	Huang, Ming-Fu	-	-
	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 Per Share (NT$)
Wealthplus Holdings Limited	$ 295,429	$ 71,177,658	$ 1,619,916	$69,557,742	$ 81,697	($ 18,618)	$ 9,263,339	N/A
Win Fortune Investments Limited	3,230	1,831,531	50	1,831,481	167,038	166,936	178,503	N/A
Windsor Entertainment Co., Ltd.	100,000	261,111	176,343	84,768	521,025	11,696	12,751	N/A
Pou Shine Investments Co., Ltd.	1,330,945	3,381,252	598,955	2,782,297	185,701	185,264	179,898	N/A
Pan Asia Insurance Services Co., Ltd.	5,000	23,186	7,120	16,066	28,776	8,029	6,249	N/A
Barits Development Corporation	2,529,513	11,104,108	4,147,394	6,956,714	323,100	18,959	252,932	N/A
Pou Yuen Technology Co., Ltd.	290,700	653,182	40,642	612,540	19,539	12,706	57,604	N/A
Pro Arch International Development Enterprise Inc.	200,000	438,024	29,573	408,451	180,961	20,374	189,282	N/A
Song Ming Investments Co., Ltd.	1,204,864	1,949,946	2,236	1,947,710	110,580	110,231	110,231	N/A
Wang Yi Construction Co., Ltd.	77,000	201,297	89,794	111,503	295,457	10,318	10,123	N/A
Pou Yii Development Co., Ltd.	525,000	1,213,369	327,839	885,530	3,821	(4,946)	50,396	N/A
Pou Chin Development Co., Ltd.	200,000	205,641	4,726	200,915	4,271	(782)	(156)	N/A
Yu Hong Development Co., Ltd.	10,000	665,317	495,445	169,872	-	(1,274)	(8,487)	N/A
Yue Yuen Industrial (Holdings) Limited	1,701,803	246,324,681	107,344,112	138,980,569	277,409,708	15,774,150	15,797,402	9.60

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 26, 2018

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, 2017 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 page 127.

B. Consolidated Income Statements: see page 128~129.

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	49.99% owned subsidiary	Manufacturing and sale of athletic and casual footwear and sports apparel	49.99%
Pou Sheng International (Holdings) Limited	31.20% owned subsidiary	Retailing of sporting goods and brand licensing business	31.20%

(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 balance should be deposited to the legally mandated reserve, unless the latter has already

Entities	Legal or Contractual Restrictions
	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 44 in the accompanying notes to the Consolidated Financial Statements.

b. Fund lending: Please refer to Schedule 1 of Note 44 in the accompanying notes to the Consolidated Financial Statements.

c. Endorsement and guarantee: Please refer to Schedule 2 of Note 44 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: Please refer to Note 41 in the accompanying notes to the Consolidated Financial Statements

g. Financial instruments and securities held: Please refer to Schedule 3 and Schedule 9 of Note 44 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