Stock Code: 9904

寶成工業股份有限公司

POU CHEN CORPORATION

2018 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 2018 was 12.1 billion, the consolidated revenue was 293.3 billion, which reflects an increase of 5.27% compared to the previous year (2017: NT$278.6 billion), and the net income attributed to owners of the Company was NT$10.7 billion, a decrease of 17.13% compared to the previous year (2017: NT$12.9 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 61% and 39% of consolidated revenue respectively. (Schedule 2)

The Company's consolidated revenue in 2018 increased by NT$14.7 billion compared to the previous year, mainly due to the sales increase by retailing of sporting goods and brand licensing business which was attributed to the continuous expansion of the sales network and the growth of same store sales.

(2) Income from operations

Accompanied by the continuous growth of its consolidated revenue, the Company's consolidated gross profit from operations in 2018 was NT$75.5 billion, an increase 3.29% from previous year (NT$73.1 billion). Consolidated gross profit margin in 2018 decreased from 26.2% in the previous year to 25.7%, primarily due to the adverse effects of order and product portfolio changes on the footwear business.

The Company's consolidated net operating income in 2018 was NT$13.8 billion, a decreased 19.09% from previous year (NT$17.1 billion). Consolidated net operating income margin in 2018 decreased from 6.1% in the previous year to 4.7%, primarily due to a slight increase in operating expenses from footwear manufacturing compared to previous year. In addition, the Company's retailing of sporting goods and brand licensing business were affected by sales network expansion and store renovation, causing increased market promotion and marketing expenses compared to previous year.

(3) Net income and Earnings per share

The net income attributable to owners of the Company in 2018 slightly decreased by NT$2.2 billion compared to the previous year, resulting in EPS of NT$3.63 which was a slight decrease of NT$0.75 compared to the previous year (2017: NT$4.38).

Schedule 1: Consolidated Financial Statements

(In NT$ thousands, except earnings per share)

Item \ Year		2018 Amount	2018 Ratio	2017 Amount	2017 Ratio	+(-)%
Operating revenue		293,316,089	100%	278,631,872	100%	5.27%
Gross profit		75,471,295	26%	73,068,324	26%	3.29%
Income from operations		13,809,464	5%	17,068,098	6%	(19.09%)
Income before income tax		20,260,383	7%	24,817,504	9%	(18.36%)
Net income for the year		16,371,866	6%	21,730,590	8%	(24.66%)
Net income attributable to	Owners of the Company	10,708,646	4%	12,921,606	5%	(17.13%)
	Non-controlling interests	5,663,220	2%	8,808,984	3%	(35.71%)
Earnings per share (Basic)		3.63		4.38		

Schedule 1-1: Separate Financial Statements

(In NT$ thousands, except earnings per share)

Item \ Year	2018 Amount	2018 Ratio	2017 Amount	2017 Ratio	+(-)%
Operating revenue	12,062,778	100%	11,704,905	100%	3.06%
Gross profit	4,610,127	38%	3,982,222	34%	15.77%
Income from operations	477,899	4%	478,923	4%	(0.21%)
Income before income tax	11,609,847	96%	13,343,958	114%	(13.00%)
Net income for the year	10,708,646	89%	12,921,606	111%	(17.13%)
Earnings per share (Basic)	3.63		4.38		

Schedule 2

(In NT$ thousands)

Primary Business \ Year	2018 Amount	2018 Ratio	2017 Amount	2017 Ratio
Manufacturing of shoes	177,557,453	61%	185,597,169	67%
Retailing of sporting goods and brand licensing business	114,950,866	39%	92,101,627	33%
Other	807,770	-	933,076	-
Total	293,316,089	100%	278,631,872	100%

1.2 Research and Development

In 2018, the Company invested 2.1% 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 issues of environmental sustainability, the Company maintains the effective operation of environmental pollution prevention mechanisms, promotes clean production, and reduces the environmental impact of production processes. Pou Chen is simultaneously committed to energy conservation and carbon reduction tasks. In addition to continuously introducing energy-saving equipment, reducing leakage of vapor gas and compressed air, and increasing equipment energy efficiency, the Company expects to build energy online monitoring systems in its plants as of 2019. Subsequently, we will continue to evaluate the feasibility of renewable energy applications in order to keep pace with international trends and meet the expectations of our customers.

(2) Safety and Health Management

The Company emphasizes risk management from the source, and adopts safety designs and professional review when a new plant is constructed, equipment is purchased, or during maintenance and renovation; testing and acceptance procedures have also been strengthened to ensure that requirements are met. Pou Chen will continue to strengthen occupational hazard prevention, improve environmental and occupational health and safety management mechanisms, and implement equipment improvement projects. In 2019, we will also begin promoting monthly labor safety events and professional environmental safety and health training programs for chief engineering staff members in our plants, with the hope of increasing our employees' safety awareness and professional skills.

(3) Compliance Management

By using internal evaluation mechanisms for environmental safety, health, and labor affairs, Pou Chen examines the compliance of its production divisions with the Group's code of conduct and local laws and regulations, thereby fulfilling the requirements of responsible production. Improvement progress is regularly monitored to mitigate risks within the workplace. The Company plans to collaborates with internal functional units in 2019, integrate third-party resources, focus on labor-management issues handling measures and risk prevention, strengthen internal regulatory management, service functions, and auditing capabilities, and achieve sustainable development.

(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 trusts. By continuously organizing employee activities and friendly workplace promotions, the Company elucidates its core values, training interactive management through grassroots cadre, improves internal solidarity and organizational identity, promotes harmonious employee relations, and builds a friendly workplace.

1.4 2019 Business Plan

(1) Operating Guidelines

■ Footwear Manufacturing

A. To upgrade production and continue to strengthen business capabilities

The Company continuously invests in automation technology, innovative technology, process re-engineering, and shoe material development, cultivates skilled experts in key technologies and processes, and establishes modularized production lines for more stable, faster, and flexible production patterns. Meanwhile, Pou Chen strictly controls its manufacturing cost and implements lean management to continuously improve production efficiency.

B. To leverage local advantages to flexible capacity allocation

Vietnam, Indonesia, and China accounted for 46%, 37%, and 14% of the Company's total shoe production, respectively, in 2018, whereas Cambodia, Bangladesh, and Myanmar accounted for 3%. The Company will continue to focus on China, Vietnam and Indonesia as its main production bases in 2019. In view of the uncertainly global economics rising, the Company will continue to enhance the production optimization 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. To provide value-added service for solidifying relationship with brand customer

The Company continues to improve its competitive advantage to meet the high standards that our brand customers have set for product quality, delivery, R&D capacity, and corporate governance and sustainability issues. We offer brand customers a one-stop manufacturing service encompassing technological development, process re-engineering, flexible production, and product diversification, all in an effort to cooperate with brand customers in greater depth and width of the industry chain.

D. To engage in vertical integration for extending into the blue ocean market

Given the industrial trend and brand marketing strategies, Pou Chen continues to promote the effective integration and optimization of supply chain resources with the goals of improving material quality, accelerating its market response, and adopting green management practices to strive toward perfecting a sustainable supply chain system. In addition, the Company will keep thinking out of the box as it explores and identifies new opportunities in the industry chain to create greater added value.

■ Retailing of Sporting Goods and Brand Licensing

A. To strengthens retail management as a means of increasing sales operation efficiency

The Company will persist in the cultivation of its sales network across the Greater China region by adopting management strategies according to local conditions in order to elevate the operational effienciency of its stores. The Company continues to upgrade its sales management systems that provide more real-time and complete market information, which can serve as the basis for business decision making, thereby reinforcing the Company's management performance and operational efficiency.

B. To integrate online and offline networks ensures better omni-channel operation capabilities

Online and offline resources are constantly integrated to promote the upgrading of omni-channel operations, including to facilitate the planning and opening of new concept stores in a more flexible manner as well as to strengthen the deployment of online platforms. By building a more complete sales network, Pou Chen will continue to expand the scale of its sales operation and properly plan a wide range of product profiles for different sales channels in order to effectively increase sell-through rate and boost continuous revenue growth.

C. To 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 will continue to strengthen its local business strategy and marketing plans for co-operation brands, Furthermore, the Company will continue to seek opportunities for working with even more international brands.

D. To valued consumer’s experience and promote sports services

The Company will plan and organize a series of major sports events to attract the customer who is interested in sports, and also provide online APP which included unique sports service. The Company also striving to make sports as a part of daily life through operates experience-rich stores to sale the product, comprehensively improve consumers' experience, which will enable the effective sales of services and products.

(2) Prospects

Looking forward to 2019, a soft growth in global economy can be anticipated. However, the US-China trade war, geopolitical risks, and fragile emerging markets coupled with fierce industrial competition, rapid changes in consumption patterns, rising labor costs, and exchange rate fluctuations have introduced a number of variables in the business environments around the world.

Pou Chen will uphold the value of sound management, leverage its core competitive advantage in response to the impacts of various adverse factors, continue to strengthen its corporate governance and sustainable development, focus its business activities on manufacturing of shoes as well as retailing of sporting goods and brand licensing business, build the most valuable and diverse sports service platform steered by smart manufacturing and innovative services, foster its business management capabilities, pursue stable and quality growth, and create greater value for all of its stakeholders.

Regarding the business of shoe manufacturing, the Company will continue to promote automation and production optimization programs, increase production flexibility and efficiency, maintain the maximum flexibility in the timely expansion and adjustment of production allocation, and closely cooperate with strategic suppliers to fulfill the needs of its brand customers for better products and services and faster market response, thereby solidifying the cooperative relationship between the Company and its brand customers to safeguard the Company's leading position in the shoe manufacturing industry.

Regarding the retailing of sporting goods and brand licensing business, Pou Chen holds a positive view over the long-term development the sportswear market in the Greater China region. Thus, the Company will continuously expand omni-channel capabilities, enrich sports-related content and services, create the best shopping experiences for our consumers, and ensure proper data management for devising more rigorous procurement strategies, logistic processes and inventory management to constantly improve the overall operational performance.

Chairman of the Board: Chan, Lu-Min

President: Lu, Chin-Chu 盧金柱

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., Limited 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 Limited ("GBM"), which was collectively held by the Company and its subsidiaries Pou Shine Investments Co., Limited, Barits Development Corporation and Pou Yuen Technology Co., Limited 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.

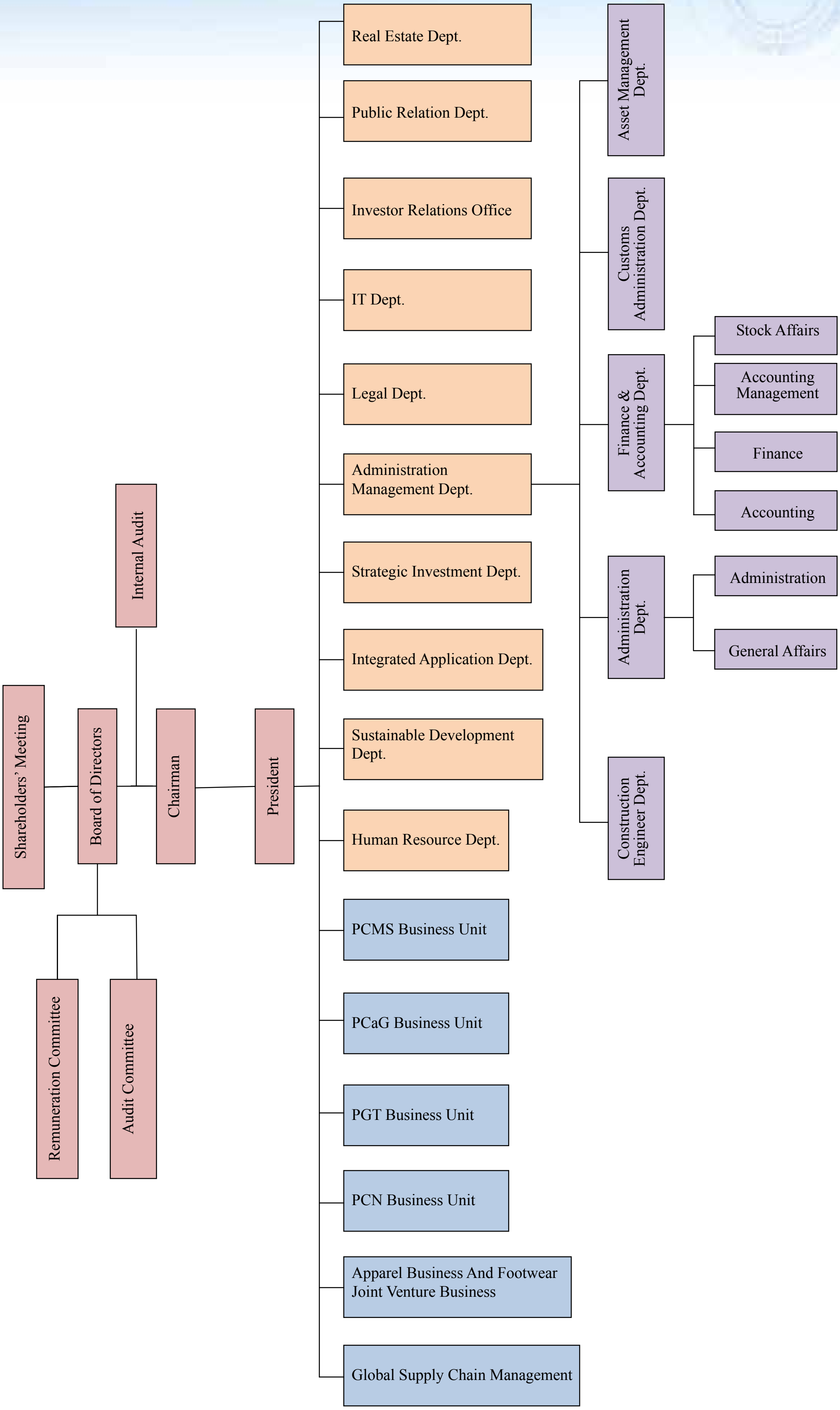
(57) On July 29, 2013, the Ministry of Economic Affairs approved the Company's conversion of employee share options into common shares in the amount of NT$ 3,571,090. The Company's paid-in capital after capital increase was NT$ 29,441,372,130.

(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

<table>
<tr><th colspan="2">Name of department</th><th>Business conducted by the department</th></tr>
<tr><td colspan="2">Global Supply Chain Management</td><td>Innovative research, development, manufacturing and sale of all kinds of molds, jigs, footwear injection material, footwear surface material, footwear bottom material, leather material and packaging material; and all kinds of consortium purchasing, strategic purchasing and trade services.</td></tr>
<tr><td colspan="2">Apparel Business And Footwear Joint Venture Business</td><td>Management of apparel and footwear joint venture business.</td></tr>
<tr><td colspan="2">PCN Business Unit</td><td>Research, development, manufacturing and sale of all kinds of footwear.</td></tr>
<tr><td colspan="2">PGT Business Unit</td><td>Research, development, manufacturing and sale of all kinds of footwear.</td></tr>
<tr><td colspan="2">PCaG Business Unit</td><td>Research, development, manufacturing and sale of all kinds of footwear.</td></tr>
<tr><td colspan="2">PCMS Business Unit</td><td>Research, development, manufacturing and sale of all kinds of footwear.</td></tr>
<tr><td colspan="2">Human Resource Department</td><td>Enacting human resource management rules and policies, conducting human resource related affairs, recruiting and hiring management, planning and distribution of salaries and bonus, performance management, and education and training.</td></tr>
<tr><td colspan="2">Sustainable Development Department</td><td>Responsible for enacting and promoting corporate social responsibility ("CSR") policies.</td></tr>
<tr><td colspan="2">Integrated Application Department</td><td>Integrate and apply various production technologies to improve and efficiency in production.</td></tr>
<tr><td colspan="2">Strategic Investment Department</td><td>Budget management, operational analysis, and investment review and planning.</td></tr>
<tr><td rowspan="5">Administration Management Department</td><td>Construction Engineer Department</td><td>Contracting, managing, supervising and checking of the construction, reconstruction, extension, renovation, decoration and fixing of buildings.</td></tr>
<tr><td>Administration Department</td><td>Land and building's management, factory management and maintenance, vehicle management and general affairs management.</td></tr>
<tr><td>Finance and Accounting Department</td><td>Fund planning and dispatch, capital utilization and management, financing planning, risk management of assets and debts, establishment of accounting system, bookkeeping and tax management, preparation and analysis of financial statements, shareholder service management, and counseling and supervision of the accounting policies and the financial and accounting operating principles adopted by the Company investees.</td></tr>
<tr><td>Customs Administration Department</td><td>Import and export, international trade affairs, logistics and customs affairs.</td></tr>
<tr><td>Asset Management Department</td><td>Enacting asset management rules and policies, asset information management, equipment management and disposal arrangement.</td></tr>
<tr><td colspan="2">Legal Department</td><td>Review contract document, legal consultation, regulatory compliance and legal risk control and management.</td></tr>
<tr><td colspan="2">IT Department</td><td>Planning, development, promotion and maintenance of information system.</td></tr>
<tr><td colspan="2">Investor Relations Office</td><td>File relevant information with the competent authority, disclose such information and speak on behalf of the Company.</td></tr>
<tr><td colspan="2">Public Relation Department</td><td>Planning and management of and consultation on public affairs.</td></tr>
<tr><td colspan="2">Real Estate Department</td><td>Management of real estate affairs.</td></tr>
<tr><td colspan="2">Internal Audit</td><td>Compliance auditing and consultation on all internal managerial rules and control systems.</td></tr>
</table>

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

(1) Directors

A. Information of the Directors

April 15, 2019; 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., Limited	-	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, 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%	2,120,470	0.07%	73,300	0.00%	0	0.00%	Master Degree in 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 in Design Studies, 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., Limited	-	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 in Laws, National Taiwan University Vice President of HTC Corporation	Note 6	N/A	N/A	N/A

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
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 Business Administration Department, National Taichung University of Science and Technology Professor of Applied Mathematics Department, 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 Financial and Economic Law Department, Chung Yuan Christian University Adjunct Assistant Professor of the Business Administration Department, National Central University	N/A	N/A	N/A	N/A
Independent Director	R.O.C.	Chen, Huan-Chung	Male	2018.06.15	1	2018.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Industrial Management Department, National Taiwan University of Science and Technology Vice President of E.Sun Bills Finance Corporation Partner of Wang Tong & Co., CPAs	Note 7	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., Limited, Yu Hong Development Co., Limited, Pou Shine Investments Co., Limited, Techview International Technology Inc., Pou Zhi Investments Co., Limited; Executive Director of Yue Yuen Industrial (Holdings) Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited and its subsidiaries, Win Fortune Investments Limited, Pou Chien Enterprise Co., Limited, Yue Yuen Charity Foundation, Yue Yuen Educational Foundation, Ruen Chen Investment Holding Co., Limited, Windsor Entertainment Co., Limited, Nan Shan Life Insurance Co., Limited, Oftenrich Holdings Limited, Brilliant Ocean Limited, Often Best Limited, Vantage Capital Investments Limited, Pearl Dove International Limited, Metro Power Technology Limited, Key Team Investments Limited, Golden Brands Developments Limited and Footwear and Recreation Technology Research Institute.

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

Note 3: Director of Yue Yuen Educational Foundation, Chih-Chun Co., Limited and Nan Shan Life Insurance Co., Limited.

Note 4: President of the Company; Chairman of Pou Chien Technology Co., Limited, Pou Chien Enterprise Co., Limited, Windsor Entertainment Co., Limited and Pou Hui Investments Co., Limited ; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited and its subsidiaries, Win Fortune Investments Limited, Barits Development Corporation, Yue Dean Technology Corporation, San Fang Chemical Industry Co., Limited, Zhong Ao Multiplex Management Group Co., Limited, Best Focus Holdings Limited, Crystalyte Industrial Limited, Hong Kong Jian Long Limited; Non- executive Director of Prosperous Industrial (Holdings) Limited; 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 and had been promoted as vice president on March 1, 2019; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Elitegroup Computer Systems Co., Limited and Hua Jian Industrial Holding Co., Limited.

Note 7: Independent Non-executive Director of Pou Sheng International (Holdings) Limited and Partner of Wang Tong & Co., CPAs.

B. Major shareholders of the institutional shareholders

April 15, 2019

Name of institutional shareholder	Major shareholders of the institutional shareholders	
	Shareholder	Ratio (%)
PC Brothers Corporation	Plantegenet Group Limited	100.00
Tzong Ming Investments Co., Limited	Tsai, Chi-Jui	66.55
	Chuan Mou Investments Co., Limited	33.45
Ever Green Investments Corporation	Santarem Pte. Limited	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., Limited	Wu, Chin-Tiao	15.80
	Liao, Shu-Ying	15.80
	Wu, Hui-Chi	7.90
	Hsiao, Hsiu-Chen	7.90
	Hsu, Hsiang-Ming	7.90
	Hu, Chia-Ho	7.90
	Yang, Ching-Ju	7.90
	Kuo, Hsiu-Ping	4.90
	Chen, Yi-Chun	4.28
	Liang, Chia-Wen	4.18
	Chiu, Chao-Tien	4.18
	Shih, Neng-Kuei	4.18
	Chan, Hui-Chuan	4.18

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

April 15, 2019

Name of institutional shareholder	Major shareholders of the institutional shareholder	
	Shareholder	Ratio (%)
Plantegenet Group Limited	World Future Investments Limited	56.06
	Large Scale Developments Limited	16.22
	Value Chain Developments Limited	16.22
	All Frontier Developments Limited	8.00
	Yourday Investments Limited	3.50
Chuan Mou Investments Co., Limited	Santarem Pte. Limited	49.83
	Shun Tai Investments Co., Limited	30.02
	Seawind Management Limited	7.97
	Ever Green Investments Corporation	6.71
	Yu Chi Investments Co., Limited	3.27
	Yu Jie Investments Co., Limited	2.20
Santarem Pte. Limited	Sitori Trading Limited	100.00
Seawind Management Limited	Prime Grill Invest Limited	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			V			V	V			V	V	V		0
Tsai, Pei-Chun			V			V		V		V		V	V	0
Tzong Ming Investments Co., Limited Representative: Tsai, Min-Chieh			V	V	V	V		V	V	V		V		0
Ever Green Investments Corporation Representative: Lu, Chin-Chu			V			V	V	V		V	V	V		0
Sheachang Enterprise Corporation Representative: Tsai, Ming-Lun			V			V	V	V		V	V	V		0
Lai Chia Investments Co., Limited Representative: Ho, Yue-Ming			V			V	V	V		V	V	V		0
Chen, Bor-Liang	V			V	V	V	V	V	V	V	V	V	V	0
Chiu, Tien-I	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Chen, Huan-Chung		V	V	V	V	V	V	V	V	V	V	V	V	1

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

April 15, 2019; 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 in Business Administration, National Chung Hsing University Chairman and Executive Director of Yue Yuen Industrial (Holdings) Limited	Note 2	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 3	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 in Design Studies, Harvard University, USA Vice President of the Company	Note 4	N/A	N/A	N/A
Vice President	R.O.C.	Tsai, Nai-Yung	Male	2018.05.15	35,000	0.00	0	0.00	0	0.00	Lu Kang Junior High School Vice President of the Company	Note 5	N/A	N/A	N/A
Vice President	R.O.C.	Chang, Chia-Li	Male	2018.05.15	48	0.00	0	0.00	0	0.00	SOUTH FIELDS COLLEGE of England Vice President of the Company	Note 6	N/A	N/A	N/A
Vice President	R.O.C.	Ho, Yue-Ming	Male	2016.03.24	0	0.00	0	0.00	0	0.00	Master Degree in Laws, National Taiwan University Vice President of HTC Corporation	Note 7	N/A	N/A	N/A
Vice President	R.O.C.	Hu, Chia-Ho	Male	2019.03.25	0	0.00	0	0.00	0	0.00	Master Degree in Real Estate and Economics of Urban Land Department University of Wisconsin, Madison, USA Vice President of the Company	Note 8	N/A	N/A	N/A
Vice President	R.O.C.	Chiu, Hui-Yao	Male	2019.03.25	0	0.00	0	0.00	0	0.00	Master Degree in Computer Science and Engineering Department, National Chiao Tung University Vice President of the Company	N/A	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	Accounting Department, National Cheng Kung University Manager, Deloitte Executive Senior Manager of the Company	Note 9	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 in Business Administration, Texas A&M University, USA Senior Manager of Finance Department of the Company	Note 10	N/A	N/A	N/A
Senior Manager	R.O.C.	Wu, Hui-Chi	Female	2015.12.25	0	0.00	5,000	0.00	0	0.00	Master in Accounting, Golden Gate University, USA Senior Manager of Accounting Department of the Company	Note 11	N/A	N/A	N/A

Note 1: Chairman of Barits Development Corporation, Song Ming Investments Co., Limited, Yu Hong Development Co., Limited, Pou Shine Investments Co., Limited, Techview International Technology Inc., Pou Zhi Investments Co., Limited; Executive Director of Yue Yuen Industrial (Holdings) Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited and its subsidiaries, Win Fortune Investments Limited, Pou Chien Enterprise Co., Limited, Yue Yuen Charity Foundation, Yue Yuen Educational Foundation, Ruen Chen Investment Holding Co., Limited, Windsor Entertainment Co., Limited, Nan Shan Life Insurance Co., Limited, Oftenrich Holdings Limited, Brilliant Ocean Limited, Often Best Limited, Vantage Capital Investments Limited, Pearl Dove International Limited, Metro Power Technology Limited, Key Team Investments Limited, Golden Brands Developments Limited and Footwear & Recreation Technology Research Institute.

Note 2: Chairman of Pou Chien Technology Co., Limited, Pou Chien Enterprise Co., Limited, Windsor Entertainment Co., Limited and Pou Hui Investments Co., Limited ; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Wealthplus Holdings Limited and its subsidiaries, Win Fortune Investments Limited, Barits Development Corporation, Yue Dean Technology Corporation,, San Fang Chemical Industry Co., Limited, Zhong Ao Multiplex Management Group Co., Limited, Best Focus Holdings Limited, Crystalyte Industrial Limited, Hong Kong Jian Long Limited; Non-executive Director of Prosperous Industrial (Holdings) Limited; Chairman and Executive Director of Yue Yuen Industrial (Holdings) Limited.

Note 3: Executive Director of Yue Yuen Industrial (Holdings) Limited; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Bandwidth Trading Limited, Best Focus Holdings Limited, Crystalyte Industrial Limited, Ka Yuen Rubber Factory Limited, Mostwell Limited, Hong Kong Jian Long Limited, Go Eastern Limited, Dong Guan Yue Tai Shoe Material Company Limited.

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

Note 5: Chairman of Chang Yang Vietnam Plastic Co., Limited, Dah-Chen Shoe Materials Limited, PT. Ever Tech Plastic, Dah Sheng Vietnam Co., Limited, PT. DahSheng, PT. Limao Novatex; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Pou Chien Technology Co., Limited, Evermore Chemical Industry Co., Limited, Chang Yang Material Corp., I-Tech. Sporting Enterprise Limited, Limao Digital Printing Co., Limited, Bigfoot Limited, Cohen Enterprises Inc., Enthroned Group Limited, Great Skill Industrial Limited, High Shine Investments Limited, Just Lucky Investments Limited, Max Chance Industrial Limited, Natural Options Limited, Pou Ming Paper Products Manufacturing Company Limited, Top Units Developments Limited, Twinways Investments Limited, Willpower Industries Limited, Yuen Foong Yu Paper Enterprise (Vietnam) Co., Limited, Brilliant Ocean Limited, Famous Pine Group Limited, Upsize Limited, Rise Bloom International Limited, Prosperlink Limited, Tay Ninh Kuo Yuen Limited, Infochamp Limited, Raidant Lion Limited, Mega Sky International Limited, Time Swift Investments Limited, Limao International Holdings Co., Limited, Everlasting Profitable International Co., Limited, Sonic Zone Limited, Absolute Goodness International Co., Limited, Jingxuan Limited, Radiant Ally Holdings Limited, Poushun Paper Products Manufacturing Co., Limited, Dongguan Yuancheng Shoes Material Co., Limited, Jiang Xi Hwa Ching Foam Limited, Yang Xin Zhang Yuan Shoe Co., Limited, Zhang Shan Shi Bi Fu Material Co., Limited, Dong Guan Yue Guan Paper Products Co., Limited; Non-executive Director of

Prosperous Industrial (Holdings) Limited; Supervisor of Pou Hui Investments Co., Limited.

Note 6: Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, San Fang Chemical Industry Co., Limited, Nan Pao Resins Chemical Co., Limited, Cohen Enterprises Inc., Top Units Developments Limited, Twinways Investments Limited, Willpower Industries Limited, Yuen Foong Yu Paper Enterprise (Vietnam) Co., Limited, PT. Ever Tech Plastic Co., Limited, Famous Pine Group Limited, Infochamp Limited, Perpetual Prosperity Printing Technology Co., Limited, Dongguan Yu Xiang Shoes Material Co., Limited.

Note 7: Executive senior manager of the Company and had been promoted as vice president on March 1, 2019; Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Elitegroup Computer Systems Co., Limited and Hua Jian Industrial Holding Co., Limited.

Note 8: Executive Director of Yue Yuen Industrial (Holdings) Limited; Director of Lai Chia Investments Co., Limited, Pou Zhi Investments Co., Limited.

Note 9: Chairman of Pou Yuen Technology Co., Limited, Pro Arch International Development Enterprise Inc., Lai Chia Investments Co., Limited; 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., Limited, Pou Hui Investments Co., Limited, Pou Shine Investments Co., Limited, Techview International Technology Inc., Global Biotech Inc., Pou Huang Investments Co., Limited and Yu Hong Development Co., Limited, Win Fortune Investments Limited, Venture Well Holdings Limited, Silver Island Trading Limited, Vantage Capital Investments Limited, Pearl Dove International Limited, Kunshan Yuanying Electronics Technology Co., Limited; Supervisor of Pou Chien Technology Co., Limited, Pou Yii Development Co., Limited, Song Ming Investments Co., Limited, Pou Zhi Investments Co., Limited, I-Tech. Sporting Enterprise Limited ; Member of the consolidation committee for conducting land consolidation in Taichung An-Ho land consolidation area.

Note 10: Director of the subsidiaries of Yue Yuen Industrial (Holdings) Limited, Pou Hui Investments Co., Limited, Pou Yi Investments Co., Limited, Song Ming Investments Co., Limited; Supervisor of Pou Shine Investments Co., Limited.

Note 11: Director of Pro Arch International Development Enterprise Inc.

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 5)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)(Note 5)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Salary (A)		Pension (B) (Note 3)		Remuneration (C) (Note 4)		Allowance (D)				Salary, bonus and special fees etc. (E)		Pension (F) (Note 3)		Employee compensation (G) (Note 4)						
		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	4,601	16,228	0	0	107,388	107,388	1,240	1,240	1.06	1.17	18,625	58,857	0	0	7,239	0	7,239	0	1.30	1.78	None
	Representative: Chan, Lu-Min																					
Director	Tsai, Pei-Chun																					
Director	Tzong Ming Investments Co., Limited																					
	Representative: Tsai, Min-Chieh																					
Director	Ever Green Investment Corporation																					
	Representative: Lu, Chin-Chu																					
Director	Sheachang Enterprise Corporation																					
	Representative: Tsai, Ming-Lun																					
Director	Lai Chia Investments Co., Limited																					
	Representative: Ho, Yue-Ming																					
Independent Director	Chen, Bor-Liang																					
Independent Director	Chiu, Tien-I																					
Independent Director	Chen, Jung-Tung (Note 1)																					
Independent Director	Chen, Huan-Chung (Note 2)																					

(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., Limited, Sheachang Enterprise Corporation, Chan, Lu-Min, Lu, Chin-Chu, Tsai, Min-Chieh, Tsai, Ming-Lun, Ho, Yue-Ming, Chen, Bor-Liang, Chiu, Tien-I, Chen, Huan-Chung</td><td>Lai Chia Investments Co., Limited, Sheachang Enterprise Corporation, Chan, Lu-Min, Lu, Chin-Chu, Tsai, Min-Chieh, Tsai, Ming-Lun, Ho, Yue-Ming, Chen, Bor-Liang, Chiu, Tien-I, Chen, Huan-Chung</td><td>Lai Chia Investments Co., Limited, Sheachang Enterprise Corporation, Tsai, Min-Chieh, Chen, Bor-Liang, Chiu, Tien-I, Chen, Huan-Chung</td><td>Lai Chia Investments Co., Limited, Sheachang Enterprise Corporation, Tsai, Min-Chieh, Chen, Bor-Liang, Chiu, Tien-I, Chen, Huan-Chung</td></tr>
<tr><td>NT$ 2,000,000 (included)～ NT$ 5,000,000 (excluded)</td><td>Tzong Ming Investments Co., Limited Tsai, Pei-Chun</td><td>Tzong Ming Investments Co., Limited</td><td>Tzong Ming Investments Co., Limited, Tsai, Pei-Chun, Ho, Yue-Ming</td><td>Tzong Ming Investments Co., Limited, Ho, Yue-Ming</td></tr>
<tr><td>NT$ 5,000,000 (included) ～ NT$ 10,000,000 (excluded)</td><td>Ever Green Investments Corporation</td><td>Ever Green Investments Corporation</td><td>Ever Green Investments Corporation, Chan, Lu-Min, Lu, Chin-Chu, Tsai, Ming-Lun</td><td>Ever Green Investments Corporation</td></tr>
<tr><td>NT$ 10,000,000 (included) ～ NT$ 15,000,000 (excluded)</td><td></td><td>Tsai, Pei-Chun</td><td></td><td>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>PC Brothers Corporation</td><td>PC Brothers Corporation</td><td>PC Brothers Corporation</td><td>PC Brothers Corporation</td></tr>
<tr><td>NT$ 100,000,000 and above</td><td></td><td></td><td></td><td></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, 2018.

Note 2: Mr. Chen, Huan-Chung elected as an independent director on June 15, 2018.

Note 3: The amount of pension was actually paid by the Company and Companies in the consolidated financial statements in the 2018 consolidated financial statements.

Note 4: Approved by the Board of Directors on March 25, 2019.

Note 5: The calculation is based on the net income of the Company's 2018 separate financial statement. (NT$ 10,708,646 thousand).

(2) Remuneration paid to President and Vice President

(In NT$ thousands)

Title	Name	Salary (A)		Pension (B) (Note 3)		Bonuses and Allowances (C)		Employee Compensation (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 5)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Amount of cash	Amount of stock	Amount of cash	Amount of stock			
Chairman and President of the Administration Management Department	Chan, Lu-Min	18,517	35,801	22,323	22,323	13,527	53,250	10,022	0	10,022	0	0.60	1. 13	None
President	Lu, Chin-Chu													
President of Footwear Joint Venture Business Department	Kung, Sung-Yen (Note 1)													
Vice President	Liu, Hong-Chih													
Vice President	Tsai, Ming-Lun													
Vice President	Tsai, Nai-Yung (Note 2)													
Vice President	Chang, Chia-Li (Note 2)													

(Next page follows)

(Following the preceding page)

Range of Remuneration	Name of President and Vice President	
	The Company	Companies in the consolidated financial statements
Less than NT$ 2,000,000		
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, Tsai, Ming-Lun, Tsai, Nai-Yung, Chang, Chia-Li	Tsai, Nai-Yung, Chang, Chia-Li
NT$ 10,000,000 (included) ～NT$ 15,000,000 (excluded)		Tsai, Ming-Lun
NT$ 15,000,000 (included) ～NT$ 30,000,000 (excluded)	Kung, Sung-Yen	Chan, Lu-Min, Liu, Hong-Chih, Kung, Sung-Yen
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	7 persons	7 persons

Note 1: Retired as officer on August 31, 2018.

Note 2: Appointed as officer on May 15, 2018.

Note 3: The amount of pension was actually paid by the Company and Companies in the consolidated financial statements in the 2018 consolidated financial statements.

Note 4: Approved by the Board of Directors on March 25, 2019.

Note 5: The calculation is based on the net income of the Company's 2018 separate financial statement. (NT$ 10,708,646 thousand).

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

(In NT$ thousands)

	Title	Name	Amount of stock	Amount of cash (Note4)	Total	Ratio of Total Amount to Net Income (%) (Note 5)
Officer	Chairman and President of Administration Management Department	Chan, Lu-Min	0	12,980	12,980	0.12
	President	Lu, Chin-Chu				
	President of Footwear Joint Venture Business Department	Kung, Sung-Yen (Note 1)				
	Vice President	Liu, Hong-Chih				
	Vice President	Tsai, Ming-Lun				
	Vice President	Tsai, Nai-Yung (Note 2)				
	Vice President	Chang, Chia-Li (Note 2)				
	Vice President	Ho, Yue-Ming (Note 3)				
	Executive Senior Manager	Ho, Ming-Kun				
	Senior Manager	Chang, Yea-Fen				
	Senior Manager	Wu, Hui-Chi				

(Next page follows)

(Following the preceding page)

Note 1: Retired as officer on August 31, 2018.

Note 2: Appointed as officer on May 15, 2018.

Note 3: Been promoted as vice president on March 1, 2019.

Note 4: Approved by the Board of Directors on March 25, 2019.

Note 5: The calculation is based on the net income of the Company's 2018 separate financial statement. (NT$ 10,708,646 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 (%)			
	2018		2017	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	1.30%	1.78%	1.20%	1.60%
President and Vice President	0.60%	1.13%	0.27%	0.71%

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

Nine meetings of the Board of Directors were held in 2018. 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	9	0	100.00	
Director	Tsai, Pei-Chun	8	1	88.89	
Director	Tzong Ming Investments Co., Limited Representative: Tsai, Min-Chieh	7	2	77.78	
Director	Ever Green Investments Corporation Representative: Lu, Chin-Chu	9	0	100.00	
Director	Sheachang Enterprise Corporation Representative: Tsai, Ming-Lun	7	2	77.78	
Director	Lai Chia Investments Co., Limited Representative: Ho, Yue-Ming	8	1	88.89	
Independent Director	Chen, Bor-Liang	9	0	100.00	
Independent Director	Chiu, Tien-I	9	0	100.00	
Independent Director	Chen, Huan-Chung	3	0	100.00	Newly elected on 2018.06.15. Shall attend (board of directors' meetings) three times.

Other matters to be specified:

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

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

Meeting Dates	Sessions	Contents of resolutions	Opinions of all independent directors	Actions taken by the Company in response to opinions of independent directors
2018.01.19	11th meeting of the 22nd board of directors	Discussed 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.(Note)	No objections or qualified opinions	None, Approved as proposed by Directors
2018.01.21	12nd meeting of the 22nd board of directors	Discussed the privatization of Pou Sheng International (Holdings) Limited via a scheme of arrangement. (Note)		
2018.03.09	13rd meeting of the 22nd board of directors	Discussed the capital increase of subsidiary Wealthplus Holdings Limited. (Note)		
2018.03.26	14th meeting of the 22nd board of directors	Discussed the line of credit for the Company to make and remove endorsement or guarantee for its subsidiaries.		
2018.05.15	16th meeting of the 22nd board of directors	Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.		
2018.08.14	17th meeting of the 22nd board of directors	1. Discussed the line of credit for the Company to make and remove endorsement or guarantee for its subsidiaries. 2. Provided loans for the Company's subsidiaries.		
2018.11.14	18th meeting of the 22nd board of directors	1. Amended the Company's "Internal Control System" and "Internal Auditing Implementation Regulations." 2. Discussed independence assessment and appointment of the Company's CPA and discussed the CPA's remuneration. 3. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.		
2018.12.24	19th meeting of the 22nd board of directors	Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.		

(Note): Reported in the board meeting on April 30, 2018 that the scheme of arrangement and the proposal of privatization of Pou Sheng International (Holdings) Limited have lapsed.

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. 11th meeting of the 22nd Board of Directors on January 19, 2018:
   (1) Discussed 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. Chairman, Mr. Chan Lu-Min, Director, Mr. Lu Chin-Chu, Director, Ms. Tsai Pei-Chun and Director, Mr. Tsai Ming-Lun are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
2. 12nd meeting of the 22nd Board of Directors on January 21, 2018:
   (1) Discussed the privatization of Pou Sheng International (Holdings) Limited via a scheme of arrangement. Chairman, Mr. Chan Lu-Min, Director, Mr. Lu Chin-Chu, Director, Ms. Tsai Pei-Chun and Director, Mr. Tsai Ming-Lun are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
3. 13rd meeting of the 22nd Board of Directors on March 9, 2018:
   (1) Discussed the capital increase of subsidiary Wealthplus Holdings Limited. Chairman, Mr. Chan Lu-Min, Director, Mr. Lu Chin-Chu, Director, Ms. Tsai Pei-Chun and Director, Mr. Tsai Ming-Lun are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
4. 14th meeting of the 22nd Board of Directors on March 26, 2018:
   (1) Discussed matters pertaining to remunerations for officers of the Company. Chairman, Mr. Chan Lu-Min, Director, Mr. Lu Chin-Chu, Director, Mr. Tsai Ming-Lun and Director, Mr. Ho Yue-Ming are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
5. 17th meeting of the 22nd Board of Directors on August 14, 2018:
   (1) Discussed remunerations and transportation allowance for the newly elected independent directors. Independent director, Mr. Chen, Huan-Chung is a stakeholder of this proposal and are therefore recused from discussion and voting of this resolution.
   (2) Discussed adjustments to the 2018 remunerations for the Company's officers. Director, Mr. Ho Yue-Ming (appointed Director, Ms. Tsai, Min-Chieh as proxy to attend the meeting) is a stakeholder of this proposal and are therefore recused from discussion and voting of this resolution.
   (3) Discussed matters pertaining to the 2017 Employees' Compensation for the Company's officers. Because Chairman, Mr. Chan Lu-Min, Director Mr. Lu Chin-Chu, Director Mr. Tsai Ming-Lun, and Director, Mr. Ho Yue-Ming are officers of the Company, making them as stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
   (4) Discussed matters pertaining to the amount of the Company's 2017 distribution for directors' remuneration. Chairman, Mr. Chan, Lu-Min, Director, Mr. Lu, Chin-Chu, Director, Ms. Tsai Pei-Chun, Director, Ms. Tsai, Min-Chieh, Director, Mr. Tsai, Ming-Lun, and Director, Mr. Ho, Yue-Ming have a conflicts of interest and are therefore recused from discussion and voting of their remuneration resolution.
   (5) Discussed the line of credit for the Company to make and remove endorsement or guarantee for its subsidiaries. Chairman, Mr. Chan, Lu-Min, Director, Mr. Lu, Chin-Chu, Director, Ms. Tsai Pei-Chun, Director, Ms. Tsai, Ming-Lun, are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.
6. 18th meeting of the 22nd Board of Directors on November 14, 2018:
   (1) Discussed the line of credit for the Company to make and remove endorsement or guarantee for its subsidiaries. Chairman, Mr. Chan, Lu-Min, Director, Mr. Lu, Chin-Chu, Director, Ms. Tsai Pei-Chun, Director, Ms. Tsai, Min-Chieh and Director, Mr. Tsai, Ming-Lun, are stakeholders of this proposal and are therefore recused from discussion and voting of this resolution.

7. 19th meeting of the 22nd Board of Directors on December 24, 2018:

(1) Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries. Chairman, Mr. Chan, Lu-Min, Director, Mr. Lu, Chin-Chu, Director, Ms. Tsai Pei-Chun, Director, Ms. Tsai, Min-Chieh (appointed Director, Ms. Tsai Pei-Chun as proxy to attend the meeting) and Director, Mr. Tsai, Ming-Lun, are stakeholders of this proposal and are therefore recused from discussion and voting of this 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, 2018, the three independent directors have not served consecutive terms for over 9 years.

3. Independent directors attended all board meetings personally in 2018 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

Nine meetings of the 1st Audit Committee were held in 2018. The attendance status is as follows:

Title	Name	Attendance in person	Attendance Rate (%)	Notes
Convener	Chen, Bor-Liang	9	100.00	
Member	Chiu, Tien-I	9	100.00	
Member	Chen, Huan-Chung	3	100.00	Newly elected on 2018.06.15. Shall attend (audit committee) three times

Other matters to be specified:

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

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

Meeting Dates	Sessions	Contents of resolutions	Resolutions adopted by the Audit Committee	Actions taken by the Company in response to the opinion of the Audit Committee
2018.01.19	11th meeting of the 22nd board of directors	Discussed 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. (Note)	Approved as proposed.	None, Submit to the Board of Directors for approval
2018.01.21	12nd meeting of the 22nd board of directors	Discussed the privatization of Pou Sheng International (Holdings) Limited via a scheme of arrangement. (Note)	Approved as proposed.	None, Submit to the Board of Directors for approval
2018.03.09	13rd meeting of the 22nd board of directors	Discussed the capital increase of subsidiary Wealthplus Holdings Limited. (Note)	Approved as proposed.	None, Submit to the Board of Directors for approval
2018.03.26	14th meeting of the 22nd board of directors	1. Discussed the Company's 2017 Business Report and Financial Report. 2. Discussed the 2017 internal control system effectiveness assessment. 3. Discussed the line of credit for the Company to make and remove endorsement or guarantee for its subsidiaries.	Approved as proposed.	None, Submit to the Board of Directors for approval
2018.04.30	15th meeting of the 22nd board of directors	1. Discussed the Company's 2017 profit distribution. 2. Resolved to release the Director of the Company from non-competition restrictions.	Approved as proposed.	None, Submit to the Board of Directors for approval

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
2018.05.15	16th meeting of the 22nd board of directors	Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	Approved as proposed.	None, Submit to the Board of Directors for approval
2018.08.14	17th meeting of the 22nd board of directors	1. Discussed the Company's Financial Report for the second quarter in 2018. 2. Discussed the line of credit for the Company to make and remove endorsement or guarantee for its subsidiaries. 3. Provided loans for the Company's subsidiaries.	Approved as proposed.	None, Submit to the Board of Directors for approval
2018.11.14	18th meeting of the 22nd board of directors	1. Discussed the amendment to the Company's "Internal Control System" and "Internal Auditing Implementation Regulations." 2. Discussed the amendment to the Company's "Accounting System." 3. Discussed independence assessment and appointment of the Company's CPA and discussed the CPA's remuneration. 4. Discussed the line of credit for the Company to make and remove endorsement or guarantee for its subsidiaries.	Approved as proposed.	None, Submit to the Board of Directors for approval
2018.12.24	19th meeting of the 22nd board of directors	1. Formulated the Company's internal audit plan for 2019. 2. Discussed the line of credit for the Company to make endorsement or guarantee for its subsidiaries.	Approved as proposed.	None, Submit to the Board of Directors for approval

(Note) Reported in the Audit Committee on April 30, 2018 that the scheme of arrangement and the proposal of privatization of Pou Sheng International (Holdings) Limited have lapsed.

(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 as needed.

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 2018 are listed below:

Date	Communication Method	Party Communicated	Matters Communicated	Results
2018.03.26	Audit Committee Meeting	CPAs	Reported conclusions from auditing the 2017 financial statements of Pou Chen Corporation.	After thorough communication and discussion, the Audit Committee approved the 2017 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 2017 design of the internal control system and determined that its execution was effective.
2018.11.14	Audit Committee Meeting	CPAs	Explained the independence of CPAs and Audit Committee 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 Company’s internal audit plan for 2019.	After thorough communication and discussion, the Audit Committee approved the 2019 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	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			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 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.

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
III. Composition and Responsibilities of the Board of Directors i. Does the Board develop and implement a diversified policy for the composition of its members?	V		i. The Company has stipulated in the "Corporate Governance Best Practice Principles" and "Rules for Election of Directors" that the composition of the board shall be determined by taking diversity into consideration and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, but not limited to, gender, age, and educational background. Following the diversity policy, the Company has elected nine directors (including three independent directors) as the members of the 22nd Board of Directors in June 2016, two of which are female directors. All members of the board have professional knowledge, skills, and background in industry, finance, technology, management, and law, and progress the knowledge, skills, and experience necessary to perform their responsibilities.	No Discrepancy.
ii. Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		ii. The Company has established Remuneration Committee and Audit Committee in accordance with law. Other functional committees shall be established whenever deemed necessary.	No Discrepancy.
iii. Does the Company establish a standard to measure the performance of the Board, and implement it annually?	V		iii. The Company has enacted the "Procedures for Evaluating the Board of Directors' Performance". Each Director shall evaluate himself/herself, and the Board of Directors shall evaluate itself or by others at least once every year. The results of such evaluation shall be	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	Summaries	
			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 2018. The results of such evaluation were all “Excellent” and	

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			submitted to the Board of Directors' meeting on March 25, 2019. The Company has established the "Standard Operating Procedures for Handling Director Requests" and submitted to the Board of Directors' meeting by the end of April, 2019 so that the Company has a standard method for organizing information required by directors or handling directors' request for support.	
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 2018, the following items were examined to evaluate the independence of the CPA: the CPA is not being the Company's director, officer, nor any position with significant influence；no conflict of interests；not being the same CPA without replacement for seven years consecutively. And the Company has obtained the "Certified Public Accountant Independent Declaration". The results were submitted to the Audit Committee and the Board of Directors after evaluating and confirming the CPA's independence.	No Discrepancy.
IV. Does the Company set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors and supervisors, handle matters relating to board meetings and shareholders meetings according to laws, handle corporate registration and amendment registration, and record minutes of board meetings and	V		The Company appoints full (part)-time personnel who handle corporate governance-related affairs and are supervised by a senior manager with years of financial supervisory experience and accounting qualification. The corporate governance supervisor will attend at least 12 hours of corporate governance courses for the year. i. The duties of corporate governance personnel are as follows:	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
shareholders meetings)?			1. Furnishing information required for business execution by directors and assisting directors with legal compliance. 2. Handling matters relating to shareholders' meetings, board meetings and meetings of associated committees according to laws. 3. Assisting with the promotion and strengthening of corporate governance. ii. Business execution status in 2018: 1. Assisted the Board of Directors and its associated committees with developing annual work plan and meeting agendas and preparing meeting information and issues such as reminding recusal due to conflicts of interest; completed the convening of 2 Remuneration Committee meetings, 9 Audit Committee meetings, and 9 board meetings in 2018. 2. Assisted with the convening of Shareholders' Meetings and elected one independent director at the Shareholders' Meetings in 2018. 3. Assisted the Audit Committee in a communication meeting with accountants and head of auditors. 4. Assisted with the arrangement of continuing education courses for directors. 5. Examined and reviewed material announcements and matters related to the resolutions of board meetings and Shareholders' Meetings and announced correct material information in accordance with laws to ensure that investors acquire information of	

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
			equivalent weight. 6. Organized investor conferences and handled matters related to investor relations. 7. Handled the renewal of the Director, Supervisor, and Key Employee Liability Insurance contract and reported to the Board of Directors. 8. Conducted board performance evaluation in accordance with the Company's "Regulations Governing Evaluation of Board Performance and presented the evaluation results to the Board of Directors".	
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., Limited to act as the Company's stock agency to handle Shareholders' meetings, and to deal with Shareholders' affairs.	No Discrepancy.
VII. Information disclosure i. Does the Company have a corporate website to disclose financial information and the status of	V		i. The Company has set up its website (http://www.pouchen.com) to disclose its financial,	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
corporate governance?			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.	
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 one spokesperson and two acting spokespersons to be responsible for collection of the Company's information and disclosure of material information. 3. The Company participated three investor conferences in 2018. All relevant information was disclosed on the Company's website.	No Discrepancy.

Evaluation Item	Operational status	Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights 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): Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: i. Employee rights: The Company complies with the Labor Standard Act and the company's human resource rules and regulations to ensure the protection of employees' welfare and retirement systems. ii. Employee care: The Company builds a relationship of mutual trust with employees by adopting an effective welfare system and useful education and training programs. For example, the Employee Welfare Committee offers employee benefits (e.g., birthdays, wedding, funeral, child birth, injuries/illness, and emergency aid), educational activities (e.g., health promotion activities, talks, and short-term courses), and recreational activities and entertainment (e.g., travel subsidy, family day, social club activities, and recreation activities). The Company also provides shuttle buses for employees to commute and rent parking lots for employees to park their vehicles. The Company also cooperates with reputable medical institutions in Central Taiwan to provide emergency aid inside the plant, trauma treatment, medical counseling, health examination, and health-related lectures. Occasionally, female doctors are hired to provide proper medical care to the company's female employees. iii. Investor relations: The Company has set up a Spokesperson Office that serves as a two-way communication channel for the company and its investors to increase the transparency and symmetry of information disclosure. In addition to disclosing the company's financial, business and corporate governance information on the MOPS and the company's website, we also attend investor conferences and set up investor relations mailbox to address shareholders' questions and recommendations. iv. Supplier relations: The Company's employees comply with code of ethical conduct. In addition to applying internal discipline in the workplace, the Company also asks its suppliers to sign a Supplier Integrity Agreement or provide an integrity declaration or system document, to focus on the stability and quality of the source of their supply, to conduct prudent evaluation before procurement, and to handle related matters by following the Company's operating regulations. Both parties will fulfill their duties and responsibilities as per agreement and work together to improve product quality. The Company is able to maintain a good stable relationship with its suppliers. v. Stakeholders' rights: The Company endeavors to build diverse communication channels, provide sufficient information to its clients, shareholders, and stakeholders, collect issues that are of concern to stakeholders, and examine whether stakeholders are notified of activities organized by the company. 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 and the by-election of one independent director in June 2017. The implementation of diversity in board composition is as follows:		

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

Name	Gender	Age	Education	Industrial Experience	Academic Background	Specialty Fields
Chan, Lu-Min	Male	64	Statistics Department, National Chung Hsing University	V		Finance and accounting, business management
Tsai, Pei-Chun	Female	39	Economic and Finance Department, Wharton School of the University of Pennsylvania, USA	V		Finance, strategic planning and enterprise development
Tsai, Min-Chieh	Female	36	Economic and Finance Department, Wharton School of the University of Pennsylvania, USA	V		Finance
Lu, Chin-Chu	Male	65	Master Degree in Business Administration, National Chung Hsing University	V		Production management and business management
Tsai, Ming-Lun	Male	41	Master Degree in Design Studies, Harvard University, USA	V		Factory management and business development.
Ho, Yue-Ming	Male	48	Master Degree in Laws, National Taiwan University	V		Legal and administrative management
Chen, Bor-Liang	Male	57	Ph.D. in Applied Mathematics, National Chiao Tung University	V	V	Business management
Chiu,Tien-I	Male	50	S.J.D.,Tunghai University	V	V	Legal
Chen, Huan-Chung	Male	63	Industrial Management Department, National Taiwan University of Science and Technology	V		Accounting, auditing, and Investment analysis.

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	2018.03.08	2018.03.08	Taiwan Securities Association	The Impact of International Anti-Tax Avoidance and Anti-Money Laundering Trends on Enterprises and their Responses	3
		2018.03.21	2018.03.21	Taiwan Academy of Banking and Finance	Corporate Governance Lecture: Tax Planning for Family Business Inheritance	3
		2018.10.05	2018.10.05	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability and Management Workshop	3
Director	Tsai, Pei-Chun	2018.03.28	2018.03.28	Taiwan Academy of Banking and Finance	11th Corporate Governance Lecture: Overview of Global Trends and Investment Opportunities	3
		2018.05.09	2018.05.09	Taiwan Securities Association	Legal Responsibility and Case Analysis of False Information Reporting and Insider Trading	3
Representative of corporate director	Tsai, Min-Chieh	2018.05.09	2018.05.09	Taiwan Securities Association	Legal Responsibility and Case Analysis of False Information Reporting and Insider Trading	3
		2018.09.04	2018.09.04	Taiwan Corporate Governance Association	Analysis and Case Study of Anti-Tax Avoidance in Taiwan	3
Representative of corporate director (President)	Lu, Chin-Chu	2018.07.03	2018.07.03	Taiwan Institute of Directors	Annual meeting of Institute of Directors in 2018	3
		2018.11.27	2018.11.27	Taiwan Corporate Governance Association	The Effects of Corporate Governance, Internal Control, and Director and Supervisor Responsibility Based on Recent Amendments to the Company Act	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 of corporate director (Vice President)	Tsai, Ming-Lun	2018.09.28	2018.09.28	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability and Management Workshop	3
		2018.11.21	2018.11.21	Securities & Futures Institute	Advanced Practices Seminar for Directors and Supervisors (Including Independent Directors): The Effects of U.S.-China Trade Disputes on Enterprises in Taiwan	3
Representative Director (Vice President)	Ho, Yue-Ming	2018.03.23	2018.03.23	Taiwan Corporate Governance Association	Global and Cross-Strait Anti-Tax Avoidance Policies and Response Measures	3
		2018.03.30	2018.03.30	Corporate Operation Association	Latest Amendments to the Company Act and Practical Response Strategies	3
Independent Director	Chen, Bor-Liang	2018.01.16	2018.01.16	Taiwan Securities Association	Empirical Study of the Operation of the Remuneration Committee	3
		2018.07.27	2018.07.27	Taiwan Corporate Governance Association	Case Study of Corporate Competitiveness and Innovation Capability	3
Independent Director	Chiu, Tien-I	2018.03.28	2018.03.28	Taiwan Academy of Banking and Finance	11th Corporate Governance Lecture: Overview of Global Trends and Investment Opportunities	3
		2018.04.11	2018.04.11	Taiwan Academy of Banking and Finance	13th Corporate Governance Lecture: International Financial Supervision Reform and Risk Governance	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			
Independent Director	Chen, Huan-Chung	2018.08.23	2018.08.23	CPA Associations R.O.C.(Taiwan)	Trends and Analysis of Latest Amendments to the Company Act	3
		2018.09.05	2018.09.05	Corporate Operation Association	Corporate Governance and Director and Supervisor Responsibility Under the New Company Act	3
		2018.09.21	2018.09.21	CPA Associations R.O.C.(Taiwan)	Legal Responsibility of Independent Directors and Risk Management	3
		2018.10.15	2018.10.15	CPA Associations R.O.C.(Taiwan)	Introduction to the IFRS 16 New Lease Standards	3
Executive Senior Manager	Ho, Ming-Kun	2018.10.04	2018.10.05	Accounting Research and Development Foundation	Continuing Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges.	12
Senior Manager	Wu, Hui-Chi	2018.08.16	2018.08.17	Accounting Research and Development Foundation	Continuing Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges.	12

viii. Implementation of risk management policies and risk assessment standards: The Company has established Risk Management Regulations, which stipulate risk management policy. By controlling the risks of the company's internal control system, executive officers of the company identify any risks that may result from the company's internal and external business operations. Risks associated with goal achievement, financial reporting, legal compliance, fraudulent activities, and non-routine transactions are taken into consideration. Identified risks are constantly made privy to applicable personnel. Business management meetings with all business departments are regularly convened every six months to propose inspection analysis, risk response strategies and business directions based on previous performance, current business progress, and future business plans.

ix. Customer relations policies and implementation status: The Company transacts with its clients by upholding the core values of "Respect, Loyalty, Innovation, Service." The Company understands customers' needs and provides affordable products and services that are of excellent quality. The Company has won customers' affirmation and hence maintained a strong relationship with its customers. The Company's orders are growing steadily.

Evaluation Item	Operational status	Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
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 mandated in the Proceedings of Board Meetings that all directors shall comply with the principles of recusal in case of conflict of interest and recuse themselves from the discussion and resolution of proposals in which directors have conflict of interest. In addition, the Company has elected three independent directors who can propose professional, neutral advices on the company's business strategies. When discussing any proposals, the Board shall 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 to ensure that related parties of the Company can avoid conflicts of interest. IX. Please described improvements in terms of the results of the Corporate Governance Evaluation System in recent years and propose areas and measures to be given priority where improvement will be needed: According to the result of the 5th Corporate Governance Evaluation announced by Taiwan Stock Exchange at the end of April 2019, the Company was ranked within top 5% of the 5th Corporate Governance Evaluation for listed companies and received excellent result for five years in a row. Furthermore, the competent authority did not request further improvement in corporate governance matters.		

(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		
Convener	Chen, Bor-Liang	V			V	V	V	V	V	V	V	V	0	
Member	Chiu, Tien-I	V	V	V	V	V	V	V	V	V	V	V	0	
Member	Shen, Wan-Fa	V		V	V	V	V	V	V	V	V	V	0	

B. Operations of the Remuneration Committee

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

(B) The Board of Company has approved three member consist of the 3rd Remuneration Committee. The term of office is from June 15, 2016 to June 14, 2019. Two meetings of the Remuneration Committee were held in 2018. The attendance status is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance Rate (%)	Notes
Convener	Chen, Bor-Liang	2	0	100.00	
Member	Chiu, Tien-I	2	0	100.00	
Member	Shen, Wan-Fa	1	0	100.00	Newly elected on 2018.03.26.Shall attend one time.

1. Discussion and resolutions adopted by the Remuneration Committee in 2018:

Meeting Dates	Sessions	Contents of resolutions	Resolutions adopted by the Remuneration Committee	Actions taken by the Company in response to the opinion of the Remuneration Committee
2018.03.26	6th meeting of the 3rd Remuneration Committee	1. Proposed the amount of the Company's 2017 distribution for director remuneration and employee compensation. 2. Reviewed the remuneration for the Company's officers.	Approved as proposed.	None, Submit to the Board of Directors for approval
2018.08.14	7th meeting of the 3rd Remuneration Committee	1. Reviewed the Company's regulations governing remunerations of directors and managers. 2. Reviewed remunerations and transportation allowance for independent directors. 3. Reviewed the remuneration for the Company's new officers. 4. Reviewed the 2018 adjustments to remunerations for the Company's officers. 5. Reviewed the 2017 Employees' Compensation for the Company's officers. 6. Reviewed the amount of the Company's 2017 distribution for directors' remuneration.	Approved as proposed.	None, Submit to the Board of Directors for approval

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 2018, 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 2018, a total of 35 plants were evaluated, all of which had completed internal control self-assessment tests in compliance with the law and regulation. The headquarter also conducted audits for those plants, and graded to identify the risks according to the audit findings and track the results of improvement.	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	
			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. 756 of employee and cadre symposiums are arranged in 2018. 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 2018, a total of 1,265 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 examinations. Implementation result: Cooperate with suppliers, substantially improved safer	

Evaluation Item	Operational status			Discrepancy with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	Summaries	
			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$12.3 million in 2018. 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 2018. 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 2018, the accumulated quantity of energy-saving by making shoes decrease 2.58%. 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 to promote economic, environmental and social progresses with such activities, and truly meet the expectation of “benefitting the hometown; connecting with the world”.	No Discrepancy.

Evaluation Item	Operational status			Discrepancy with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons
	Yes	No	Summaries	
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 Company's headquarter has a Human Resource Department under which is an Employee Relations & Compliance task force responsible for managing employee relations and legal compliance affairs. The headquarter also has a Sustainable Development Department in place to consolidate matters relating to environmental protection, energy conservation, and safety and health. Both departments are collectively responsible for promoting CSR tasks and setting up the company's sustainability-related policies and management regulations for all plants. The team is also responsible for assisting the company in improving corporate social responsibility management via training, counseling, auditing, etc. The Human Resource Department and Sustainable Development Department must 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 accordance with strategies adopted by its brand customers for non-use of toxic materials and sustainable development, the Company conducts inventory and management of environmental impact factors and selects materials by following brand customers' material quality requirements. All of our materials have passed the customers' standard inspection tests. The Company mitigates environmental impact through manufacturing of	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	
			environmentally friendly materials, production process optimization, reduction of waste generation, and waste recycling 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 2018 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 complaint channel and specified personnel to be responsible for labor safety and life guidance, who will handle immediately once such	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	
			violations are found. 2. The Company purchases social insurance or business insurance required in the scope of local laws and regulations; provides employees with statutory benefits such as annual leaves, maternal/paternal leave, and leave for wedding; develops protective measures for pregnant and breastfeeding employees; and establishes scholarships and emergency aids to help employees who need them. Regarding the development of education in different regions, since 2016, the Company has provided US$14,021 in scholarship to 491 students in Indonesia. In 2018, we funded the building of boarding school dormitories to the value of US$12,625. In Vietnam, we have long engaged in the planning of Hope Seed Scholarship since 2012 to support the education of students in Vietnam. As of 2018, we have provided US$335,239 to 7,924 students. Given China's focus on children retention, we have endlessly organized summer camps for the children of employees since 2010, benefiting 3,893 children in total. 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. Total of 7,089 in 2018, the settlement rate reached 99.14%.	No Discrepancy.
iii. Does the Company provide a healthy and safe working environment and conduct training	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	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	
on health and safety for its employees periodically?			employees' safety and health. The Company also prepares standardized teaching materials to conduct training programs for employees of different nationalities.	
iv. Does the Company set up a communication mechanism with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		iv. The Company releases material information through regional periodicals in its operational bases or releases official notices to inform the employees of such information, so as to ensure the consistency of information. The Company also delivers information through training programs, instructions for the in-charge, symposiums for employees and the representative of labor association, so as to ensure that the employees understand the Company's regulations and policies.	No Discrepancy.
v. Does the Company provide its employees with career development and training sessions?	V		v. The Company plans its annual training programs according to its mission, vision, business strategies and goals. The Company collects and understands the development focus and training requirements of each business department; continuously engages in innovation and introduce new technologies, concepts, and tools; encourages employee development and organizational learning; offers a diversity of learning channels that encourage autonomous learning; while taking into consideration employees' individual development plans, competency training systems, quality management systems, and professional skills certification courses according to relevant laws. Moreover, the Company has established the Training Program Management Guidelines, to provide a basis for compliance to be followed by relevant departments. (1) Training Programs To motivate employees to improve their work skills and realize a vision of lifelong learning, the Company plans different training courses according to its core value and employees' competency. The Company constantly provides training programs for employees, beginning from the day they start working for the Company to their	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	
			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. 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: 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.	

Evaluation Item	Operational status			Discrepancy with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
vi. Does the Company establish any consumer protection mechanisms and appealing procedures regarding research development, procurement, production, operations and service procedures?	V		vi. To protect relevant rights and obligations of the brand customers, the Company has adopted the following management strategies towards suppliers: (1) The suppliers shall abide by the group's management rules governing materials prohibited/restricted in the supply chain. (2) The suppliers shall execute the group's green promise statement. (3) The suppliers shall satisfy the group's basic legal compliance requirements (dangerous material management, green products management and environmental quality) and continue to develop green matters (Green Manufacturing, Green Recycling, Green purchasing, Green Marketing). (4) Manage the suppliers by means of on-site audit from time to time and regular evaluation.	No Discrepancy.
vii. Does the Company advertise and label its goods and services according to relevant regulations and international standards?	V		vii. Promote the environmental promise and green management certificate for suppliers, and part of the Company's suppliers have already obtained the management system certificates, including LWG, Oeko-Tex, Bluesign, ISO 50001, ISO 14064, PAS 2050, ISO 14001, OHSAS 18000 and ISO 9001.	No Discrepancy.
viii. Does the Company evaluate the records of suppliers' impact on the environment and society before taking on business 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.

Evaluation Item	Operational status			Discrepancy with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
ix. Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V		ix. Through the promotion of green supply chain management, the Company has implanted the concept, requirements and management indicators of green management into the Company's strategic suppliers. As to the strategic suppliers that are unable to meet the group's green management indicators, the Company will demand improvement within a specified period of time. After the improvement has not reached the standard, through the supplier management mechanism to adjust the proportion of procurement to establish a high-quality supply chain management system.	No Discrepancy.
IV. Enhancing information disclosure i. Does the Company disclose relevant and reliable CSR information on its website and the MOPS website?	V		i. The Company has set up a CSR section and provided the contact details on the Company's website to disclose the Company's CSR related information and keep good and continuous information feedback and communication channel between the Company and the stakeholders, so as to express its earnest attitude to satisfy the stakeholders' needs for the Company's information and lower their discrimination toward the Company. At the same time, the Company will release the CSR report on its website every year to disclose the results of its CSR implementation.	No Discrepancy.

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

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

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

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

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

Evaluation Item	Operational status			Discrepancy with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons
	Yes	No	Summaries	
The 2017 Corporate Social Responsibility Report has passed a SGS inspection, and the standards referred to are GRI 4.0 and AA1000. The 2018 Corporate Social Responsibility Report will also be commissioned to SGS for inspection.				

(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.
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	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	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	
Best Practice Principles for TWSE/TPEx Listed Companies"?			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.	
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 corporate integrity?	V		ii. The Company's Board of Directors established an Ethical Corporate Management Promotion Committee to 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 2018 are as follows: 1. Continue to promote the signing of the Employee Commitment to Ethical Conduct and Confidentiality Agreement. 2. Amend the Company's work rules and incorporate punishments for violation of ethical conduct. 3. Incorporate an item in the internal control self-assessment questionnaire for overseas subsidiaries: "does the company carry out operations in accordance with the group's ethical management principles" and raise awareness on ethical management through this self-assessment. 4. Continue to offer physical and online courses and expand ethical management awareness education and training.	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 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 (HQ@pouchen.com) on the Company's internal and external websites, which serve as the complaint and reporting channel for internal and external personnel of the Company, and such complaint and reporting will be handled by specified personnel.	No Discrepancy.

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

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

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.
5. The Company expanded awareness and training on ethical management through physical and online training in 2018, the results are as follows:

Item	Type of training	Content	Training hours	Attendance
Group motivational camp for new employees	Physical training	Awareness on core values and workplace conduct	140 mins	8 times, a total of 346 people
Group orientation	Online training	Awareness on ethical management practice, code of ethical conduct, honest trading, and protection of group interest	17 mins	43 times, a total of 712 people
Group personnel training	Online training	Awareness on ethical management, code of ethical conduct, honest trading, protection of group interest, and prohibition of insider trading	20 mins	4 times, a total of 1,234 people
Group personnel training	Online training	Awareness on anti-joint monopoly	20 mins	6 times, a total of 2,536 people
GSCM personnel training	Online training	Awareness on code of conducts fore supply chain personnel	20 mins	8 times, a total of 759 people

(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 25, 2019

Based on the findings of its self-assessment, the Company states the following with regard to its internal control system during the year 2018:

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, 2018, 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 2018 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 25, 2019, with all nine attending directors approving the content of this Statement.

Pou Chen Corporation

Chairman of the Board: Chan, Lu-Min

President: Lu, Chin-Chu

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

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

(12) 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 2018 annual general shareholders' meeting and the implementation status thereof :

Date	The type of meeting	Material resolutions	Implementation status
2018.06.15	Annual general shareholders' meeting	Ratification: i. Ratification of the Company's 2017 Business Report and Financial Statements.	The resolution has been implemented accordingly.
		ii. Ratification of the Company's 2017 Profit Distribution.	Adopted to distribute cash dividends at NT$2 for per share. The ex-dividend record date is July 14, 2018, and the cash dividends have been distributed on August 9, 2018.
		Election: By-election of one independent director of the Company.	Mr. Chen Huan-Chung was the newly elected independent director.
		Others: Proposal to release Director of the Company from non-competition restrictions.	Independent Director is in compliance with relevant laws.

B. Material Resolutions during the Board of Directors' Meetings in 2018 and to the date of publication of this Annual Report:

Date	Term	Material resolutions
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. (Note)
2018.01.21	12th meeting of the 22nd Board of Directors	Adopted the privatization of Pou Sheng International (Holdings) Limited via a scheme of arrangement. (Note)
2018.03.09	13th meeting of the 22nd Board of Directors	Adopted the capital increase of subsidiary Wealthplus Holdings Limited. (Note)
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 Auditing Implementation Regulations".

Date	Term	Material resolutions
		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 subsidiaries.
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 subsidiaries.
2018.08.14	17th meeting of the 22nd Board of Directors	1. Adopted remunerations and transportation allowance for the newly elected independent directors. 2. Adopted the remuneration for the Company's new officers. 3. Adopted the 2018 adjustments to remunerations for the Company's officers. 4. Adopted the 2017 Employees' Compensation for the Company's officers. 5. Adopted the amount of the Company's 2017 distribution for directors' remuneration. 6. Adopted the application for increasing and renewing the line of credit for the Company to lend funds from financial institutions. 7. Adopted the line of credit for the Company to make and remove endorsement or guarantee for its subsidiaries. 8. Adopted to provide loans for the Company's subsidiaries.
2018.11.14	18th meeting of the 22nd Board of Directors	1. Adopted the amendment of the Company's "Internal Control System" and "Internal Auditing Implementation Regulations". 2. Adopted the amendment to the Company's "Accounting System." 3. Discussed independence assessment and appointment of the Company's CPA and discussed the CPA's remuneration. 4. Adopted the application for increasing and renewing the line of credit for the Company to lend funds from financial institutions. 5. Adopted the line of credit for the Company to make and remove endorsement or guarantee for its subsidiaries.
2018.12.24	19th meeting of the 22nd Board of Directors	1. Adopted the Company's Internal Audit Plan for 2019. 2. Adopted the Company's 2019 Business Plan. 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 subsidiaries.

Date	Term	Material resolutions
2019.03.25	20th meeting of the 22nd Board of Directors	1. Adopted the amount of the Company's 2018 distribution for director remuneration and employee compensation. 2. Adopted the remuneration of 2018 for the Company's officers. 3. Adopted the proposal to appoint the new officers. 4. Adopted the remuneration for the Company's new officers. 5. Release the officer of the Company from non-competition restrictions. 6. Adopted the Company's 2018 Business Report and Financial Statements. 7. Adopted the amendment of the Company's 2018 "Internal Control System" and "Internal Control System and Implementation Rules". 8. Adopted the amendment of the Company's "Articles of Incorporation". 9. Adopted the amendment of the Company's "Procedures for Acquisition and Disposal of Assets". 10. Adopted the amendment of the Company's "Operational Procedures for Loaning of Company Funds". 11. Adopted the amendment of the Company's "Operational Procedures for Making Endorsements and Guarantees". 12. Adopted the Election of all Directors, including three independent Directors, of the Company. 13. Adopted and verified the list of director's candidates. 14. Adopted the application for increasing and renewing the line of credit for the Company to lend funds from financial institutions. 15. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiaries. 16. Relevant matters regarding convening the Company's 2019 annual general shareholders' meeting.
2019.04.30	21st meeting of the 22nd Board of Directors	1. Adopted the Company's 2018 profit distribution. 2. Release the Director of the Company from non-competition restrictions. 3. Adopted the proposal to appoint the Company Secretary. 4. Adopted the Standard Operating Procedures for Handling Director Requests. 5. Adopted the application for increasing and renewing the line of credit for the Company to lend funds from financial institutions. 6. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiaries.
2019.05.15	22nd meeting of the 22nd Board of Directors	1. Adopted the amendment of the Company's "Corporate Governance Best Practice Principles". 2. Adopted the amendment of the Company's "Audit Committee Charter". 3. Adopted the Company acquire common shares of Ruen Chen Investment Holding Co., Limited 4. Adopted the application for adjusting and renewing the line of credit for the Company to lend funds from financial institutions. 5. Adopted the line of credit for the Company to make endorsement or guarantee for its subsidiaries.

(Note) Reported in the board meeting on April 30, 2018 that the scheme of arrangement and the proposal of privatization of Pou Sheng International (Holdings) Limited have lapsed.

(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:

May 15, 2019

Title	Name	Date of appointment	Date of dismissed	Reason
President of Footwear Joint Venture Business Department	Kung, Sung-Yen	2003.10.03	2018.08.31	Retired

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	11,210	0	0	0	100	100	2018 Q1~Q3 quarterly financial reports and 2018 annual financial report	None
	Hong, Kuo-Tyan								

B. Intervals of the fees for the CPA

Unit: in NT$

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

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

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

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

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

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

Unit: shares

Title	Name	Year 2018		Until April 15 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., Limited	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)	(60,000)	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., Limited	0	0	0	0
	Representative: Ho, Yue-Ming (Vice President)	0	0	0	0
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
Independent Director	Chen, Huan-Chung (Note 3)	0	0	0	0
President of Footwear Joint Venture Business Department	Kung, Sung-Yen (Note 4)	0	0	0	0

Title	Name	Year 2018		Until April 15 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
Vice President	Liu, Hong-Chih	0	0	0	0
Vice President	Tsai, Nai-Yung (Note 5)	10,000	0	0	0
Vice President	Chang, Chia-Li (Note 5)	0	0	0	0
Vice President	Hu, Chia-Ho (Note 6)	-	-	0	0
Vice President	Chiu, Hui-Yao (Note 6)	-	-	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)	2018.12.11	Lu, Yi-Shan	Father and daughter	20,000	N/A
			Lu, Yen-Miao	Father and daughter	20,000	N/A
			Lu, Chien-Yu	Father and daughter	20,000	N/A

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

Note 3: Mr. Chen, Huan-Chung elected as an independent director on June 15, 2018.

Note 4: Retired as officer on August 31, 2018, the above information only covered the period of employment.

Note 5: Appointed as officer by the Board of Directors’ meeting on August 14, 2018, the above information only covered the period of employment.

Note 6: Appointed as officer by the Board of Directors’ meeting on March 25, 2019, the above information only covered the period of employment.

3.9 Relationship among the Top Ten Shareholders

April 15, 2019 (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., Limited	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	-	-
Tsai, Chi Jui	101,951,385	3.46	0	-	0	-	N/A	-	-
Cathay Life Insurance Co., Limited	86,514,000	2.94	0	-	0	-	N/A	-	-
Representative: Huang, Tiao Kuei	0	-	0	-	0	-	N/A	-	-
Fubon Life Insurance Co., Limited	78,435,000	2.66	0	-	0	-	N/A	-	-
Representative: Tsai, Richard M.	0	-	0	-	0	-	N/A	-	-
Bank of Taiwan in custody for UOB-Kay Hian (Hong Kong) Limited	65,885,000	2.24	0	-	0	-	N/A	-	-
Kai Tai Investments Co., Limited	65,872,557	2.24	0	-	0	-	N/A	-	-
Chairman: Lin, Kuo Chiang	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	50,381,174	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, 2019 (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., Limited	10,000,000	100.00	0	-	10,000,000	100.00
Pou Shine Investments Co., Limited	133,094,460	100.00	0	-	133,094,460	100.00
Pan Asia Insurance Services Co., Limited	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., Limited	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., Limited	7,875,000	15.00	39,375,000	75.00	47,250,000	90.00
Wang Yi Construction Co., Limited	601,755	7.82	6,910,750	89.75	7,512,505	97.57
Elitegroup Computer Systems Co., Limited	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., Limited	2,961,000,000	20.00	0	-	2,961,000,000	20.00

Note: the company is a limited company.

IV. CAPITAL OVERVIEW

4.1 Capital and Shares

(1) Share Capital

A. Sources of Share Capital

Unit: NT$/Shares

Year/ Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital injection by assets other than cash	Other
1992.05	10	150,000,000	1,500,000,000	133,116,000	1,331,160,000	—	—	—
1993.12	10	185,000,000	1,850,000,000	159,975,200	1,599,752,000	Note 1	—	—
1994.08	10	185,000,000	1,850,000,000	183,971,480	1,839,714,800	Note 2	—	—
1995.06	10	378,000,000	3,780,000,000	220,765,776	2,207,657,760	Note 3	—	—
1996.09	10	378,000,000	3,780,000,000	264,918,931	2,649,189,310	Note 4	—	—
1997.06	10	496,500,000 (including convertible corporate bonds of 50 million shares)	4,965,000,000 (including convertible corporate bonds of NT$ 500 million)	357,640,556	3,576,405,560	Note 5	—	—
1998.02	10	496,500,000 (including convertible corporate bonds of 50 million shares)	4,965,000,000 (including convertible corporate bonds of NT$ 500 million)	378,972,570	3,789,725,700	Note 6	—	—
1998.05.07	10	1,133,500,000 (including convertible corporate bonds of 200 million shares)	11,335,000,000 (including convertible corporate bonds of NT$2 billion)	568,458,855	5,684,588,550	Note 7	—	—
1998.06.02	80	1,133,500,000 (including convertible corporate bonds of 200 million shares)	11,335,000,000 (including convertible corporate bonds of NT$2 billion)	607,930,915	6,079,309,150	Note 8	—	—
1999.07.05	10	1,133,500,000 (including convertible corporate bonds of 200 million shares)	11,335,000,000 (including convertible corporate bonds of NT$2 billion)	851,103,280	8,511,032,800	Note 9	—	—
2000.01.19	conversion price 67.05	1,133,500,000 (including convertible	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 15, 2019; 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 15, 2019; 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	179	837	76,442	77,534
Number of shares held	52,063,754	282,044,100	362,411,897	1,701,979,521	548,287,941	2,946,787,213
Ratio (%)	1.77%	9.57%	12.30%	57.75%	18.61%	100.00%

(3) Distribution profile of shareholding

April 15, 2019

Interval of number of shares (shares)	Number of Shareholders (persons)	Number of shares held (shares)	Ratio (%)
1 to 999	30,177	7,045,294	0.24%
1,000 to 5,000	32,371	72,831,611	2.47%
5,001 to 10,000	7,284	54,842,262	1.86%
10,001 to 15,000	2,441	30,357,872	1.03%
15,001 to 20,000	1,425	25,303,112	0.86%
20,001 to 30,000	1,272	31,356,226	1.06%
30,001 to 40,000	605	21,173,676	0.72%
40,001 to 50,000	356	16,267,060	0.55%
50,001 to 100,000	624	43,934,745	1.49%
100,001 to 200,000	337	48,280,494	1.64%
200,001 to 400,000	216	61,343,900	2.08%
400,001 to 600,000	93	46,136,934	1.57%
600,001 to 800,000	47	32,762,201	1.11%
800,001 to 1,000,000	36	31,524,504	1.07%
More than 1,000,001	250	2,423,627,322	82.25%
Total	77,534	2,946,787,213	100.00%

(4) List of major shareholders

April 15, 2019

Shares / Name of major shareholders	Number of shares held (shares)	Ratio (%)
PC Brothers Corporation	213,280,710	7.24%
Chuan Mou Investments Co., Limited	163,425,022	5.55%
Red Magnet Developments Limited	135,594,174	4.60%
Tsai, Chi Jui	101,951,385	3.46%
Cathay Life Insurance Co., Limited	86,514,000	2.94%
Fubon Life Insurance Co., Limited	78,435,000	2.66%
Bank of Taiwan in custody for UOB-Kay Hian (Hong Kong) Limited	65,885,000	2.24%
Kai Tai Investments Co., Limited	65,872,557	2.24%
Mega International Commercial Bank in custody for Beevest Securities Limited	54,826,517	1.86%
JPMorgan in custody for Furstentum Liechtenstein bank	50,381,174	1.71%

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

Item \ Year			2017	2018	2019 (as of March 31)
Market price per share (dollars) (Note 1)	Highest price		43.95	39.75	39.50
	Lowest price		36.00	28.95	32.00
	Average price		40.26	35.10	36.90
Net value per share(dollars)	Before distribution		28.38	26.42	33.61 (Note 6)
	After distribution		26.38	24.92(Note 5)	32.11 (Note 6)
Earnings per share	Weighted average shares (thousand shares)		2,946,787	2,946,787	2,946,787 (Note 6)
	Earnings per share (dollars)		4.38	3.63	0.99 (Note 6)
Dividends per share (dollars)	Cash dividends		2.0	1.5 (Note 5)	N/A
	Share dividends	Dividends from retained earnings	0	0	N/A
		Dividends from capital earnings	0	0	N/A
	Accumulated undistributed dividend		0	0	N/A
ROI analysis	Price-earnings ratio (Note 2)		9.19	9.67	N/A
	Price-dividend ratio (Note 3)		20.13	23.40 (Note 5)	N/A
	Cash dividend yield (Note 4)		4.97%	4.27% (Note 5)	N/A

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 2018 is adopted at the board of directors' meeting on April 30, 2019, and now pending the approval of the Shareholders' Meeting.

Note 6: The financial statement for first quarter of 2019 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 2019:

The board of directors has adopted 2018 profit distribution proposal on April 30, 2019 to distribute cash dividends of NT$1.5 per share, all in the form of cash. The distribution will be made after the ratification of the proposal at 2019 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):

The Company has no plan for the free allotment of shares for this fiscal year. This item does not apply.

(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 by the board of directors' meeting:

(A) The Company's board of directors has resolved on March 25, 2019 to allocate the profit in 2018 (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)	214,776	107,388	No discrepancy
Amount proposed at the Board of Directors' Meeting (B)	214,776	107,388	
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 2017 (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)	246,856	123,428	No discrepancy
Amount actually distributed (B)	246,856	123,428	
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: N/A.

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, Asics, New Balance, Timberland, and Salomon as well as an original design manufacturer (ODM) of various shoes. 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 components.

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

We have established an extensive sales network across Greater China Region for our retailing of sporting goods and brand licensing business. We have become the distributor for a number of well-known international brands by establishing diversified channels, which include mono-brand stores, multi-brands stores, sports city, and online sales. We provide consumers with a variety of footwear, apparel, and accessories for sports and casual wear, and we have extended our scope of business from product sales to sports services.

(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	2017		2018	
	Revenues	Ratio	Revenues	Ratio
Manufacturing of shoes	185,597,169	67%	177,557,453	61%
Retailing of sporting goods and brand licensing business	92,101,627	33%	114,950,866	39%
Other	933,076	-	807,770	-
Total	278,631,872	100%	293,316,089	100%

C. Products and Services

The Company's current products include athletic shoes, casual shoes, outdoor shoes, sports sandals, footwear components and others. The Company is also involved in retail business, brand licensing, sports services, 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 shoes, 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 in response to changing market demand. Future directions for research and development are as follows:

(A) Refine to 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) Implement to combine intelligent scheduling applications with factory data collection and integration to achieve a smart manufacturing factory

(D) Depend 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 protection, 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 2017 reached 23.5 billion pairs, up 2% from the previous year, 87% of which were manufactured in Asia. China has remained the leading country in the production of footwear (57.5%) in the world, followed by India, Vietnam, and Indonesia. In terms of the consumer market, Asia was not only the main production base for the global footwear industry, it also housed the largest consumer market, accounting 54% of world footwear consumption in 2017. The three leading countries with the largest consumer markets for footwear were in order of China, India, and United States. India overtook the United States for the first time, becoming the second largest consumer market for footwear in the world. This reflects India's economic trend and strength of large population.

(B) Global Athletic Footwear Market

According to Sporting Goods Intelligence (SGI), the global athletic footwear market has maintained steady growth in the past 10 years, exhibiting a high-single-digit compound annual growth rate. The global sales of athletic shoes continued to rise in 2017, leading to a market scale of nearly US$63 billion, with the top 5 athletic footwear brand companies accounting for approximately 76% of the global market share. This indicates an exceptionally high level of brand concentration, which highlights the importance of brand awareness in consumer behavior. Subsequently, large brands all endeavor to build their brand value and devise market strategies for enhancing consumer loyalty and identification, which in turn raises purchase intention and purchase decision. Regarding manufacturing, brand companies have largely commissioned professional footwear manufacturers to oversee production operation. 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 the industry relocated to other countries, Taiwan became the central hub for managing raw materials required for overseas production, a collaborator with development centers involving in product designing and material process innovation, and an integrated platform for providing total solutions for industry chain.

(C) China's Sporting Goods Market

China is the primary target market of our retailing of sporting goods and brand licensing business. Amidst economic growth, increasingly awareness on the need to exercise and stay healthy, and support for industry-friendly policies, the sports industry in China has developed significantly faster in 2015 to 2017 than the country's economy in the same period. This shows that the sporting goods market in China is growing exponentially, becoming a key component of the economy. 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 2017 (overall scale) increased by 15.7% compared with the previous year, reaching RMB2.2 trillion. The added value of the industry was RMB781.1 billion, an increase of 20.6% compared with the previous year, accounting for 1.0% of the gross domestic product (GDP), up from 0.9% in 2016. In terms of industry structure, almost 80% of the added industry value came from the manufacturing and sales of sporting goods and related products. Meanwhile, sports service sector continues to grow rapidly, with increasing focus placed on the construction of sports venues and facilities, and industry structure is constantly optimized.

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 transformed itself to be an original design manufacturer (ODM) from an original equipment manufacturer (OEM) basis. With the enhanced product quality, integrated manufacturing process and improved R&D ability, the Company established separate research and development centers for branded customers, and works closely with its branded customers in the stages of product development up to the completion of the product-prototype. Hence, the Company has become a long-term partner with dozens of international footwear brands.

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) Increasing the depth of Industry 4.0 toward smart manufacturing

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

Through technological application of robotic arm, 3D printing, automatic spray coater, and visual recognition systems, brand merchants, footwear manufacturers, and footwear machine/material suppliers are all constantly exploring and attempting innovative ideas. With the support of smart equipment and high-quality materials, product designs are integrated with artificial intelligence (AI) technologies (e.g., IoT, cloud computing, big data analytics) to facilitate the optimization of production resources, create human-machine friendly environments, and improve manufacturing flexibility and operating efficiency.

Industry 4.0 refers to the process of helping customers to initiate the integration of manufacturing-related elements into R&D, supply chain, and production processes to optimize, extend, and physically and virtually integrate these processes into the entire value chain, thereby effectively connecting demands and supplies. Smart manufacturing is a new direction introduced for the footwear industry. It accelerates the development process of supply chains and products, promotes competition for innovative technologies and industry upgrade optimization, and assists footwear manufacturers to develop competitive production models that can help them to respond to market changes quickly and closely meet consumers' needs for personalized services.

(B) Product diversification

The main function of athletic footwear is to improve sports performance, minimize sports injuries, and facilitate the continuous innovation of footwear manufacturing techniques and sports technologies so as to improve the features of athletic footwear, including protection, shock absorption, slip resistance, comfort, light weight, and flexibility. In light of the global greening trend, the Company cooperates with adidas and Parley for the Oceans to manufacture athletic footwear by using recycled marine wastes. Reebok NPC UK Cotton and Corn organic sneakers emphasize the use of sustainable materials and processes to mitigate environmental impact.

As the trend of sporting lifestyle continues, consumers are going after even higher quality personalized products. Thus, athletic shoes have gradually shifted from being worn during sports to a way of expressing one's personality and taste, and have become the main focus of product development. Sports brands are not only endorsed by athletes, but cross-industry cooperation with celebrities or fashion brands has also sparked new product ideas, such as the Nike x Kendrick Lamar and PUMA x Rihanna. These ideas often can create new topics of discussion and are well-received in a fiercely competitive consumer market.

The fusion and impact of fashion, retro, female, technology, and cross-border elements have given athletic shoes a diverse appearance, while creating new added value. Consumers' preference is constantly changing. Innovation of products is ultimately the core driving force that will create even more possibilities and opportunities for the athletic footwear market.

(C) Returning to the nature of retail industry based on consumer classification

Classifying consumers has become necessary due to individual consumer characteristics, consumer diversity, and demographic differences (e.g., age, education, income, culture, and region). To accurately identify different levels of consumer groups, a method of operation for better consumer experience is used, and emphasis is placed on numerical figures and systematic management to acquire clearly pictures of our product users, consumer habits, and other basic data for analyzing changes in consumer behavior.

Online shopping allows for convenient purchases. Offline shopping provides warm consumer experiences. Retail business models deviate from traditional frameworks as they integrate with big data, smart management systems, voice and image recognition, artificial intelligence, and other state-of-the-art technologies. The boundaries of virtual and physical marketplaces are disintegrating and developing toward an omni-channel all-context network that services consumers anytime and anywhere.

Data value, channel integration, and innovative technologies prompt retail industries to transform and upgrade their business. In an era advocating information transparency and rational consumption, consumer concepts are also evolving to one that focuses on service quality and consumer experience in addition to brand value and cultural implication. New retail businesses will eventually regress to the nature of retail industries and continue to improve quality, creativity, and services in terms of consumer-centric contents, forms, and experiences, forge stronger emotional ties with consumers, and fulfill the different needs of consumers to increase consumer identification and loyalty.

D. Competition

The Company is the OEM and ODM of athletic footwear, casual shoes, outdoor shoes, and sports sandals for dozens of international footwear brands.. To fulfill the stringent requirements of international brands regarding delivery date, quality, price, and service, we continue to invest resources in the R&D of core technologies and refinement of production processes while constantly honing our R&D capabilities. With diversified production bases around the world, the Company has accumulated rich managerial experiences and has established a comprehensive supply chain. We place value on and respond to corporate sustainable development issues, which is why we were able to maintain a leading status in the footwear industry.

The target market of our retailing of sporting goods and brand licensing business is China, where the sports industry is rapidly developing in recent years. Thus, prestigious sports brands, brand agents, and retailers have extended their reach, each competing fiercely against one another. In addition, the rapid changes in consumer behavior have resulted in fierce competition in the market. Having cultivated the sporting goods market in the Greater China region for years, we have established a considerably sizable sales network, and close relationships with reputable brand companies. We constantly strengthen the operating capability of our omni-channels, enrich product portfolios, and provide high-quality services, which have given us a niche in developing our retailing and brand licensing business.

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

A. Product and technology R&D Expenses

The Company's R&D expenses in 2018 and as of March 31, 2019 were NT$ 6,230,618 thousand and NT$ 1,580,313 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 2018, the Company achieved the following accomplishments:

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

(B) Continue to engage 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) Implemented to continue 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) Refine to 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) Implement to combine intelligent scheduling applications with factory data collection and integration to achieve a smart manufacturing factory.

(D) Depend 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) Promote manufacturing upgrade to solidify competitive niches.
  - (B) Leverage local advantages to flexibly adjust allocation of production capacity.
  - (C) Control vertical integration to create maximum added value.
  - (D) Provide value-added service for deeper brand cooperative relationship.
- Retailing of Sporting Goods and Brand Licensing
  - (A) Strengthen operating capability as a means of increasing sales operation efficiency.
  - (B) Expand virtual and physical integration to develop signature omni-channels.
  - (C) Enrich product supply for the best consumer experience.
  - (D) Plan sports events to attract potential target customers.

B. Long-term Business Development Plans

- Footwear Manufacturing
  - (A) Continue to provide excellent products, services, and total-range solutions to fortify our leading status in the industry.
  - (B) Continue to invest resources in talent cultivation, innovative R&D, and smart manufacturing to create value in corporate sustainability.
- Retailing of Sporting Goods and Brand Licensing
  - (A) Establish a sales-to-manufacturing chain as an end-to-end operating model.
  - (B) Continuously promote sporting services to incorporate sports into activities of daily living.
  - (C) Construct sporting service platform that offers the best services to consumers and brand companies.

5.2 Market Analysis and Production and Sales

(1) Market Analysis

A. Sales of Products (Services) by Region

(In NT$ thousands)

Sales Area \ Year	2017		2018	
	Amount	Ratio	Amount	Ratio
Asia	141,139,345	51%	157,758,024	54%
USA	78,435,723	28%	77,037,598	26%
Europe	53,276,125	19%	53,485,999	18%
Other	5,780,679	2%	5,034,468	2%
Total	278,631,872	100%	293,316,089	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, 2018, the Company had 9,199 stores in the Greater China region, including 5,648 directly operated retail stores and 3,551 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 billion by 2025 with a CAGR reaching 3%. Expansion of product category and penetration of new markets are key factors. According to a report by Grand View Research, the scale of athletic footwear market will exceed US$95 billion by 2025 with a CAGR reaching 5%. Loyal customers of athletic footwear and young consumers are inherently the key driving the growth of athletic footwear sales. Rise in health awareness and prevalence of sporting activities resulted in continuous increase in consumer demand for athletic footwear. Major sports brands are not only continuing to strengthen the functionality of athletic footwear but also constantly engaging in product innovation and diversification to include non-athletes in the target market of athletic footwear. In future, the athletic footwear market can expect to maintain steady growth.

(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 RMB38.1 trillion in 2018, up 9.0% from the previous year, which indicates slow growth, and consumption structure upgrade remains unchanged. More than 76.2% of the final consumption expenditure in 2018 contributed to the growth of the economy. Consumption has been the first key driver of economic growth in China for five consecutive years. Consumers are willing to purchase high-quality products and services, and sports-related consumption can also expect to enjoy the market dividends that follow. Euromonitor reported that the retail sale of athletic footwear and apparel market in China has exceeded RMB160 billion in 2015, with CAGR expected to remain high in 2016 to 2020 and reach RMB 260 billion by 2020. The Chinese government recently announced a series of sports-friendly policies, including the Several Opinions of the State Council on Accelerating the Development of the Sports Industry to Promote Sports Consumption announced by the State Council of the People's Republic of China in 2014; the Thirteenth Five-Year Plan for the Development of the Sports Industry promulgated by the General Administration of Sport of China in 2016; the Guiding Opinions on Expediting the Development of the Sports Competition and Performance Industry published by the General Office of the State Council in 2018. These policies provide clear guidelines for the development of China's sports industry and are 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.

<u>Countermeasures</u>: 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)

	2017				2018				As of March 31, 2019			
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 first quarter	Relationship with the Company
1	Supplier A	30,811,944	19	None	Supplier A	40,047,039	22	None	Supplier A	10,453,865	22	None
2	Supplier B	21,615,971	13	None	Supplier B	24,165,165	14	None	Supplier B	7,228,421	15	None
	Other suppliers	113,114,830	68		Other suppliers	114,844,678	64		Other suppliers	29,594,125	63	
	Net purchase	165,542,745	100		Net purchase	179,056,882	100		Net purchase	47,276,411	100	

There are only a couple of suppliers accounted for 10% or more of the purchasing of the Company in 2017, 2018 and the first quarter of 2019 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)

	2017				2018				As of March 31, 2019			
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 first quarter	Relationship with the Company
1	Customer A	50,675,853	18	None	Customer A	53,570,643	18	None	Customer A	14,387,851	19	None
2	Customer B	50,804,185	18	None	Customer B	48,301,291	17	None	Customer B	12,231,263	16	None
	Other customers	177,151,834	64		Other customers	191,444,155	65		Other customers	50,004,395	65	
	Net sales	278,631,872	100		Net sales	293,316,089	100		Net sales	76,623,509	100	

There are two customers who account for 10% or more of the sales of the Company in 2017, 2018 and the first quarter of 2019. 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 2017 and 2018

(In NT$ thousands; pairs)

Year / Production / Main Products	2017			2018		
	Capacity	Production	Value	Capacity	Production	Value
Manufacturing of shoes	-	324,559,000	146,515,351	-	326,015,000	142,683,850

Note: Production refers to footwear production in pairs

(6) Sales Volume in 2017 and 2018

(In NT$ thousands; pairs)

Year / Sales / Main Products	2017				2018			
	Domestic sales		International sales		Domestic sales		International sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Manufacturing of shoes	3,129,000	2,611,948	321,430,000	182,985,221	2,632,000	1,895,319	323,383,000	175,662,134
Retailing of sporting goods and brand licensing business	-	512,444	-	91,589,183		462,803		114,488,064
Other businesses	-	933,076	-	-		-		807,770
Total	-	4,057,468	-	274,574,404		2,358,122		290,957,967

5.3 Human Resource

		2017	2018	As of April 30, 2019
Number of Employees	Direct labor	251,609	239,867	220,694
	Indirect labor	84,451	82,691	97,817
	Sales and Marketing	28,928	29,698	30,180
	Total	364,988	352,256	348,691
Average age of employees (in years)		32.36	32.72	33.45
Average length of service (in years)		5.78	6.56	6.78
Education (%)	Ph.D.	0.01	0.01	0.01
	Master’s degree	0.32	0.33	0.34
	Bachelor’s degree	9.29	6.61	6.73
	High school diploma	33.06	36.35	37.26
	Less than high school	57.32	56.70	55.66

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 2018, we were reprimanded for three environmental incidents: two incidents involved errors in the reporting of waste information; no environmental pollution incident was caused. Total fine of NT$66,000 was imposed. The other incident involved leakage of wastewater into rain gutters due to rusting and cracking of plant sewage pipe. Total fine of RMB 100,000 was imposed. Three 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 2018, the Company set aside accrued pension liabilities for 2.34% 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. According to Labor Standards Act 56-2, the Company also proposed NTD 151,150 thousand as the pension fund deposited into the Company's designated account at Taiwan Bank in 2018.

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. Taiwan Certified Public Accountants: 11 from the Accounting Department.

B. US Certified Public Accountants: 2 from the Accounting Department.

C. Taiwan Certified Internal Auditors: 5 from the Accounting Department and 1 from the Internal Audit Department.

D. Certified Management Accountant (CMA): 1 from the Accounting Department.

E. Project Management Professional (PMP): 3 from the Accounting Department.

F. Certified Information Systems Auditor: 1 from the Accounting Department.

G. General Competency Exam for Internal Control held by the Securities and Futures Institute: 2 from the Accounting Department and 1 from the Internal Audit 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 2018:

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. Managing maintenance contractors: The Company established a standard fire safety equipment maintenance contract and maintenance inspection checklist, and randomly inspects service quality to verify the abilities of maintenance contractors and ensure normal functions of fire safety equipment.

K. 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.

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		Financial summary within five years 2014【Note 1】	2015【Note 1】	2016【Note 1】	2017【Note 1】	2018【Note 1】	Financial summary as of March 31,2019【Note 1】
Current assets		143,594,963	145,663,287	151,320,571	154,667,365	164,383,958	173,365,693
Property, plant and equipment		63,500,454	69,778,999	71,464,806	71,517,038	79,162,641	79,610,023
Intangible assets		12,726,168	12,817,838	11,954,099	12,394,627	12,054,213	12,564,140
Other assets		53,220,360	52,363,795	59,150,385	63,325,400	48,661,601	76,310,637
Total assets		273,041,945	280,623,919	293,889,861	301,904,430	304,262,413	341,850,493
Current liabilities	Before distribution	74,638,733	90,656,392	74,732,364	84,461,024	93,303,080	106,059,353
	After distribution【Note 2】	79,054,939	95,076,573	79,152,545	90,354,598	88,882,899	101,639,172
Non-current liabilities		46,277,617	35,163,860	56,146,793	59,063,460	58,761,627	63,373,218
Total liabilities	Before distribution	120,916,350	125,820,252	130,879,157	143,524,484	152,064,707	169,432,571
	After distribution【Note 2】	125,332,556	130,240,433	135,299,338	149,418,058	147,644,526	165,012,390
Equity attributable to owners of the Company	Before distribution	70,714,219	69,270,113	75,705,144	83,615,378	77,863,392	99,055,507
	After distribution【Note 2】	66,298,013	64,849,932	71,284,963	77,721,804	73,443,211	94,635,326
Share Capital		29,441,372	29,467,872	29,467,872	29,467,872	29,467,872	29,467,872
Capital surplus		4,627,549	4,631,708	4,540,163	4,615,341	4,600,092	4,604,514
Retained earnings	Before distribution	42,253,851	47,076,127	55,333,477	63,449,395	66,088,797	69,007,072
	After distribution【Note 2】	37,837,645	42,655,946	50,913,296	57,555,821	61,668,616	64,586,891
Other equity		(5,608,553)	(11,905,594)	(13,636,368)	(13,917,230)	(22,293,369)	(4,023,951)
Treasury shares		-	-	-	-	-	-
Non-controlling interests		81,411,376	85,533,554	87,305,560	74,764,568	74,334,314	73,362,415
Total equity	Before distribution	152,125,595	154,803,667	163,010,704	158,379,946	152,197,706	172,417,922
	After distribution【Note 2】	147,709,389	150,383,486	158,590,523	152,486,372	147,777,525	167,997,741

Note1: The financial statements for 2014 to 2018 have been audited by independent auditors and the financial statement for first quarter of 2019 has been reviewed by independent auditors.

Note2: The amounts after distributed are resolved by the Shareholders' Meeting of the following year. The Proposal of 2018 Profits Distribution was adopted by the Board of Directors on April 30, 2019, 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 2014【Note】	2015【Note】	2016【Note】	2017【Note】	2018【Note】	Financial summary as of March 31,2019【Note】
Operating revenue	243,976,298	269,081,173	274,895,346	278,631,872	293,316,089	76,623,509
Gross profit	55,268,748	64,505,418	70,382,794	73,068,324	75,471,295	19,686,650
Profit from operations	7,920,621	12,353,394	17,785,183	17,068,098	13,809,464	3,436,280
Non-operating income and expenses	7,953,758	7,886,880	8,494,619	7,749,406	6,450,919	1,741,038
Income before income tax	15,874,379	20,240,274	26,279,802	24,817,504	20,260,383	5,177,318
Net income	13,859,449	16,601,466	23,001,919	21,730,590	16,371,866	4,441,510
Other comprehensive (loss) income	2,677,034	(7,816,031)	(3,312,203)	719,523	(23,332,866)	19,160,345
Total comprehensive (loss) income	16,536,483	8,785,435	19,689,716	22,450,113	(6,961,000)	23,601,855
Net income attribute to owners of the Company	8,615,506	9,531,358	13,057,050	12,921,606	10,708,646	2,919,059
Net income attribute to non-controlling interests	5,243,943	7,070,108	9,944,869	8,808,984	5,663,220	1,522,451
Total comprehensive (loss) income attribute to owners of the Company	11,997,296	2,941,441	10,946,757	12,255,237	(13,545,977)	21,187,693
Total comprehensive income attribute to non-controlling interests	4,539,187	5,843,994	8,742,959	10,194,876	6,584,977	2,414,162
Earnings per share	2.93	3.24	4.43	4.38	3.63	0.99

Note：The financial statements for 2014 to 2018 have been audited by independent auditors and the financial statement for first quarter of 2019 has been reviewed by independent auditors.

C. Condensed separate balance sheet

(In NT$ thousands)

Item	Year	Financial summary within five years				
		2014【Note 1】	2015【Note 1】	2016【Note 1】	2017【Note 1】	2018【Note 1】
Current assets		9,515,961	7,036,621	7,541,527	7,863,357	8,327,151
Property, plant and equipment		4,103,169	4,187,849	4,503,791	4,859,896	5,341,147
Other assets		86,712,842	86,649,577	93,482,043	102,945,217	101,152,947
Total assets		100,331,972	97,874,047	105,527,361	115,668,470	114,821,245
Current liabilities	Before distribution	13,679,537	13,771,920	10,210,516	14,887,657	23,043,635
	After distribution【Note 2】	18,095,743	18,192,101	14,630,697	20,781,231	18,623,454
Non-current liabilities		15,938,216	14,832,014	19,611,701	17,165,435	13,914,218
Total Liabilities	Before distribution	29,617,753	28,603,934	29,822,217	32,053,092	36,957,853
	After distribution【Note 2】	34,033,959	33,024,115	34,242,398	37,946,666	32,537,672
Share capital		29,441,372	29,467,872	29,467,872	29,467,872	29,467,872
Capital surplus		4,627,549	4,631,708	4,540,163	4,615,341	4,600,092
Retained earnings	Before distribution	42,253,851	47,076,127	55,333,477	63,449,395	66,088,797
	After distribution【Note 2】	37,837,645	42,655,946	50,913,296	57,555,821	61,668,616
Other equity		(5,608,553)	(11,905,594)	(13,636,368)	(13,917,230)	(22,293,369)
Treasury shares		-	-	-	-	-
Total equity	Before distribution	70,714,219	69,270,113	75,705,144	83,615,378	77,863,392
	After distribution【Note 2】	66,298,013	64,849,932	71,284,963	77,721,804	73,443,211

Note1: The financial statements for 2014 to 2018 have been audited by independent auditors.

Note2: The amounts after distributed are resolved by the Shareholders' Meeting of the following year. The Proposal of 2018 Profits Distribution was adopted by the Board of Directors on April 30, 2019, 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				
	2014 【Note】	2015 【Note】	2016 【Note】	2017 【Note】	2018 【Note】
Operating revenue	12,661,506	12,748,522	12,294,428	11,704,905	12,062,778
Gross profit	3,471,849	3,744,314	3,834,602	3,982,222	4,610,127
Income from operations	200,408	448,660	244,462	478,923	477,899
Non-operating income and expenses	9,284,973	10,550,154	13,545,565	12,865,035	11,131,948
Income before income tax	9,485,381	10,998,814	13,790,027	13,343,958	11,609,847
Net income	8,615,506	9,531,358	13,057,050	12,921,606	10,708,646
Other comprehensive net (loss) income	3,381,790	(6,589,917)	(2,110,293)	(666,369)	(24,254,623)
Total comprehensive income	11,997,296	2,944,441	10,946,757	12,255,237	(13,545,977)
Earnings per share	2.93	3.24	4.43	4.38	3.63

Note：The financial statements for 2014 to 2018 have been audited by independent auditors.

(2) Auditors' Opinions from 2014 to 2018

Year \ Opinion	Accounting Firm	CPA	Audit 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
2018	Deloitte & Touche	WU, KER-CHANG HONG, KUO-TYAN	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 31,2019 (Note 1)
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt Ratio	44.28	44.83	44.53	47.53	49.97	49.56
	Ratio of long-term funds to property, plant and equipment	312.44	270.07	306.66	304.04	266.48	296.18
Liquidity (%)	Current ratio	192.38	160.67	202.48	183.12	176.18	163.46
	Quick ratio	123.22	104.38	134.23	114.90	107.21	87.33
	Time interest earned	15.76	19.05	20.96	13.49	8.28	7.18
Operating performance	Average collection turnover (times)	7.69	8.00	7.45	7.30	7.61	7.91
	Average collection period	47	46	49	50	48	46
	Average inventory turnover (times)	4.15	4.24	4.29	4.05	3.78	3.64
	Average payment turnover (times)	12.79	12.58	12.77	14.37	15.01	13.95
	Average inventory turnover period	88	86	85	90	97	100
	Property, plant and equipment turnover (times)	3.98	4.03	3.89	3.89	3.89	3.86
	Total assets turnover (times)	0.93	0.97	0.95	0.93	0.96	0.94
Profitability (%)	Return on total assets	5.66	6.33	8.38	7.84	6.13	6.32
	Return on shareholders' equity	9.56	10.81	14.47	13.52	10.54	10.94
	Profit before income tax to paid-in capital	53.91	68.68	89.18	84.21	68.75	70.27
	Profit ratio	5.68	6.16	8.36	7.79	5.58	5.79
	Earnings per share (NT$)	2.93	3.24	4.43	4.38	3.63	0.99
Cash flow (%)	Cash flow ratio	18.43	24.31	21.01	19.90	11.29	15.91
	Cash flow adequacy ratio	(Note 2)		86.70	73.70	61.30	64.89
	Cash flow reinvestment ratio	4.25	6.96	3.99	4.43	1.67	5.53
Leverage	Operating leverage	1.96	1.67	1.49	1.56	1.76	2.07
	Financial leverage	1.15	1.09	1.07	1.13	1.25	1.32

Note 1: The financial statements for 2014 to 2018 have been audited by independent auditors and the financial statement for first quarter of 2019 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 2014 to 2015.

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

(A)Liquidity:

Reduction in times interest earned was mainly caused by the decrease in earnings before interest and taxes (NT$3.77 billion), and the increase in interest expenses (NT$800 million). Explanations are as follows:

(a)NT$3.77 billion decrease in earnings before interest and taxes: Primarily because operating cost increased due to the adverse effects of order and product portfolio changes on the footwear business. In addition, the Company's retailing of sporting goods and brand licensing business were affected by sales network expansion and store renovation, causing increased market promotion and marketing expenses compared to previous year and resulting in a decrease in net operating income of NT$3.26 billion. Regarding non-operating revenue and expenses, earnings before interest and taxes decreased this year compared to previous year due to NT$490 million decrease in other income.

(b)NT$800 million increase in interest expense: Primarily because of increase in total loans, causing increase in financing cost this year compared to previous year.

(B)Profitability:

Profitability ratios decreased primarily due to NT$5.36 billion decrease in profit after tax this year. Explanations are as follows:

Operating cost increased due to the adverse effects of order and product portfolio changes on the footwear business. In addition, the Company's retailing of sporting goods and brand licensing business were affected by sales network expansion and store renovation, causing increased market promotion and marketing expenses compared to previous year and resulting in a decrease in net operating income of NT$3.26 billion. Regarding non-operating revenue and expenses, decrease in net income for the year compared to previous year was mainly due to decrease of NT$490 million in other income, increase of NT$800 million in financing cost, and increase of US$800 million in income tax expense.

(C)Cash flows:

(a)Reduction in cash flow ratio:

Mainly due to the NT$6.27 billion decrease in net cash flow from operating activities and the NT$8.84 billion increase in current liabilities this year. Explanations are as follows:

i. NT$6.27 billion decrease in net cash inflow from operating activities: Mainly due to NT$4.56 billion decrease in pre-tax net income this year compared to the previous year, cash outflow from a NT$3.6 billion increase in accounts receivables, and cash inflow from NT$2.03 billion increase in accounts payable.

ii. NT$8.84 billion increase in current liabilities: Mainly due to NT$1.24 billion increase in accounts payable, NT$4.11 billion increase in short-term borrowing, and NT$3.44 billion increase in long-term borrowing that expires within one year.

(b)Reduction in cash reinvestment ratio:

Mainly due to the decrease in net cash flow from the year's operating activities (NT$6.27 billion) and the increase in cash dividend (NT$1.47 billion) distributed this year. Explanations are as follows:

NT$6.27 billion decrease in net cash inflow from operating activities was mainly due to NT$4.56 billion decrease in pre-tax net income this year compared to the previous year, cash outflow from a NT$3.6 billion increase in accounts receivables, and cash inflow from NT$2.03 billion increase in accounts payable. In addition, the cash dividend distributed this year increased by NT$1.47 billion, causing a decrease in cash that can be reinvested from operating activities compared to previous year.

(1)B. Separate financial analysis

Item		Financial summary within five years (Note 1) 2014	2015	2016	2017	2018
Financial structure (%)	Debt ratio	29.51	29.22	28.26	27.71	32.18
	Ratio of long-term funds to property, plant and equipment	2111.84	2008.24	2116.36	2073.72	1718.31
Liquidity (%)	Current ratio	69.56	51.09	73.86	52.81	36.13
	Quick ratio	68.37	50.27	72.69	51.92	35.72
	Times interest earned	27.61	31.71	41.75	43.56	37.28
Operating performance	Average collection turnover (times)	7.67	7.67	7.13	6.88	6.93
	Average collection period	48	48	52	53	52
	Average inventory turnover (times)	53.55	78.37	113.89	130.24	161.16
	Average payment turnover (times)	6.29	5.65	5.64	5.75	5.88
	Average inventory turnover period	7	5	3	2	2
	Property, plant and equipment turnover (times)	3.07	3.07	2.82	2.50	2.36
	Total assets turnover (times)	0.13	0.12	0.12	0.10	0.10
Profitability (%)	Return on total assets	9.35	9.91	13.11	11.91	9.51
	Return on shareholders' equity	13.06	13.61	18.01	16.22	13.26
	Pre-tax income to paid-in capital	32.21	37.32	46.79	45.28	39.39
	Profit ratio	68.04	74.76	106.20	110.39	88.77
	Earnings per share (NT$)	2.93	3.24	4.43	4.38	3.63
Cash flow (%)	Cash flow ratio	(1.78)	1.33	(17.85)	(9.46)	(0.16)
	Cash flow adequacy ratio	(Note 2)		(7.54)	(12.27)	(12.90)
	Cash flow reinvestment ratio	-	-	-	-	-
Leverage	Operating leverage	2.16	1.50	1.99	1.51	1.62
	Financial leverage	(1.28)	4.95	(2.60)	2.89	3.02

Note 1: The financial statements for 2014 to 2018 have been audited by independent auditors.

Note 2: Our Company has adopted the IFRS approved by the Financial Supervisory Commission to construct financial statements for 5 years and start to calculate the cash flow adequacy ratio since 2016; therefore the cash flow adequacy ratio is not calculated in 2014 to 2015.

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

(A)Liquidity:

(a)Decrease in current ratio:

Current ratio for the year decreased compared to previous year primarily because of a NT$460 million increase in current assets and NT$8.16 billion increase in current liabilities. Explanations are as follows:

i. NT$460 million increase in current assets: Mainly due to NT$490 million increase in receivables and NT$50 million decrease in prepaid expenses.

ii. NT$8.16 billion increase in current liabilities: Mainly due to NT$5.38 billion increase in short-term borrowing, NT$3.44 billion increase in long-term borrowing that expires within one year, NT$400 million increase in accounts payable, and NT$290 million decrease in income tax liabilities for the current period.

(b)Decrease in quick ratio:

Quick ratio for the year decreased compared to previous year primarily because of a NT$500 million increase in quick assets and NT$8.16 billion increase in current liabilities. Explanations are as follows:

i. NT$500 million increase in quick assets: Mainly due to NT$490 million increase in receivables.

ii. NT$8.16 billion increase in current liabilities: Mainly due to NT$5.38 billion increase in short-term borrowing, NT$3.44 billion increase in long-term borrowing that expires within one year, NT$400 million increase in accounts payable, and NT$290 million decrease in income tax liabilities for the current period.

(B)Operating ability:

Increase in inventory turnover ratio was mainly due to the NT$280 million decrease in cost of sales and NT$10 million decrease in average inventory; however, the decrease in average inventory was higher than the decrease in cost of sales, causing increase in inventory turnover this year compared to previous year.

(C)Profitability:

Reduction in return on assets was mainly because net income after tax for the year decreased by NT$2.21 billion and average total asset increased by NT$4.65 billion. Explanations are as follows:

The NT$2.21 billion decrease in the year's net income after tax was mainly due to the NT$4.1 billion decrease in share of the profit of subsidiaries and associates accounted for using the equity method and NT$1.95 billion increase in net gain on foreign currency exchange. NT$4.65 billion increase in average asset was mainly due to an increase in equity-accounted investments and real property, factories and equipment.

(D)Cash flows:

Increase in cash flow ratio was mainly due to the NT$1.37 billion decrease in net cash outflow from operating activities. Explanations are as follows:

Decrease in net profit before tax this year is NT$1.73 billion adjusted by items that do not affect cash flow, which include adding NT$4.1 billion in share of the profit of subsidiaries and associates accounted for using the equity method, cash inflow from NT$1.12 billion increase in net defined benefit liabilities and cash outflow for NT$880 million increase in receivables and NT$1.3 billion decrease in payables.

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 2018 Financial Statements

Audit Committee's Review Report

The Board of Directors has prepared and submitted the Company's 2018 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:

2019 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:

Chen, Bor-Liang

Date: March 25, 2019

Audit Committee's Review Report on Profit Distribution Plan

The Board of Directors has prepared and submitted the 2018 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:

2019 Annual General Shareholders' Meeting of Pou Chen Corporation

Audit Committee convener:

Chen, Bor-Liang

Date: April 30, 2019

Deloitte.

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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 referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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 (collectively referred to as the "consolidated financial statements").

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, 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, based on our audits and the report of other auditors.

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, 2018. 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, 2018.

Write-down of Inventory

As of December 31, 2018, the carrying amount of finished goods for retail included in the inventories was $29,936,498 thousand. For the related disclosures, refer to Notes 4, 5 and 14 to the consolidated financial statements.

The determination of net realizable value required an evaluation on the condition and quality of product market sales and assessment of obsolete and slow-moving inventory; the evaluation involved significant judgments and estimations made by management. Therefore, we considered write-down of inventory as a key audit matter of the 2017 consolidated financial statements.

We obtained the inventory valuation sheets prepared by 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 management. In addition, we selected samples from the inventory aging report prepared by 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, 2018, goodwill allocated to the manufacture and sale of footwear of the Group amounted to $5,635,957 thousand and $2,420,956 thousand, respectively. For related disclosures, refer to Notes 4, 5 and 22 to the consolidated financial statements.

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, we considered the impairment of goodwill as a key audit matter.

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, 2018 and 2017, the carrying amounts of the investment were $8,403,275 thousand and $16,659,984 thousand which constituted 2.76% and 5.52% of the Group's consolidated total assets, respectively. For the years ended December 31, 2018 and 2017, the profit of the associate were $4,491,495 thousand and $3,775,090 thousand which constituted 22.17% and 15.21% of the income which the Group recognized 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, 2018 and 2017 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, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

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

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

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

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 32,252,001	11	$ 34,108,353	11
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	845,690	-	1,096,915	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	15,065,002	5	-	-
Available-for-sale financial assets - current (Notes 4 and 10)	-	-	14,590,513	5
Held-to-maturity financial assets - current (Notes 4 and 11)	-	-	1,359,820	1
Financial assets measured at cost - current (Notes 4 and 9)	2,660,995	1	-	-
Debt investments with no active market - current (Notes 4 and 12)	-	-	372,848	-
Notes receivable (Notes 4 and 13)	1,295	-	54,953	-
Notes receivable from related parties (Notes 4, 13 and 40)	-	-	64	-
Accounts receivable (Notes 4 and 13)	38,938,365	13	36,805,201	12
Accounts receivable from related parties (Notes 4, 13 and 40)	56,405	-	61,539	-
Other receivables (Notes 4 and 13)	5,133,235	2	3,665,966	1
Inventories - manufacturing and retailing (Notes 4 and 14)	54,571,450	18	47,776,580	16
Inventories - construction (Notes 4 and 14)	4,780,007	1	4,777,895	2
Prepayments for leases (Note 4)	151,206	-	138,455	-
Non-current assets held for sale (Notes 4 and 15)	-	-	23,659	-
Other current assets (Notes 4 and 16)	9,928,307	3	9,834,604	3
Total current assets	164,383,958	54	154,667,365	51
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	776,688	-	582,701	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	768,212	-	-	-
Available-for-sale financial assets - non-current (Notes 4 and 10)	-	-	1,146,061	-
Held-to-maturity financial assets - non-current (Notes 4 and 11)	-	-	4,286,504	1
Financial assets at amortized cost - non-current (Notes 4, 9 and 41)	343,595	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 17)	-	-	495,121	-
Debt investments with no active market - non-current (Notes 4, 12 and 41)	-	-	40,029	-
Investments accounted for using equity method (Notes 4 and 19)	31,228,219	10	40,826,193	14
Property, plant and equipment (Notes 4 and 20)	79,162,641	26	71,517,038	24
Investment properties (Notes 4 and 21)	2,312,021	1	2,247,431	1
Goodwill (Notes 4 and 22)	8,866,746	3	8,691,600	3
Other intangible assets (Notes 4 and 23)	3,187,467	1	3,703,027	1
Deferred tax assets (Notes 4 and 31)	1,951,026	1	1,418,577	1
Long-term prepayments for leases (Note 4)	6,455,195	2	5,575,528	2
Other non-current assets (Notes 4 and 16)	4,826,645	2	6,707,255	2
Total non-current assets	139,878,455	46	147,237,065	49
TOTAL	$ 304,262,413	100	$ 301,904,430	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 24)	$ 37,560,974	12	$ 33,448,199	11
Short-term bills payable (Note 24)	2,869,225	1	2,966,334	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	719,322	-	232,577	-
Notes payable (Notes 4 and 25)	9,332	-	51,547	-
Notes payable to related parties (Notes 4, 25 and 40)	74	-	11,250	-
Accounts payable (Notes 4 and 25)	13,581,756	5	12,730,775	4
Accounts payable to related parties (Notes 4, 25 and 40)	1,520,085	1	1,126,538	-
Other payables (Note 26)	25,243,368	8	26,027,401	9
Current tax liabilities (Notes 4 and 31)	2,478,784	1	2,497,360	1
Current portion of long-term borrowings (Note 24)	4,194,398	1	750,000	-
Other current liabilities	5,125,762	2	4,619,043	2
Total current liabilities	93,303,080	31	84,461,024	28
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 24)	53,695,306	18	54,461,632	18
Deferred tax liabilities (Notes 4 and 31)	1,353,400	-	1,121,029	1
Long-term payables (Note 26)	151,483	-	151,364	-
Net defined benefit liabilities (Notes 4 and 27)	3,493,669	1	3,284,204	1
Other non-current liabilities	67,769	-	45,231	-
Total non-current liabilities	58,761,627	19	59,063,460	20
Total liabilities	152,064,707	50	143,524,484	48
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 28)				
Share capital				
Ordinary shares	29,467,872	10	29,467,872	10
Capital surplus	4,600,092	1	4,615,341	1
Retained earnings				
Legal reserve	13,811,050	4	12,518,889	4
Special reserve	13,917,230	5	13,636,368	5
Unappropriated earnings	38,360,517	13	37,294,138	12
Total retained earnings	66,088,797	22	63,449,395	21
Other equity	(22,293,369)	(7)	(13,917,230)	(5)
Total equity attributable to owners of the Company	77,863,392	26	83,615,378	27
NON-CONTROLLING INTERESTS	74,334,314	24	74,764,568	25
Total equity	152,197,706	50	158,379,946	52
TOTAL	$ 304,262,413	100	$ 301,904,430	100

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

(With Deloitte & Touche audit report dated March 25, 2019)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 29 and 40)	$ 293,316,089	100	$ 278,631,872	100
OPERATING COSTS (Notes 27, 30 and 40)	217,844,794	74	205,563,548	74
GROSS PROFIT	75,471,295	26	73,068,324	26
OPERATING EXPENSES (Notes 27 and 30)				
Selling and marketing expenses	35,045,995	12	30,051,746	11
General and administrative expenses	20,385,218	7	19,517,193	7
Research and development expenses	6,230,618	2	6,431,287	2
Total operating expenses	61,661,831	21	56,000,226	20
INCOME FROM OPERATIONS	13,809,464	5	17,068,098	6
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 30)	3,637,248	1	4,131,649	2
Other gains and losses (Note 30)	(170,459)	-	(179,369)	-
Net gain on derecognition of financial assets at amortized cost	5,477	-	-	-
Finance costs (Note 30)	(2,781,382)	(1)	(1,986,075)	(1)
Share of the profit of associates and joint ventures (Notes 4 and 19)	5,760,035	2	5,783,201	2
Total non-operating income and expenses	6,450,919	2	7,749,406	3
INCOME BEFORE INCOME TAX	20,260,383	7	24,817,504	9
INCOME TAX EXPENSE (Notes 4 and 31)	(3,888,517)	(1)	(3,086,914)	(1)
NET INCOME FOR THE YEAR	16,371,866	6	21,730,590	8
OTHER COMPREHENSIVE (LOSS) INCOME (Note 3)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 27)	38,359	-	(494,241)	-
Unrealized gain on investments in equity instruments designed at fair value through other comprehensive income	199,697	-	-	-
Share of the other comprehensive loss of associates and joint ventures	(504,544)	-	(40,298)	-

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ 2,581,218	1	$ (3,497,789)	(1)
Unrealized gain on available-for-sale financial assets	-	-	1,033,280	-
Share of the other comprehensive (loss) income of associates and joint ventures	(25,647,596)	(9)	3,718,571	1
Other comprehensive (loss) income for the year, net of income tax	(23,332,866)	(8)	719,523	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	$ (6,961,000)	(2)	$ 22,450,113	8
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 10,708,646	4	$ 12,921,606	5
Non-controlling interests	5,663,220	2	8,808,984	3
	$ 16,371,866	6	$ 21,730,590	8
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ (13,545,977)	(4)	$ 12,255,237	4
Non-controlling interests	6,584,977	2	10,194,876	4
	$ (6,961,000)	(2)	$ 22,450,113	8
EARNINGS PER SHARE (Note 32)				
Basic	$ 3.63		$ 4.38	
Diluted	$ 3.62		$ 4.37	

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

(With Deloitte & Touche audit report dated March 25, 2019) (Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(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 Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Others	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	$ 29,467,872	$ 4,540,163	$ 11,213,184	$ 11,905,595	$ 32,214,698	$ 3,109,173	$ (16,745,893)	$ -	$ 352	$ 75,705,144	$ 87,305,560	$ 163,010,704
Appropriation of 2016 earnings (Note 28)												
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)	4,618,754	-	86	(666,369)	1,385,892	719,523
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,536,099	(4,899,702)	4,618,754	-	86	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 28)	-	(47,650)	-	-	-	-	-	-	-	(47,650)	-	(47,650)
Share of changes in equities of subsidiaries (Notes 4 and 28)	-	(7,579)	-	-	-	-	-	-	-	(7,579)	-	(7,579)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 28)	-	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)	4,618,754	-	86	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)	(12,127,139)	-	438	83,615,378	74,764,568	158,379,946
Effect of retrospective application	-	-	-	-	292,111	-	12,127,139	1,860,011	(506,875)	13,772,386	-	13,772,386
BALANCE AT JANUARY 1, 2018 AS RESTATED	29,467,872	4,615,341	12,518,889	13,636,368	37,586,249	(1,790,529)	-	1,860,011	(506,437)	97,387,764	74,764,568	172,152,332
Appropriation of 2017 earnings (Note 28)												
Legal reserve	-	-	1,292,161	-	(1,292,161)	-	-	-	-	-	-	-
Special reserve	-	-	-	280,862	(280,862)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(5,893,574)	-	-	-	-	(5,893,574)	-	(5,893,574)
	-	-	1,292,161	280,862	(7,466,597)	-	-	-	-	(5,893,574)	-	(5,893,574)
Net income for the year ended December 31, 2018	-	-	-	-	10,708,646	-	-	-	-	10,708,646	5,663,220	16,371,866
Other comprehensive (loss) income for the year ended December 31, 2018	-	-	-	-	(64,539)	1,478,405	-	(12,677,612)	(12,990,877)	(24,254,623)	921,757	(23,332,866)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	10,644,107	1,478,405	-	(12,677,612)	(12,990,877)	(13,545,977)	6,584,977	(6,961,000)
Share of changes in equities of subsidiaries (Notes 4 and 28)	-	(15,653)	-	-	(69,572)	-	-	-	-	(85,225)	-	(85,225)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method (Notes 4 and 28)	-	404	-	-	(2,333,670)	-	-	2,333,670	-	404	-	404
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(7,015,231)	(7,015,231)
Change in equity for the year ended December 31, 2018	-	(15,249)	1,292,161	280,862	774,268	1,478,405	-	(10,343,942)	(12,990,877)	(19,524,372)	(430,254)	(19,954,626)
BALANCE AT DECEMBER 31, 2018	$ 29,467,872	$ 4,600,092	$ 13,811,050	$ 13,917,230	$ 38,360,517	$ (312,124)	$ -	$ (8,483,931)	$ (13,497,314)	$ 77,863,392	$ 74,334,314	$ 152,197,706

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

(With Deloitte & Touche audit report dated March 25, 2019)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax for the year	$ 20,260,383	$ 24,817,504
Adjustments for:		
Depreciation expenses	9,849,129	8,895,832
Amortization expenses	700,342	689,903
Expected credit loss on accounts receivable/impairment reversed on accounts receivable	66,060	(141,115)
Net loss (gain) on fair value change of financial instruments at fair value through profit or loss	3,425	(956,473)
Finance costs	2,781,382	1,986,075
Net gain on derecognition of financial assets at amortized cost	(5,477)	-
Interest income	(615,620)	(605,978)
Dividends income	(898,686)	(856,941)
Compensation cost of employee share options	130,489	142,912
Share of profit of associates and joint ventures	(5,760,035)	(5,783,201)
Net loss on disposal of property, plant and equipment	524,208	821,180
Net gain on disposal of investment properties	-	(14,199)
Net gain on disposal of investments	-	(37,984)
Net gain on disposal of subsidiaries, associates and joint ventures	(153,872)	(480,603)
Recognized of impairment loss	-	161,865
Reversal of impairment loss	(116)	-
Gain from bargain purchase - acquisition of subsidiaries	(13,280)	(2,320)
Changes in operating assets and liabilities		
Financial instruments held for trading	-	615,937
Financial assets mandatorily at fair value through profit or loss	1,435,134	-
Notes receivable	53,658	(32,210)
Notes receivable from related parties	64	(47)
Accounts receivable	(2,199,224)	1,409,593
Accounts receivable from related parties	5,134	(7,383)
Other receivables	(1,565,090)	648,793
Inventories	(6,796,982)	(6,949,322)
Other current assets	(93,703)	(524,836)
Other operating assets	(178,814)	(153,730)
Notes payable	(42,215)	32,021
Notes payable to related parties	(11,176)	(15,559)
Accounts payable	850,981	(458,653)
Accounts payable to related parties	393,547	(323,479)
Other payables	(2,096,272)	605,563
Other current liabilities	506,719	(74,884)
Net defined benefit liabilities	247,824	(1,020,828)
Other operating liabilities	119	(7,966)
Cash generated from operations	17,378,036	22,379,467
Interest paid	(2,627,719)	(1,878,472)
Income tax paid	(4,207,115)	(3,692,347)
Net cash generated from operating activities	10,543,202	16,808,648

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets design at fair value through profit or loss	$ -	$ (595,200)
Proceeds on sale of financial assets design at fair value through profit or loss	-	11,654
Proceeds from return of capital of financial assets at fair value through other comprehensive income	48,408	-
Purchases of financial assets at amortized cost	(5,040,644)	-
Proceeds from sale of financial assets at amortized cost	8,044,692	-
Acquisition of debt investments with no active market	-	(687,838)
Proceeds on sale of debt investments with no active market	-	1,104,090
Acquisition of held-to-maturity financial assets	-	(672,677)
Proceeds on held-to-maturity financial assets	-	1,007,080
Acquisition of financial assets measured at cost	-	(4,085)
Proceed on sale of financial assets measured at cost	-	99,891
Acquisition of associates and joint ventures	(70,000)	(115,283)
Proceeds from disposal of associates and joint ventures	819,904	1,825,208
Net cash outflow on acquisition of subsidiaries	(74,380)	52,647
Net cash outflow (inflow) on disposal of subsidiaries	417,829	175,411
Acquisition of property, plant and equipment	(14,389,558)	(15,107,635)
Proceeds from disposal of property, plant and equipment	1,001,490	531,478
Increase in refundable deposits	(86,196)	(173,888)
Acquisition of intangible assets	(43,314)	(22)
Acquisition of investment properties	(2,192)	(978)
Proceeds from disposal of investment properties	-	86,103
Increase in other non-current assets	(236,267)	-
Increase in prepayments for equipment	-	(2,140,235)
Acquisition of long-term prepayments for leases	(566,128)	(15,469)
Proceeds from disposal of long-term prepayments for leases	77,836	25,542
Interest received	722,961	618,857
Dividends received	2,559,368	3,307,163
Cash dividends from reduction of capital surplus from associates	108,705	-
Net cash used in investing activities	(6,707,486)	(10,668,186)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	4,112,775	9,417,079
Proceeds from short-term bills payable	-	422,000
Repayments of short-term bills payable	(98,000)	-
Proceeds from long-term borrowings	2,642,419	5,156,200
Increase in guarantee deposits	22,538	5,913
Cash dividend	(5,893,574)	(4,420,181)
Change in non-controlling interests	(7,015,231)	(22,735,868)
Net cash used in financing activities	(6,229,073)	(12,154,857)

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	$ 537,005	$ 4,443,590
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,856,352)	(1,570,805)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	34,108,353	35,679,158
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 32,252,001	$ 34,108,353

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

(With Deloitte & Touche audit report dated March 25, 2019) (Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(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 shares on the Taiwan Stock Exchange.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 25, 2019.

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 Financial Supervisory Commission (FSC)

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

   1) Annual Improvements to IFRSs 2014-2016 Cycle

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

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

2) IFRS 9 "Financial Instruments" and related amendments

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

Classification, measurement and impairment of financial assets

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

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

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

Financial Assets	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifi-cations	Remeasure-ments	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	$ 1,679,616	$ -	$ -	$ 1,679,616	$ -	$ -	
Add: Reclassification from available-for-sale (IAS 39)	-	577,878	-	577,878	51,203	(51,203)	c)
Remeasurement of financial assets measured at cost (IAS 39)	-	255,514	61,184	316,698	61,184	-	c)
	1,679,616	833,392	61,184	2,574,192	112,387	(51,203)	

(Continued)

Financial Assets	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifi-cations	Remeasure-ments	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI - equity instruments	$ -	$ -	$ -	$ -	$ -	$ -	d)
Add: Reclassification from available-for-sale (IAS 39)	-	15,158,696	-	15,158,696	-	-	d)
Remeasurement of financial assets measured at cost (IAS 39)	-	239,607	102,951	342,558	461,599	(358,648)	d)
	-	15,398,303	102,951	15,501,254	461,599	(358,648)	
Amortized cost	-	-	-	-	-	-	
Add: Reclassification from held-to-maturity (IAS 39)	-	5,646,324	-	5,646,324	-	-	e)
Add: Reclassification from loans and receivables (IAS 39)	-	75,640,282	-	75,640,282	-	-	f)
	-	81,286,606	-	81,286,606	-	-	
	$ 1,679,616	$ 97,518,301	$ 164,135	$ 99,362,052	$ 573,986	$ (409,851)	
Investments accounted for using equity method	$ 40,826,193	$ -	$ 13,608,251	$ 54,434,444	$ (281,875)	$ 13,890,126	g)

(Concluded)

Remarks:

a) Structured deposits were designated as at FVTPL under IAS 39 because these investments were part of hybrid instruments. All of these investments have been classified as mandatorily measured at FVTPL under IFRS 9 since the structured deposits contain host contracts that are assets within the scope of IFRS 9.

b) Structured deposits previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 have been measured at amortized cost with an assessment of expected credit losses under IFRS 9 because, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows on the basis of the facts and circumstances that existed as at January 1, 2018.

c) Equity security investments classified as available-for-sale under IAS 39 (recorded under “financial assets measured at cost - non-current”) were elected to be classified as at FVTPL under IFRS 9. As a result, the related other equity - unrealized gain or loss on available-for-sale financial assets of $51,203 thousand was reclassified to retained earnings.

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

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

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

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

e) Investments previously classified as held-to-maturity financial assets and debt investments with no active market measured at amortized cost under IAS 39 were classified as at amortized cost under IFRS 9 because the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows on the basis of the facts and circumstances that existed as at January 1, 2018.

f) Notes receivable, accounts receivable, other receivables, refundable deposits and financial assets pledged as collateral or for security that were previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

g) As a result of the retrospective application of IFRS 9 by associates accounted for using the equity method, there was an increase in investments accounted for using the equity method of $13,608,251 thousand, an increase in other equity - unrealized gain or loss on financial assets at FVTOCI of $29,430,488 thousand, a decrease in other equity - unrealized gain or loss on available-for-sale financial assets of $15,540,362 thousand and a decrease in retained earnings of $281,875 thousand on January 1, 2018.

Classification and measurement of financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will reassess whether a contract is a lease in accordance with the definition of a lease under IFRS 16. Part of contracts, which are currently identified as containing a lease under IAS 17 and IFRIC 4, will not meet the definition of a lease under IFRS 16 and will be accounted for in accordance with other standards because the customers do not have the right to direct the use of the identified assets.

The Group as lessee

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

The Group anticipates applying IFRS 16 retrospectively. Comparative information will not be restated.

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

The Group expects to apply the following practical expedients:

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

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

The Group as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - current	$ 151,206	$ (151,206)	$ -
Prepayments for leases - non-current	6,455,195	(6,455,195)	-
Other current assets	9,928,307	(441,261)	9,487,046
Right-of-use assets	-	16,734,279	16,734,279
Other non-current assets	4,826,645	(148,169)	4,678,476
Total effect on assets	$ 21,361,353	$ 9,538,448	$ 30,899,801
Lease liabilities - current	$ -	$ 3,099,447	$ 3,099,447
Lease liabilities - non-current	-	6,439,001	6,439,001
Total effect on liabilities	$ -	$ 9,538,448	$ 9,538,448

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

The initial application of IFRIC 23 will not have a significant effect on the accounting of the Group.

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

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

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

4) Annual Improvements to IFRSs 2015-2017 Cycle

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

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

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and 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 assessed the application of other standards and interpretations will not have significant impact 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 or Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date falls on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

2) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create output. The amendments narrow the definition of output by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce output.

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, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. 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.

See Note 18 and Table 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

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 (i.e. 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 an 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 not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. 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.

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

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

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

k. Goodwill

Goodwill arising from the acquisition of a business is measured 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 if, and only if, all of the following have been demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditures attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when such an intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, such intangible assets are measured on the same basis as intangible assets that are acquired separately.

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. Assets related to contract costs

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

n. 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. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

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

o. 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.

p. Financial instruments

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

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

Financial assets

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

1) Measurement category

2018

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

a) Financial assets at FVTPL

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

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

b) Financial assets at amortized cost

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

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

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

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

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets are classified into the following categories: financial assets at FVTPL, held-to-maturity financial assets, available-for-sale financial assets, and loans and receivables.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

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

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 FVTPL.

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

2018

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

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

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

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

2017

Financial assets, other than those at FVTPL, 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.

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

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

<u>Equity instruments</u>

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

a) Financial liabilities at FVTPL

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

b) Financial guarantee contracts

2018

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

2017

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

2) Derecognition of financial liabilities

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

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.

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

q. 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.

r. Revenue recognition

2018

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

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

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale based on the seller’s reliable estimate 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 applicable effective interest rate applicable.

s. 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”.

t. 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.

u. 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.

v. 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.

w. 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 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, unused loss carryforward and unused tax credits to the extent 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 taxes

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. 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 is 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.

b. 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.

6. CASH AND CASH EQUIVALENTS

	December 31 2018	December 31 2017
Cash on hand	$ 38,782	$ 32,791
Checking accounts and demand deposits	25,647,371	26,736,680
Cash equivalent (investments with original maturities of less than three months)		
Time deposits	6,083,301	6,737,778
Repurchase agreements collateralized by bonds	482,547	601,104
	$ 32,252,001	$ 34,108,353

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31 2018	December 31 2017
Financial assets at FVTPL		
Financial assets designated as at FVTPL		
Structured deposit (a)	$ -	$ 882,574
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Interest rate swap contracts (b)	-	29,705
Forward exchange contracts (c)	-	47,108
Exchange rate option contracts (d)	-	7,280
Non-derivative financial assets		
Mutual funds	-	712,949
	-	797,042
Financial assets mandatorily at FVTPL		
Hybrid financial assets		
Structured deposits (a)	593,107	-
Derivative financial assets (not under hedge accounting)		
Interest rate swap contracts (b)	20,838	-
Foreign exchange forward contracts (c)	249,528	-
Exchange rate option contracts (d)	5,451	-
Non-derivative financial assets		
Mutual funds	753,454	-
	1,622,378	-
	$ 1,622,378	$ 1,679,616
Current	$ 845,690	$ 1,096,915
Non-current	776,688	582,701
	$ 1,622,378	$ 1,679,616

(Continued)

	December 31 2018	December 31 2017
Financial liabilities at FVTPL		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Interest rate swap contracts (b)	$ -	$ 3,109
Forward exchange contracts (c)	37,018	-
Exchange rate option contracts (d)	636,778	-
Exchange rate swap contracts (e)	30,751	197,154
Cross-currency swap contracts (f)	14,775	32,314
	$ 719,322	$ 232,577
Current	$ 719,322	$ 232,577

(Concluded)

a. Structured deposits

1) Wealthplus entered into a 5-year, USD structured time deposit contract with a bank in January 2013. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. The contract was designated as at FVTPL under IAS 39. But under IFRS 9, the entire contract is assessed and classified mandatorily as at FVTPL since it contained a host that is an asset within the scope of IFRS 9. The structured time deposit was classified as “financial assets at FVTPL - current”, which was due in March 2018.

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

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

December 31, 2018

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

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	Note	Note

The Group entered into interest rate swap contracts to manage exposures to interest rate fluctuations.

Note: If the three-month London Interbank Offered Rate (LIBOR) based on the U.S. dollar is less than or equal to 1.5%, the Group will pay interest at 0.84% of the notional amount and receive interest at the floating rate. If the three-month LIBOR based on the U.S. dollar is more than 1.5%, the Group will pay interest at the floating rate minus 0.66% and receive interest at the floating rate.

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

December 31, 2018

Notional Amount (In Thousands)		Forward Exchange Rates
US$	140,700	Sell US$/buy IDR at 14,070 to 16,235
US$	14,295	Sell RMB/buy US$ at 6.8625 to 6.894

December 31, 2017

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

The Group entered into forward exchange contracts 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 option contracts not under hedge accounting were as follows:

December 31, 2018

Notional Amount (In Thousands)		Type	Buy/Sell	Maturity Date	Exchange Rate
US$	88,000	Put	Sell	2019.01-2019.06	US$:NT$30.0000
US$	54,000	Put	Sell	2019.01-2019.09	US$:RMB6.7000
US$	54,000	Put	Sell	2019.01-2019.09	US$:RMB6.5750
US$	36,000	Put	Sell	2019.01-2019.09	US$:RMB6.5750
US$	45,000	Put	Sell	2019.01-2019.09	US$:RMB6.5550
US$	27,000	Put	Sell	2019.01-2019.09	US$:RMB6.5550
US$	36,000	Put	Sell	2019.01-2019.09	US$:RMB6.5550
US$	27,000	Put	Sell	2019.01-2019.09	US$:RMB6.5550
US$	81,000	Put	Sell	2019.01-2019.09	US$:RMB6.7860
US$	40,000	Put	Sell	2019.02-2019.09	US$:RMB6.7780
US$	55,000	Put	Sell	2019.01-2019.11	US$:RMB6.5500
US$	55,000	Put	Sell	2019.01-2019.11	US$:RMB6.5500
US$	55,000	Put	Sell	2019.01-2019.11	US$:RMB6.5500
US$	39,000	Call	Sell	2019.04-2020.04	US$:HK$7.7475
US$	39,000	Call	Sell	2019.04-2020.04	US$:HK$7.7475
US$	39,000	Call	Sell	2019.04-2020.04	US$:HK$7.7475
US$	24,000	Put	Sell	2019.07-2020.06	US$:RMB7.0800
US$	24,000	Put	Sell	2019.11-2020.10	US$:RMB7.8000
US$	24,000	Put	Sell	2019.11-2020.10	US$:RMB7.6300

December 31, 2017

Notional Amount (In Thousands)		Type	Buy/Sell	Maturity Date	Exchange 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

The Group entered into exchange rate option contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

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

December 31, 2018

Notional Amount (In Thousands)		Maturity Date	Exchange Rate	
US$	60,000	2019.01	US$:NT$	30.7720
US$	27,200	2019.03	US$:NT$	30.6250
US$	31,000	2019.03	US$:NT$	30.6250
US$	55,000	2019.03	US$:NT$	30.6240
US$	30,000	2019.03	US$:NT$	30.5770
US$	27,000	2019.03	US$:NT$	30.5730

December 31, 2017

Notional Amount (In Thousands)		Maturity Date	Exchange 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

The Group entered into exchange rate swap contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

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

December 31, 2018

Notional Amount (In Thousands)		Maturity Date	Exchange Rate		Interest %
US$	15,000	2019.07	US$:RMB	6.820	3.50
US$	15,000	2019.09	US$:RMB	6.860	3.20
US$	20,000	2019.12	US$:NT$	30.800	0.50

December 31, 2017

Notional Amount (In Thousands)		Maturity Date	Exchange 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

The Group entered into cross-currency swap contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FVTOCI - 2018

	December 31, 2018
Domestic investments	
Listed shares	$ 15,536,802
Unlisted shares	78,912
Foreign investments	
Unlisted shares	217,500
	$ 15,833,214
Current	$ 15,065,002
Non-current	768,212
	$ 15,833,214

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

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Domestic investments	
Bonds (a)	$ 318,201
Time deposits with original maturities of more than three months (b)	804,673
Foreign investments	
Bonds (a)	1,725,192
Structured products (a)	156,524
	$ 3,004,590
Current	$ 2,660,995
Non-current	343,595
	$ 3,004,590

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

b. The time deposits with original maturities of more than three months were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 12 for reclassification and comparative information for 2017.

c. Refer to Note 41 for information relating to investments in financial assets at amortized cost pledged as security.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic investments	
Listed shares	$ 15,158,696
Foreign investments	
Listed shares	577,878
	$ 15,736,574
Current	$ 14,590,513
Non-current	1,146,061
	$ 15,736,574

11. HELD-TO-MATURITY FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic investments	
Bonds	$ 737,359
Foreign investments	
Bonds	1,477,320
Commercial paper	2,469,347
Structured product	962,298
	$ 5,646,324
Current	$ 1,359,820
Non-current	4,286,504
	$ 5,646,324

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Time deposits with original maturity more than three months	$ 372,848
Others	40,029
	$ 412,877
Current	$ 372,848
Non-current	40,029
	$ 412,877

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

13. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2018	2017
Notes receivable (including related parties)		
Notes receivable - operating	$ 756	$ 2,162
Notes receivable - non-operating	539	52,855
Less: Allowance for impairment loss	-	-
	$ 1,295	$ 55,017
Accounts receivable (including related parties)		
At amortized cost		
Gross carrying amount	$ 39,569,289	$ 37,418,873
Less: Allowance for impairment loss	(574,519)	(552,133)
	$ 38,994,770	$ 36,866,740
Other receivables		
Tax refund receivables	$ 1,820,099	$ 1,742,347
Others	3,313,995	1,924,478
Less: Allowance for impairment loss	(859)	(859)
	$ 5,133,235	$ 3,665,966

a. Notes receivable

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

b. Accounts receivable

2018

In determining the recoverability of accounts receivable, the Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss was recognized based on the expected loss rate of individual customers by reference to the past default record of the debtor and an analysis of the debtor's current financial position.

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

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

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

	December 31, 2018
Up to 30 days	$ 24,499,833
31-90 days	14,037,125
More than 90 days	1,032,331
	$ 39,569,289

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

	For the Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39	$ 552,133
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	552,133
Add: Impairment losses recognized on receivables	66,060
Less: Amount written off	(39,438)
Foreign exchange gains and losses	(4,236)
Balance at December 31, 2018	$ 574,519

2017

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

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

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

December 31, 2017

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

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	(3,270)	-	(3,270)
Effects of exchange rate changes	(42,700)	-	(42,700)
Balance at December 31, 2017	$ 552,133	$ -	$ 552,133

14. INVENTORIES

	December 31	
	2018	2017
Inventories - manufacturing and retailing	$ 54,571,450	$ 47,776,580
Inventories - construction	4,780,007	4,777,895
	$ 59,351,457	$ 52,554,475

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

	December 31	
	2018	2017
Raw materials	$ 8,563,302	$ 7,647,272
Work in progress	5,726,047	5,068,405
Finished goods and merchandise	40,282,101	35,060,903
	$ 54,571,450	$ 47,776,580

1) The cost of manufacturing and retailing inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $217,844,794 thousand and $205,563,548 thousand, respectively.

2) The cost of manufacturing and retail inventories recognized as cost of goods sold for the year ended December 31, 2017 included inventory write-downs which amounted to $146,861 thousand.

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

	December 31	
	2018	2017
Land and buildings held for development	$ 4,613,808	$ 4,612,454
Land and buildings held for sale	55,307	54,549
Land held for construction site	110,892	110,892
	$ 4,780,007	$ 4,777,895

15. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

	December 31	
	2018	2017
Assets associated with non-current assets held for sale		
Property, plant and equipment	$ -	$ 23,659

Yue Yuen resolved to dispose of the assets of its subsidiaries in 2017 and reclassified the assets as "non-current assets held for sale". The carrying amount of the assets was $23,659 thousand (US$795 thousand) as of December 31, 2017. This transaction was completed in March 2018.

16. OTHER ASSETS

	December 31	
	2018	2017
Prepayments	$ 8,805,134	$ 8,144,841
Refundable deposits	617,525	531,329
Defined benefit assets (Note 27)	43,754	43,754
Prepayments for equipment	3,463,271	5,616,393
Others	1,825,268	2,205,542
	$ 14,754,952	$ 16,541,859
Current	$ 9,928,307	$ 9,834,604
Non-current	4,826,645	6,707,255
	$ 14,754,952	$ 16,541,859

17. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Domestic investments	
Unlisted shares	$ 73,167
Foreign investments	
Unlisted shares	166,440
Mutual funds	255,514
	421,954
	$ 495,121
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 495,121

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

18. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership December 31 2018	Proportion of Ownership December 31 2017
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 major subsidiaries of Wealthplus is as follows:

Name of Subsidiary	Location of Incorporation	Main Business	Proportion of Ownership December 31 2018	Proportion of Ownership December 31 2017
Yue Yuen Industrial (Holdings) Limited	Bermuda	Manufacturing and sale of athletic and casual footwear and sports apparel	49.90%	48.94%
Pou Sheng International (Holdings) Limited	Bermuda	Retailing of sporting goods and brand licensing business	31.11%	30.55%
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%

Win Fortune Investments Limited (“Win Fortune”) invested in Yue Yuen (as at December 31, 2018 the ownership percentage was 1.07%). 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 2018	Proportion of Ownership December 31 2017
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 2018	Proportion of Ownership December 31 2017
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 2018	Proportion of Ownership and Voting Rights Held by Non-controlling Interests 2017
Yue Yuen Industrial (Holdings) Limited	49.03%	50.01%
Pou Sheng International (Holdings) Limited	37.67%	37.59%

Refer to Table 9 "Information on Investees" of Note 45 for business location and business item of the material associates.

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31 2018	2017	Accumulated Non-controlling Interests December 31 2018	2017
Yue Yuen Industrial (Holdings) Limited	$ 4,633,943	$ 7,902,157	$ 61,418,948	$ 63,128,345
Pou Sheng International (Holdings) Limited	927,030	665,178	11,618,440	10,921,682

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 2018	2017
Current assets	$ 135,430,505	$ 130,449,506
Non-current assets	118,358,281	114,198,106
Current liabilities	(70,731,816)	(64,831,535)
Non-current liabilities	(44,772,518)	(41,830,150)
Equity	$ 138,284,452	$ 137,985,927
Equity attributable to:		
Owners of the Company	$ 64,218,019	$ 63,473,013
Non-controlling interests of Yue Yuen	61,418,948	63,128,345
Non-controlling interests of Yue Yuen's subsidiaries	12,647,485	11,384,569
	$ 138,284,452	$ 137,985,927

	For the Year Ended December 31 2018	2017
Operating revenue	$ 292,461,856	$ 277,409,708
Net income	$ 10,266,203	$ 16,773,963
Other comprehensive loss	(2,617,916)	2,157,269
Total comprehensive income	$ 7,648,287	$ 18,931,232
Net income attributable to:		
Owners of the Company	$ 4,609,984	$ 7,954,806
Non-controlling interests of Yue Yuen	4,633,943	7,902,157
Non-controlling interests of Yue Yuen's subsidiaries	1,022,276	917,000
	$ 10,266,203	$ 16,773,963

(Continued)

	For the Year Ended December 31	
	2018	2017
Total comprehensive income attributable to:		
Owners of the Company	$ 3,573,116	$ 8,714,106
Non-controlling interests of Yue Yuen	3,613,041	8,662,047
Non-controlling interests of Yue Yuen's subsidiaries	462,140	1,555,079
	$ 7,648,287	$ 18,931,232
Net cash (outflow) inflow from:		
Operating activities	$ 16,252,251	$ 14,489,857
Investing activities	(9,519,664)	(12,632,179)
Financing activities	(11,038,742)	(2,745,020)
Net cash outflow	$ (4,306,155)	$ (887,342)
Dividends paid to:		
Non-controlling interests of Yue Yuen	$ 4,637,959	$ 15,542,155
Non-controlling interests of Yue Yuen's subsidiaries	$ 163,896	$ 238,146

(Concluded)

19. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Investments in associates	$ 23,580,599	$ 33,380,099
Investments in joint ventures	7,647,620	7,446,094
	$ 31,228,219	$ 40,826,193

a. Investments in associates

	December 31	
	2018	2017
Material associate		
Ruen Chen Investment Holding Co., Ltd.	$ 8,403,275	$ 16,659,984
Associates that are not individually material	15,177,324	16,720,115
	$ 23,580,599	$ 33,380,099

1) Material associate

	Proportion of Ownership and Voting Rights (%)	
	December 31	
Name of Associate	2018	2017
Ruen Chen Investment Holding Co., Ltd.	20	20

a) Refer to Table 9 "Information on Investees" of Note 45 for business location and business item of the material associates.

b) 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	
	2018	2017
Assets	$ 4,362,687,326	$ 4,035,948,083
Liabilities	(4,309,426,713)	(3,936,746,594)
Non-controlling interests	(10,947,677)	(15,605,007)
Owners of Ruen Chen Investment Holding Co., Ltd.	$ 42,312,936	$ 83,596,482
Proportion of the Group	20%	20%
Equity attributable to the Group	$ 8,462,587	$ 16,719,296
Other adjustments	(59,312)	(59,312)
Carrying amount	$ 8,403,275	$ 16,659,984

	For the Year Ended December 31	
	2018	2017
Operating revenue	$ 636,836,934	$ 674,451,923
Net income	$ 24,301,356	$ 20,864,196
Other comprehensive (loss) income	(150,286,690)	20,744,687
Total comprehensive (loss) income	$(125,985,334)	$ 41,608,883

2) Associates that are not individually material

	Proportion of Ownership and Voting Rights (%) December 31	
Name of Associate	2018	2017
Eagle Nice (International) Holdings Limited	38.42	38.42
Evermore Chemical Industry Co., Ltd.	-	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
Bigfoot Limited	48.76	48.76
Enthroned Group Limited	48.76	48.76
Full Pearl International Ltd.	40.04	40.04
Haicheng Information Technology Co., Ltd.	50.00	50.00
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
Pine Wood Industries Limited	37.00	37.00

(Continued)

Name of Associate	Proportion of Ownership and Voting Rights (%) December 31 2018	2017
Pou Ming Paper Products Manufacturing Co., Ltd.	20.00	20.00
Prosperlink Limited	38.00	38.00
Prosperous Industrial (Holdings) Ltd.	22.50	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 Poulik Properties Management Co., Ltd.	-	40.00
Nan Pao Resins Chemical Co., Ltd.	17.59	19.52
Techview International Technology Inc.	50.00	50.00

(Concluded)

a) Refer to Table 9 "Information on Investees" of Note 45 for business location and business item of the associates that are not individually material.

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

c) The Group did not participate in the issuance of ordinary shares for cash of Nan Pao Resins Chemical Co., Ltd. ("Nan Pao"). Consequently, the proportion of ownership and voting rights of the Group decreased from 19.52% to 17.59%. The Group has the power to appoint one out of the eight directors of Nan Pao; therefore, the Group is still able to exercise significant influence over Nan Pao.

d) 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 which amounted to $415,720 thousand. After the transaction, the proportion of ownership and voting rights of the Group decreased from 29.05% to 8.13%, and the Group lost significant influence over Evermore.

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

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

For the year ended December 31, 2018, the gain recognized from the disposal was $126,049 thousand.

e) 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	
	2018	2017
The Group's share of:		
Net income	$ 455,631	$ 1,373,246
Other comprehensive (loss) income	(207,395)	215,417
Total comprehensive income	$ (248,236)	$ 1,588,663

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

	December 31	
Name of Associate	2018	2017
Eagle Nice (International) Holdings Limited	$ 2,108,301	$ 2,509,314
Prosperous Industrial (Holdings) Ltd.	$ 1,106,858	$ -
Evermore Chemical Industry Co., Ltd.	$ -	$ 552,391
San Fang Chemical Industry Co., Ltd.	$ 4,252,760	$ 5,995,225
Elitegroup Computer Systems Co., Ltd.	$ 1,342,510	$ 2,157,800
Nan Pao Resins Chemical Co., Ltd.	$ 2,385,590	$ -

b. Investments in joint ventures

	December 31	
	2018	2017
Joint ventures that are not individually material	$ 7,634,204	$ 7,432,475
Long-term receivable		
Joint ventures that are not individually material	13,416	13,619
	$ 7,647,620	$ 7,446,094

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:

	Proportion of Ownership and Voting Rights (%)	
	December 31	
Name of Joint Ventures	2018	2017
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
Great Skill Industrial Limited	50.00	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
Jilin Xinfangwei Sports Goods Company Limited	50.00	50.00

(Continued)

Name of Joint Ventures	Proportion of Ownership and Voting Rights (%) December 31 2018	2017
Jumbo Power Enterprises Limited	50.00	50.00
Ka Yuen Rubber Factory Limited	50.00	50.00
Top Units Developments Limited	49.00	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

(Concluded)

a) Refer to Table 9 "Information on Investees" of Note 45 for business location and business item of the joint ventures that are not individually material.

b) 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 2018	2017
The Group's share of:		
Net income	$ 812,909	$ 634,866
Other comprehensive (loss) income	(188,036)	194,420
Total comprehensive income	$ 624,873	$ 829,286

20. 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, 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 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

(Continued)

	Land	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost								
Balance at January 1, 2018	$ 2,283,065	$ 74,388,977	$ 43,786,085	$ 1,249,137	$ 7,569,617	$ 204,766	$ 4,027,262	$ 133,508,909
Additions	997	7,509,063	7,261,906	161,301	771,227	42,351	1,973,525	17,720,370
Acquisitions through business combinations	-	-	856	-	-	316	-	1,172
Disposal	-	(3,018,374)	(3,772,316)	(126,425)	(682,849)	(15,974)	-	(7,615,938)
Disposal of subsidiaries	-	(5,239)	(26,988)	(822)	(1,980)	-	-	(35,029)
Reclassification - other	(38,228)	2,951,166	70,613	985	6,695	7,035	(3,533,051)	(534,785)
Effects of exchange rate changes	-	1,783,118	1,368,395	29,315	169,281	(3)	109,066	3,459,172
Urban renewal	(3,962)	(23,547)	-	-	-	-	-	(27,509)
Balance at December 31, 2018	$ 2,241,872	$ 83,585,164	$ 48,688,551	$ 1,313,491	$ 7,831,991	$ 238,491	$ 2,576,802	$ 146,476,362
Accumulated depreciation and impairment								
Balance at January 1, 2018	$ (5,241)	$ (30,420,870)	$ (25,812,365)	$ (850,074)	$ (4,735,981)	$ (167,340)	$ -	$ (61,991,871)
Depreciation expenses	-	(4,606,578)	(4,346,554)	(117,948)	(737,812)	(14,949)	-	(9,823,841)
Acquisitions through business combinations	-	-	(855)	-	-	(117)	-	(972)
Reversal of impairment losses	-	116	-	-	-	-	-	116
Disposal	-	2,275,111	3,095,594	111,053	593,105	15,351	-	6,090,214
Disposal of subsidiaries	-	1,157	5,209	305	487	-	-	7,158
Reclassification - other	-	182,914	-	-	-	-	-	182,914
Effects of exchange rate changes	-	(755,275)	(885,330)	(21,106)	(125,943)	(12)	-	(1,787,666)
Urban renewal	-	10,227	-	-	-	-	-	10,227
Balance at December 31, 2018	$ (5,241)	$ (33,313,198)	$ (27,944,301)	$ (877,770)	$ (5,006,144)	$ (167,067)	$ -	$ (67,313,721)
Carrying amounts at December 31, 2018	$ 2,236,631	$ 50,271,966	$ 20,744,250	$ 435,721	$ 2,825,847	$ 71,424	$ 2,576,802	$ 79,162,641

(Concluded)

a. The Group participated in urban renewal with the land located in Songshan District, Taipei City. The carrying amount of old building $13,320 thousand was reduced by the compensation for rights transformation plan, rent and removal 17,282 thousand, which was recorded as a reduction of the initial carrying amount of urban renewal land.

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

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

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

21. INVESTMENT PROPERTIES

	2018	2017
Cost		
Balance at January 1	$ 2,792,801	$ 2,886,324
Additions	2,192	978
Acquisitions through business combinations	249,966	-
Disposal	-	(95,008)
Reclassification	35,588	114,615
Effects of exchange rate changes	42,939	(114,108)
Balance at December 31	$ 3,123,486	$ 2,792,801
Accumulated depreciation and impairment		
Balance at January 1	$ (545,370)	$ (576,877)
Depreciation expenses	(25,288)	(30,737)
Acquisitions through business combinations	(221,983)	-
Disposal	-	23,104
Reclassification	(1,490)	(1,349)
Effects of exchange rate changes	(17,334)	40,489
Balance at December 31	$ (811,465)	$ (545,370)
Carrying amounts at December 31	$ 2,312,021	$ 2,247,431

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, 2018 and 2017 were $3,690,038 thousand and $3,594,750 thousand, respectively.

22. GOODWILL

	2018	2017
Cost		
Balance at January 1	$ 8,914,622	$ 9,171,837
Acquisitions through business combinations	-	339,974
Effects of exchange rate changes	182,302	(597,189)
Balance at December 31	$ 9,096,924	$ 8,914,622
Accumulated impairment		
Balance at January 1	$ (223,022)	$ (68,177)
Recognized impairment losses	-	(161,981)
Effects of exchange rate changes	(7,156)	7,136
Balance at December 31	$ (230,178)	$ (223,022)
Carrying amounts at December 31	$ 8,866,746	$ 8,691,600

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

	December 31 2018	December 31 2017
Goodwill		
Manufacturing and marking of footwear materials	$ 5,635,957	$ 5,460,722
Manufacturing and marking of sports apparel	10,627	10,297
Retailing business - retail and distribution of sportswear products	2,420,956	2,454,932
Retailing business - retail and distribution of apparel	343,271	332,598
Others	455,935	433,051
	$ 8,866,746	$ 8,691,600

The Group has evaluated the recoverable amount of these cash-generating units for the years ended December 31, 2018 and 2017, 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			
	2018		2017	
	Discount Rate	Growth Rate	Discount Rate	Growth Rate
Manufacturing and marking of footwear materials	13%-22%	2%	15%-22%	2%
Manufacturing and marking of sports apparel	13%-22%	1%	15%-22%	1%
Retailing business - retail and distribution of sportswear products	13%-22%	3%	15%-22%	3%
Retailing business - retail and distribution of apparel	13%-22%	4%	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.

23. OTHER INTANGIBLE ASSETS

	Patents	Trademarks	Customer Relationships	Brand Names	Licensing Agreements	Non-compete Agreements	Total
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	68,323	-	-	-	1,458,061
Disposal	-	-	-	-	-	(133,950)	(133,950)
Effects of exchange rate changes	(16)	(26,108)	(6,640)	(45,096)	(9,231)	(47,640)	(134,731)
Balance at December 31, 2017	$ 692	$ 1,363,786	$ 309,266	$ 2,121,620	$ 454,911	$ 1,880,862	$ 6,131,137

(Continued)

	Patents	Trademarks	Customer Relationships	Brand Names	Licensing Agreements	Non-compete Agreements	Total
Accumulated amortization and impairment							
Balance at January 1, 2017	$ (207)	$ (32)	$ (200,143)	$ (276,124)	$ (197,209)	$ (1,417,581)	$ (2,091,296)
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	4,078	452	3,455	32,683	40,687
Balance at December 31, 2017	$ (692)	$ (133)	$ (227,486)	$ (589,575)	$ (239,151)	$ (1,371,073)	$ (2,428,110)
Carrying amounts at December 31, 2017	$ -	$ 1,363,653	$ 81,780	$ 1,532,045	$ 215,760	$ 509,789	$ 3,703,027
Cost							
Balance at January 1, 2018	$ 692	$ 1,363,786	$ 309,266	$ 2,121,620	$ 454,911	$ 1,880,862	$ 6,131,137
Additions	-	12,854	30,460	-	-	-	43,314
Disposal	(714)	(135)	-	-	-	(1,229,061)	(1,229,910)
Reclassification	-	-	-	-	31	(31)	-
Effects of exchange rate changes	22	38,127	(1,216)	(31,618)	(6,319)	15,022	14,018
Balance at December 31, 2018	$ -	$ 1,414,632	$ 338,510	$ 2,090,002	$ 448,623	$ 666,792	$ 4,958,559
Accumulated amortization and impairment							
Balance at January 1, 2018	$ (692)	$ (133)	$ (227,486)	$ (589,575)	$ (239,151)	$ (1,371,073)	$ (2,428,110)
Disposal	714	135	-	-	-	1,229,061	1,229,910
Amortization expenses	-	(2)	(23,035)	(383,511)	(45,973)	(121,773)	(574,294)
Effects of exchange rate changes	(22)	(4)	2,989	14,993	4,082	(20,636)	1,402
Balance at December 31, 2018	$ -	$ (4)	$ (247,532)	$ (958,093)	$ (281,042)	$ (284,421)	$ (1,771,092)
Carrying amounts at December 31, 2018	$ -	$ 1,414,628	$ 90,978	$ 1,131,909	$ 167,581	$ 382,371	$ 3,187,467

(Concluded)

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

24. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Unsecured borrowings		
Credit borrowings	$ 37,560,974	$ 33,448,199

The range of effective interest rate on bank borrowings was 0.6%-6.7% and 0.67%-15.88% per annum as of December 31, 2018 and 2017, respectively.

b. Short-term bills payable

December 31, 2018

	Annual Interest Rate (%)	Amount
Commercial papers	0.58-0.82	$ 2,870,000
Less: Unamortized discount on bills payable		(775)
		$ 2,869,225

December 31, 2017

	Annual Interest Rate (%)	Amount
Commercial papers	0.50-0.75	$ 2,968,000
Less: Unamortized discount on bills payable		(1,666)
		$ 2,966,334

c. Long-term borrowings

	December 31	
	2018	2017
Unsecured borrowings		
Bank loans	$ 58,181,619	$ 55,539,200
Less: Long-term expenses for syndicated loan	(291,915)	(327,568)
Less: Current portion	(4,194,398)	(750,000)
	$ 53,695,306	$ 54,461,632

Maturity date and range of annual interest rate:

	December 31	
	2018	2017
Maturity date		
Long-term borrowings	2020.01.15-2026.07.15	2019.03.27-2022.08.18
Current portion of long-term borrowings	2019.03.27-2019.12.03	2018.09.27
Range of interest rate	1.01%-3.75%	1.09%-2.79%

25. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2018	2017
Notes payable (included related parties)		
Operating	$ 5,986	$ 57,529
Non-operating	3,420	5,268
	$ 9,406	$ 62,797
Accounts payable (included related parties)	$ 15,101,841	$ 13,857,313

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

26. OTHER PAYABLES

	December 31	
	2018	2017
Payables for salaries	$ 11,946,991	$ 12,685,110
Payables for purchase of property, plant and equipment	3,143,362	1,965,672
Compensation due to directors and supervisors	174,347	186,995
Employee compensation payables	756,902	698,669
Interest payables	259,573	125,024
Payables for acquisition of subsidiary and business	8,293	8,035
Payables for annual leave	1,000,389	1,512,948
Others	8,104,994	8,996,312
	$ 25,394,851	$ 26,178,765
Current	$ 25,243,368	$ 26,027,401
Non-current	151,483	151,364
	$ 25,394,851	$ 26,178,765

27. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (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 - Indonesia

The net amounts in respect of the defined benefit liability were $2,547,595 thousand and $2,531,624 thousand as of December 31, 2018 and 2017, respectively. Movements in the net defined benefit liability were as follows:

Present Value of Defined Benefit Obligation	December 31 2018	December 31 2017
Balance at January 1	$ 2,531,624	$ 2,021,623
Current service cost	256,689	255,507
Past service gain	(57,826)	(10,925)
Net interest expense	185,537	164,363
Others	7,213	(34,293)
Recognized in profit or loss	391,613	374,652
Remeasurement		
Actuarial loss arising from changes in demographic assumptions	-	99,696
Actuarial loss arising from changes in financial assumptions	(417,816)	278,940
Actuarial loss arising from experience adjustments	265,101	1,220
Effect of exchange rate changes of remeasurement	(5,590)	3,839
Recognized in other comprehensive (loss) gain	(158,305)	383,695
Benefits paid	(131,480)	(150,203)
Effect of exchange rate changes on foreign plans	(85,857)	(98,143)
Balance at December 31	$ 2,547,595	$ 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 2018	December 31 2017
Discount rate	8.50%-9.25%	7.00%-8.75%
Expected rate of salary increase	5.00%-8.00%	5.00%-10.00%

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 2018	December 31 2017
Discount rate		
0.25% increase	$ (61,257)	$ (68,457)
0.25% decrease	$ 68,981	$ 79,336
Expected rate of salary increase		
0.25% increase	$ 74,528	$ 84,144
0.25% decrease	$ (66,961)	$ (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 - Yue Yuen and its subsidiaries - ROC

The defined benefit plan adopted by domestic subsidiaries of Yue Yuen 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 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, 2018
Present value of defined benefit obligation	$ 732,737
Fair value of plan assets	(457,439)
Net defined benefit liability	$ 275,298

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, 2018	$ 785,872	$ (137,253)	$ 648,619
Current service cost	4,552	-	4,552
Past service cost	9,949	-	9,949
Net interest expense	8,924	(1,628)	7,296
Recognized in profit or loss	23,425	(1,628)	21,797
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(891)	(891)
Actuarial loss arising from changes in demographic assumptions	12,286	-	12,286
Actuarial loss arising from changes in financial assumptions	41,066	-	41,066
Actuarial loss arising from experience adjustments	(8,846)	-	(8,846)
Recognized in other comprehensive income	44,506	(891)	43,615
Contributions from the employer	-	(401,464)	(401,464)
Benefits paid	(85,412)	77,362	(8,050)
Others	(35,654)	6,435	(29,219)
Balance at December 31, 2018	$ 732,737	$ (457,439)	$ 275,298

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, 2018
Discount rate	1.00%
Expected rate of salary increase	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, 2018
Discount rate	
0.25% increase	$ (18,602)
0.25% decrease	$ 19,326
Expected rate of salary increase	
0.25% increase	$ 18,783
0.25% decrease	$ (18,180)

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, 2018
The expected contributions to the plan for the next year	$ 11,150
The average duration of the defined benefit obligation	10.5 years

d. 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; 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	
	2018	2017
Defined benefit liability	$ 670,776	$ 752,580
Less: Defined benefit assets (Note 14)	(43,754)	(43,754)
	$ 627,022	$ 708,826

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	
	2018	2017
Present value of defined benefit obligation	$ 1,501,789	$ 1,517,664
Fair value of plan assets	(874,767)	(808,838)
Net defined benefit liability	$ 627,022	$ 708,826

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, 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

(Continued)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
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
Balance at January 1, 2018	$ 1,517,664	$ (808,838)	$ 708,826
Current service cost	13,522	-	13,522
Past service cost	39,247	-	39,247
Net interest expense	18,246	(9,900)	8,346
Recognized in profit or loss	71,015	(9,900)	61,115
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(18,460)	(18,460)
Actuarial loss arising from changes in demographic assumptions	24,509	-	24,509
Actuarial loss arising from changes in financial assumptions	21,681	-	21,681
Actuarial loss arising from experience adjustments	9,422	-	9,422
Recognized in other comprehensive income	55,612	(18,460)	37,152
Contributions from the employer	-	(169,644)	(169,644)
Benefits paid	(132,075)	132,075	-
Others	(10,427)	-	(10,427)
Balance at December 31, 2018	$ 1,501,789	$ (874,767)	$ 627,022

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	
	2018	2017
Operating costs	$ 77	$ 210
Selling and marketing expenses	34	22
General and administrative expenses	35,170	28,407
Research and development expenses	25,834	10,870
	$ 61,115	$ 39,509

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	
	2018	**2017**
Discount rate	1.125%	1.25%
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	
	2018	**2017**
Discount rate		
0.25% increase	$ (43,852)	$ (44,769)
0.25% decrease	$ 45,747	$ 46,740
Expected rate of salary increase		
0.25% increase	$ 44,549	$ 45,574
0.25% decrease	$ (42,928)	$ (43,880)

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	
	2018	**2017**
The expected contributions to the plan for the next year	$ 169,580	$ 169,807
The average duration of the defined benefit obligation	11.9 years	12.1 years

28. EQUITY

a. Share capital

	December 31 2018	December 31 2017
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 2018	December 31 2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Recognized from issuance of Ordinary 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	343,269
May be used to offset a deficit only (2)		
Recognized from share of changes in equities of subsidiaries	-	15,653
May not be used for any purpose		
Recognized from share of changes in net assets of associates and joint ventures	136,120	135,716
	$ 4,600,092	$ 4,615,341

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

Under the dividend policy of the Company, 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 share ownership proportion.

For information about the accrual basis of the employees' compensation and remuneration of directors and supervisors and the actual appropriations, refer to Note 30 (g).

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.

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

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2017	**For Year 2016**	**For Year 2017**	**For Year 2016**
Legal reserve	$ 1,292,161	$ 1,305,705	$ -	$ -
Special reserve	280,862	1,730,773	-	-
Cash dividends	5,893,574	4,420,181	2.00	1.50

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 13, 2019.

d. Other equity item

1) Exchange differences on translation foreign operations

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (1,790,529)	$ 3,109,173
Exchange differences arising on translation of foreign operations	1,491,478	(4,849,928)
Share of exchange differences of associates and joint ventures accounted for using equity method	(13,073)	(49,774)
Balance at December 31	$ (312,124)	$ (1,790,529)

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

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (12,127,139)	$ (16,745,893)
Adjustment on initial application of IFRS 9	12,127,139	-
Unrealized gain on available-for-sale financial assets	-	850,495
Unrealized gain on available-for-sale financial assets of associates and joint ventures accounted for using equity method	-	3,768,259
Balance at December 31	$ -	$ (12,127,139)

3) Unrealized gain or loss on financial assets at FVTOCI

	2018
Balance at January 1	$ -
Adjustment on initial application of IFRS 9	1,860,011
Balance at January 1 per IFRS 9	1,860,011
Unrealized gain from equity instruments	546,188
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	2,333,670
Share of loss from associates and joint ventures accounted for using equity method	(13,223,800)
Balance at December 31	$ (8,483,931)

4) Others

	2018	2017
Balance at January 1	$ 438	$ 352
Adjustment on initial application of IFRS 9	(506,875)	-
Balance at January 1 per IFRS 9	(506,437)	352
Share of loss from associates and joint ventures accounted for using equity method	(12,990,877)	86
Balance at December 31	$ (13,497,314)	$ 438

e. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 74,764,568	$ 87,305,560
Share of non-controlling interests		
Net income	5,663,220	8,808,984
Exchange differences arising on translation of foreign operations	1,089,740	1,352,139
Unrealized gain on available-for-sale financial assets	-	182,785
Unrealized loss on financial assets at FVTOCI	(206,221)	-
Actuarial loss arising from defined benefit plans	38,238	(149,032)
Change in non-controlling interests	(7,015,231)	(22,735,868)
Balance at December 31	$ 74,334,314	$ 74,764,568

29. REVENUE

	For the Year Ended December 31	
	2018	2017
Sales revenue	$ 292,645,966	$ 278,000,934
Revenue from entertainment and resort	530,752	521,025
Others	139,371	109,913
	$ 293,316,089	$ 278,631,872

30. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Year Ended December 31	
	2018	2017
Rental income		
Rental income from operating lease		
Investment properties	$ 69,057	$ 35,123
Others	486,302	355,531
	555,359	390,654
Interest income		
Cash in bank	404,418	332,663
Repurchase agreements collateralized by bonds	16,415	20,490
Financial assets at amortized cost	174,171	-
Held-to-maturity financial assets	-	230,613
Debt investments with no active market	-	18,073
Others	20,616	4,139
	615,620	605,978
Dividend income	898,686	856,941
Others	1,567,583	2,278,076
	$ 3,637,248	$ 4,131,649

b. Other gains and losses

	For the Year Ended December 31 2018	2017
Net loss on disposal of property, plant and equipment	$ (524,208)	$ (821,180)
Net gain on disposal of investment properties	-	14,199
Net foreign exchange gain (loss)	442,678	(529,593)
Net gain on disposal of subsidiaries, associates and joint ventures	153,872	480,603
Net gain on disposal of financial assets measured at cost	-	37,984
Net gain arising on financial assets at FVTPL	1,030,962	880,482
Net (loss) gain arising on financial liabilities at FVTPL	(1,034,387)	75,991
Reversal (recognized) of impairment loss	116	(161,865)
Others	(239,492)	(155,990)
	$ (170,459)	$ (179,369)

c. Finance costs

	For the Year Ended December 31 2018	2017
Interest on bank borrowings	$ 2,707,054	$ 1,927,332
Interest on short-term bills payable	23,621	22,977
Other interest expense	50,707	35,766
	$ 2,781,382	$ 1,986,075

d. Depreciation and amortization

	For the Year Ended December 31 2018	2017
Property, plant and equipment	$ 9,823,841	$ 8,865,095
Investment properties	25,288	30,737
Other intangible assets	574,294	511,451
Long-term prepaid expenses	1,442	1,345
Prepayments for lease	124,028	177,107
Other prepaid expense	578	-
	$ 10,549,471	$ 9,585,735
An analysis of depreciation by function		
Operating costs	$ 5,754,014	$ 5,322,933
Operating expenses	4,084,043	3,562,564
Non-operating expenses	11,072	10,335
	$ 9,849,129	$ 8,895,832
An analysis of amortization by function		
Operating costs	$ 1,552	$ 1,185
Operating expenses	698,790	688,718
	$ 700,342	$ 689,903

e. Direct operating expenses from investment properties

	For the Year Ended December 31	
	2018	2017
Direct operating expenses from investment properties that generated rental income	$ 43,505	$ 46,612

f. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term benefits	$ 63,015,936	$ 61,121,877
Post-employment benefits		
Defined contribution plans	6,669,087	6,865,330
Defined benefit plans	474,525	414,161
	7,143,612	7,279,491
Share-based payments		
Equity-settled	130,489	142,912
Termination benefits	25,368	19,244
	$ 70,315,405	$ 68,563,524
An analysis of employee benefits expense by function		
Operating costs	$ 45,678,738	$ 46,298,127
Operating expenses	24,636,667	22,265,397
	$ 70,315,405	$ 68,563,524

As of December 31, 2018 and 2017, there were 352,256 and 364,988 employees, respectively, in the Group. The Group accounts for employee benefits expense based on the number of employees.

g. Employees’ compensation and remuneration of directors and supervisors

According to the Company’s Articles, 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, 2018 and 2017 which were approved by the Company’s board of directors on March 25, 2019 and March 26, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees’ compensation	1.8%	1.8%
Remuneration of directors and supervisors	0.9%	0.9%

Amount

	For the Year Ended December 31			
	2018		2017	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 214,776	$ -	$ 246,856	$ -
Remuneration of directors and supervisors	107,388	-	123,428	-

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, 2017 and 2016.

Information on the employees' compensation and remuneration to of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

31. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current period	$ 3,593,851	$ 2,489,271
Adjustments for prior periods	87,794	50,026
Income tax expense of unappropriated earnings	506,950	522,087
	4,188,595	3,061,384
Deferred tax		
In respect of the current period	(299,986)	25,530
Change of tax rate	(92)	-
	(300,078)	25,530
Income tax expense recognized in profit or loss	$ 3,888,517	$ 3,086,914

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

	For the Year Ended December 31	
	2018	2017
Income before income tax	$ 20,260,383	$ 24,817,504
Income tax expense calculated at the statutory rate	$ 4,052,077	$ 4,218,975
Tax effect of adjusting items		
Tax-exempt income	(155,741)	(185,728)
Investment income recognized under equity method	(979,206)	(983,144)
Others	376,735	(535,302)
Income tax on unappropriated earnings	506,950	522,087
Change of tax rate	(92)	-
Current tax	3,800,723	3,036,888
Adjustments for prior years' income tax	87,794	50,026
Income tax expense recognized in profit or loss	$ 3,888,517	$ 3,086,914

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 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	
	2018	2017
Deferred tax assets		
Temporary differences		
Others	$ 1,951,026	$ 1,418,577
Deferred tax liabilities		
Temporary differences		
Land value increment tax	$ 86,547	$ 86,547
Others	1,266,853	1,034,482
	$ 1,353,400	$ 1,121,029

c. Income tax assessments

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

32. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Net income (in thousand dollars)		
Earnings used in the computation of earnings per share	$ 10,708,646	$ 12,921,606
Weighted average number of shares outstanding (in thousand shares)		
Weighted average number of Ordinary shares in the computation of basic earnings per share	2,946,787	2,946,787
Effect of potentially dilutive Ordinary shares:		
Bonus to employee	8,085	7,888
Weighted average number of Ordinary shares used in the computation of diluted earnings per share	2,954,872	2,954,675
Earnings per share (in dollars)		
Basic earnings per share	$3.63	$4.38
Diluted earnings per share	$3.62	$4.37

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.

33. SHARE-BASED PAYMENT ARRANGEMENTS

a. Information about Pou Chen's employee share options

As of November 6, 2007, the Company has issued employee share options which expired on November 5, 2017. The Company did not grant any options for the year ended December 31, 2018. Information about outstanding share options for the year ended December 31, 2017 is as follows:

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

b. Information about Yue Yuen's employee share options

On January 28, 2014 and amended on March 23, 2016 and September 28, 2018, 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, 2018 and 2017 was as follows:

	Number of Shares (In Thousands)	
	2018	**2017**
Balance at January 1	1,053	1,120
Options granted	1,417	18
Options cancelled	(99)	(67)
Options exercised	(984)	(18)
Balance at December 31	1,387	1,053

Yue Yuen adopted the Black-Scholes option pricing model and the estimated fair value of the share options amounted to $94,449 thousand (HK$24,088 thousand) on the grant date, and the factors were as follows:

	Granted on June 1, 2018	**Granted on October 2, 2018**	**Granted on November 21, 2018**
Grant date share price	HK$24.25	HK$21.75	HK23.25
Risk free rates	1.72%	2.27%	1.86%-1.98%
Expected volatility	34.44%	34.01%	35.27%-41.96%
Vesting period	1.99 years	2.66 years	0.96-1.96 years
Expected dividend yield	4.52%	5.09%	5.09%

Yue Yuen recognized $42,764 thousand and $53,476 thousand compensation cost for the years ended December 31, 2018 and 2017, 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
2018.9.1-2019.9.1	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, 2018 and 2017 was as follows:

	For the Year Ended December 31			
	2018		2017	
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	53,749	$ 1.64	54,549	$ 1.63
Options cancelled	(18,747)	1.62	-	-
Options exercised	(6,758)	1.23	(800)	1.28
Balance at December 31	28,244	1.75	53,749	1.64
Exercisable options at December 31	18,914	1.38	43,252	1.43

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

	December 31	
	2018	2017
Range of exercise price (HK$)	$1.05-$2.494	$1.05-$2.494
Weighted-average remaining contractual life (years)	1.52	1.48

Pou Sheng recognized $9,635 thousand and $13,555 thousand in compensation costs for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 was as follows:

	Number of Shares (In Thousands)	
	2018	2017
Balance at January 1	41,079	45,130
Options granted	20,179	11,326
Options cancelled	(3,876)	(10,443)
Options exercised	(13,539)	(4,934)
Balance at December 31	43,843	41,079

Pou Sheng adopted the Black-Scholes option pricing model and the estimated fair value of the share options amounted to $69,053 thousand (HK$17,611 thousand) and $43,390 thousand (HK$11,357 thousand) on the grant date, respectively, and the factors were as follows:

	Granted on August 11, 2018	Granted on November 14, 2017	Granted on July 3, 2017	Granted on March 25, 2017
Grant date share price	HK$1.5	HK$1.17	HK$1.48	HK$1.87
Risk free rates	1.49-1.81%	0.832-1.257%	0.85%	0.62-1.14%
Expected volatility	56-62%	54-57%	58%	48-59%
Vesting period	0.89-2.58 years	0.29-3 years	3 years	1-3 years
Expected dividend yield	1.0%	2.0%	3.0%	2.0%

Pou Sheng recognized $56,186 thousand and $42,913 thousand compensation cost for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 were as follows:

	For the Year Ended December 31			
	2018		2017	
Employee Share Options	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (US$)	Number of Shares Purchasable (In Thousands)	Weighted-average Exercise Price (US$)
Balance at January 1	817	$ 20.01	669	$ 19.59
Options granted	-	-	249	24.18
Options cancelled	-	-	(101)	27.50
Balance at December 31	817	20.01	817	20.01
Exercisable options at December 31	733	19.63	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	40.0-40.6%
Expected life of share options	5.31-6.30 years
Expected dividend yield	-

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

	December 31	
	2018	2017
Range of exercise price (US$)	$13.92-$27.33	$13.92-$27.33
Weighted-average remaining contractual life (years)	5.57	5.87

TCHC recognized compensation costs of $21,904 thousand and $32,968 thousand for the years ended December 31, 2018 and 2017, respectively.

34. BUSINESS COMBINATIONS

a. The Group acquired subsidiaries from independent third parties for the year ended December 31, 2018. The assets and liabilities on the date of acquisition were as follows:

1) Considerations transferred

Cash and cash equivalents	$ 84,549

2) Assets acquired and liabilities assumed at the date of acquisition

Assets	
Cash and cash equivalents	$ 10,169
Receivables and other receivables	13
Other current assets	1,575
Property, plant and equipment	200
Investment properties	27,983
Long-term prepayments	60,535
Liabilities	
Payables and other payables	(230)
Other current liabilities	(482)
Guarantee deposits	(1,998)
	$ 97,765

3) Bargain purchase arising from the acquisition

Fair value of identifiable net assets acquired	$ 97,765
Less: Consideration paid in cash	(84,549)
Add: Exchange rate adjustment	64
Gain from bargain purchase - acquisition of subsidiaries	$ 13,280

4) Net cash outflow on acquisition of subsidiaries

Consideration paid in cash	$ (84,549)
Less: Cash and cash equivalent balances acquired	10,169
	$ (74,380)

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

1) Considerations transferred

Cash and cash equivalents	$ 482,619

2) 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

3) 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".

4) Net cash outflow on acquisition of subsidiaries

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

35. DISPOSAL OF SUBSIDIARIES

a. The Group disposed of subsidiaries during the year ended December 31, 2018, the assets and liabilities on the date of disposal were as follows:

Assets	
Cash and cash equivalents	$ 220,745
Receivables and other receivables	116,954
Inventories	303,107
Property, plant and equipment	29,059
Liabilities	
Payables and other payables	(148,584)
Tax payable	(13,280)
	$ 508,001

1) Gain on disposal of subsidiaries

Consideration received in cash and cash equivalents	$ 650,355
Net value of net assets disposed of	(508,001)
The reclassification of other comprehensive income in respect of the subsidiary	7,525
Gain on disposal	$ 149,879

2) Net cash outflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	$ 650,355
Less: Accounts receivable of disposal consideration	(11,781)
Less: Cash and cash equivalents balance disposed of	(220,745)
	$ 417,829

b. The Group disposed of subsidiaries during the year ended December 31, 2017, 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	$ 226,760

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

36. 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 35.

37. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

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

	December 31	
	2018	**2017**
Not later than 1 year	$ 4,385,309	$ 3,551,136
Later than 1 year and not later than 5 years	5,950,601	5,329,370
Later than 5 years	1,380,670	1,503,177
	$ 11,716,580	$ 10,383,683

b. The Group as lessor

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

	December 31	
	2018	**2017**
Not later than 1 year	$ 723,851	$ 610,953
Later than 1 year and not later than 5 years	1,945,311	1,377,040
Later than 5 years	1,408,283	1,197,959
	$ 4,077,445	$ 3,185,952

38. CAPITAL MANAGEMENT

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

39. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at 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 on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1, 2 and 3 based on the degree to which the fair value is observable:

1) The fair value hierarchy is as follows:

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 275,817	$ -	$ 275,817
Structured deposits	-	593,107	-	593,107
Mutual funds	753,454	-	-	753,454
	$ 753,454	$ 868,924	$ -	$ 1,622,378
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	$ 15,536,802	$ -	$ -	$ 15,536,802
Domestic unlisted shares	-	-	78,912	78,912
Foreign unlisted shares	-	-	217,500	217,500
	$ 15,536,802	$ -	$ 296,412	$ 15,833,214
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 719,322	$ -	$ 719,322

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 84,093	$ -	$ 84,093
Mutual funds	712,949	-	-	712,949
Structured deposits	-	882,574	-	882,574
	$ 712,949	$ 966,667	$ -	$ 1,679,616

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Investments in equity instruments				
Domestic listed shares	$ 15,158,696	$ -	$ -	$ 15,158,696
Foreign listed shares	577,878	-	-	577,878
	$ 15,736,574	$ -	$ -	$ 15,736,574
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 232,577	$ -	$ 232,577

(Concluded)

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

3) There was no reconciliation of Level 3 fair value measurements of financial assets except for changes in fair value recognized in other comprehensive income.

4) The fair value of Level 2 financial assets and financial liabilities is determined as follows:

a) The fair value of financial instruments with standard terms and conditions and traded in active liquid markets is determined with reference to the quoted market prices.

b) The future cash flows of derivatives are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

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

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Financial assets at FVTPL		
Held for trading	$ -	$ 797,042
Designated as at FVTPL	-	882,574
Mandatorily at FVTPL	1,622,378	-
Held-to-maturity financial assets	-	5,646,324
Loans and receivables (Note 1)	-	75,640,282
Available-for-sale financial assets	-	15,736,574
Financial assets at amortized cost (Note 2)	80,003,416	-
Financial assets measured at cost	-	495,121
Financial assets at FVTOCI	15,833,214	-
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	719,322	232,577
Financial liabilities at amortized cost (Note 3)	138,882,358	131,758,859

Note 1: The balance included loans and receivables at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable, other receivables and refundable deposits.

Note 2: The balance included financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables and refundable deposits.

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

d. Financial risk management objectives and policies

The Group's major financial instruments included equity investments, borrowings, receivables, payables, refundable deposits and guarantee deposits. The Group's treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price 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 44.

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	
	2018	**2017**
USD	$ (37,185)	$ (35,484)
RMB	(450,895)	(491,021)
HKD	(7,816)	(21,361)
VND	107,270	35,467
IDR	4,211	(10,114)

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	
	2018	**2017**
Cash flow interest rate risk		
Financial liabilities	$ 91,761,856	$ 90,141,770

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 $917,619 thousand and $901,418 thousand during the years ended December 31, 2018 and 2017, respectively.

c) Other price risk

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

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% lower, income before income tax for the year ended December 31, 2018 would have decreased by $7,534 thousand as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income for the year ended December 31, 2018 would have decreased by $155,368 thousand as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 1% lower, income before income tax for the year ended December 31, 2017 would have decreased by $7,129 thousand as a result of the changes in fair value of held-for-trading investments, and the other comprehensive income for the year ended December 31, 2017 would have decreased by $157,366 thousand as a result of the changes in fair value of available-for-sale shares.

The Group's sensitivity to investments in equity securities has not changed significantly from the prior year.

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, 2018 and 2017, the Group had available unutilized short-term bank borrowing facilities set out in (c) below.

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

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

December 31, 2018

	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	$ 19,258,244	$ 10,222,162	$ 10,887,422	$ 133,565	$ 61,062
Floating interest rate liabilities	26,530,533	6,687,886	6,655,009	51,888,428	-
Fixed interest rate liabilities	-	1,130,222	5,160,665	5,873,606	-
Financial guarantee contracts	59,138,893	-	-	-	-
	$ 104,927,670	$ 18,040,270	$ 22,703,096	$ 57,895,599	$ 61,062

December 31, 2017

	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	26,032,804	7,476,734	3,672,356	52,959,876	-
Fixed interest rate liabilities	-	-	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

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, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Forward exchange contracts	$ 251	$ 17,303	$ 19,464	$ -	$ -
Cross-currency swap contracts	-	-	14,775	-	-
Exchange rate swap contracts	-	30,751	-	-	-
Exchange rate option contracts	71,108	102,678	457,299	5,693	-
	$ 71,359	$ 150,732	$ 491,538	$ 5,693	$ -

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	$ -	$ -

c) Financing facilities

	December 31	
	2018	2017
Unsecured bank facility:		
Amount used	$ 98,781,541	$ 92,153,212
Amount unused	34,414,573	25,390,742
	$ 133,196,114	$ 117,543,954

40. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and categories

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

b. Operating revenue

Account Items	Related Party Categories	For the Year Ended December 31 2018	2017
Sales	Associates	$ 96,795	$ 124,285
	Joint ventures	534,024	627,761
		$ 630,819	$ 752,046

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 2018	2017
Associates	$ 2,016,751	$ 1,763,094
Joint ventures	4,418,534	3,977,330
	$ 6,435,285	$ 5,740,424

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 2018	2017
Notes receivable, accounts receivable	Associates	$ 19,298	$ 15,537
	Joint ventures	37,107	46,066
		$ 56,405	$ 61,603

No bad debt expense had been recognized for the years ended December 31, 2018 and 2017 for the amounts owed by related parties.

e. Payables to related parties

Account Items	Related Party Categories	December 31 2018	December 31 2017
Notes payable, accounts payable	Associates	$ 443,060	$ 161,310
	Joint ventures	1,077,099	976,478
		$ 1,520,159	$ 1,137,788

f. Financing provided

Refer to Table 1 "Financing provided to others" of Note 45 in the consolidated financial statements.

g. Endorsements/guarantees provided

Refer to Table 2 "Endorsements/guarantees provided" of Note 45 in the consolidated financial statements.

h. Compensation of key management personnel

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Short-term employee benefits	$ 227,406	$ 237,354

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

41. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31 2018	December 31 2017
Financial assets at amoritzed cost	$ 42,252	$ -
Debt investments with no active market	-	40,029
	$ 42,252	$ 40,029

42. SIGNIFICANT COMMITMENTS AND UNRECOGNIZED LIABILITIES

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

Unit: In Thousands of Foreign Currencies

Currencies	December 31 2018	December 31 2017
USD	$ 2,502	$ 3,010
EUR	53	238
IDR	23,515,196	24,445,723

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 Ordinary shares of Ruen Chen in the custody of the trust department of First Bank, and the trust period is ten years.

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

43. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On March 22, 2019, the subsidiary of the Group, Great Pacific Investments Limited, resolved to dispose its joint venture, Hua Jian Industrial Holding Co., Limited, with the amount of RMB418,000 thousand (equivalent to approximately NT$1,925,726 thousand).

44. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than the functional currencies of the Group entities and the exchange rates between the foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

Unit: In Thousands of Foreign Currencies and New Taiwan Dollars)

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 74,581	30.715	$ 2,290,764
NTD	264,825	1	264,825
RMB	2,762,708	4.472	12,354,829
HKD	65,462	3.921	256,678
VND	166,925,833	0.00120	200,311
IDR	333,611,268	0.00213	710,592
Non-monetary items			
NTD	596,390	1	596,390
RMB	191,107	4.472	854,632

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 50,381	30.715	$ 1,547,447
NTD	987,973	1	987,973
RMB	749,777	4.472	3,353,003
HKD	25,592	3.921	100,346
VND	1,954,754,167	0.00120	2,345,705
IDR	371,896,714	0.00213	792,140

(Concluded)

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	35.570	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

For the years ended December 31, 2018 and 2017, net foreign exchange gains (losses) were $442,678 thousand and $(529,593) 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.

45. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (Table 4)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (Table 5)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 6)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 7)

9) Trading in derivative instruments (Note 39)

10) Intercompany relationships and significant intercompany transactions (Table 8)

11) Information on investees (Table 9)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 10)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party: (None).

46. 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, 2018

	Manufacturing of Shoes	Retailing of Sporting Goods and Brand Licensing Business	Others	Total
Revenues from external customers	$ 177,557,453	$ 114,950,866	$ 807,770	$ 293,316,089
Segment income	$ 24,704,246	$ 8,936,286	$ 554,150	$ 34,194,682
Administrative cost, remuneration of directors and supervisors				(20,385,218)
Rental income				555,359
Interest income				615,620
Dividend income				898,686
Other income				1,567,583
Net loss on disposal of property, plant and equipment				(524,208)
Net foreign exchange loss				442,678
Net gain on disposal of subsidiaries, associates and joint ventures				153,872
Net gain arising on financial assets designated as at FVTPL				1,030,962
Net loss arising on financial liabilities designated as at FVTPL				(1,034,387)
Reversal of impairment loss				116
Other loss				(239,492)
Net gain on derecognition of financial assets at amortized cost				5,477
Finance costs				(2,781,382)
Share of the profit of associates and joint ventures				5,760,035
Income before income tax				$ 20,260,383

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 of 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

1) Sales between segments were made at market price.

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

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 2018	2017
Asia	$ 157,758,024	$ 141,139,345
USA	77,037,598	78,435,723
Europe	53,485,999	53,276,125
Others	5,034,468	5,780,679
	$ 293,316,089	$ 278,631,872

d. Information about major customers

Revenue recognized from the manufacture of shoes in 2018 and 2017, amounted to $177,557,453 thousand and $185,597,169 thousand, respectively. Except as detailed in the following table, no other single customer contributed 10% or more to the Group's revenue for both 2018 and 2017.

	For the Year Ended December 31			
	2018		2017	
	Amount	% of Total	Amount	% of Total
Customer A	$ 53,570,643	18	$ 50,675,853	18
Customer B	48,301,291	16	50,804,185	18
	$ 101,871,934	34	$ 101,480,038	36

TABLE 1

POU CHEN CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limit (Notes 3 and 4)	Note
													Item	Value			
0	Pou Chen Corporation	Pou Yii Development Co., Ltd.	Loan receivable	Yes	$ 205,000	$ 205,000	$ 189,000	1.20	2	$ -	Operating capital	$ -	-	$ -	$ 7,786,339	$ 23,359,018	
1	Dong Guan Yue Yuan Footwear Products Company Limited	Pou Sheng (China) Investment Co., Ltd.	Accounts receivable from related parties	Yes	595,121 (RMB 127,000,000)	-	-	-	2	-	〃	-	〃	-	126,714,610	126,714,610	
2	Dong Guan Yu Yuen Mold Co., Ltd.	Pou Sheng (China) Investment Co., Ltd.	〃	〃	126,522 (RMB 27,000,000)	-	-	-	2	-	〃	-	〃	-	126,714,610	126,714,610	
3	Dong Guan Yu Xiang Shoes Material Co., Ltd.	Pou Sheng (China) Investment Co., Ltd.	〃	〃	328,020 (RMB 70,000,000)	-	-	-	2	-	〃	-	〃	-	126,714,610	126,714,610	
4	Dong Guan Yusheng Shoe Industry Co., Ltd.	Pou Sheng (China) Investment Co., Ltd.	〃	〃	904,398 (RMB 193,000,000)	-	-	-	2	-	〃	-	〃	-	126,714,610	126,714,610	
5	Dong Guan Xingtai Consulting Co. Ltd.	Pou Sheng (China) Investment Co., Ltd.	〃	〃	19,213 (RMB 4,100,000)	-	-	-	2	-	〃	-	〃	-	126,714,610	126,714,610	
6	Great Pacific Investments Limited	Sure Elite Investments Limited	〃	〃	116,717 (US$ 3,800,000)	116,717 (US$ 3,800,000)	116,717 (US$ 3,800,000)	3.00	2	-	〃	-	〃	-	126,714,610	126,714,610	
		Solar Link International Inc.	〃	〃	539,003 (US$ 17,550,000)	274,899 (US$ 8,950,000)	274,899 (US$ 8,950,000)	1.70	2	-	〃	-	〃	-	126,714,610	126,714,610	
		Orisol Asia Limited	〃	〃	1,010,176 (US$ 32,800,000)	348,615 (US$ 11,350,000)	348,615 (US$ 11,350,000)	3.00	2	-	〃	-	〃	-	126,714,610	126,714,610	
		Pro Kingtex Industrial Company Limited	〃	〃	1,075,385 (US$ 35,000,000)	215,005 (US$ 7,000,000)	215,005 (US$ 7,000,000)	Note 5	2	-	〃	-	〃	-	8,364,862	8,364,862	
		Pt. Glostar Indonesia	〃	〃	6,811,030 (US$ 221,000,000)	3,747,230 (US$ 122,000,000)	3,747,230 (US$ 122,000,000)	1.30-1.50	2	-	〃	-	〃	-	126,714,610	126,714,610	
		Pt. Pou Yuen Indonesia	〃	〃	7,863,823 (US$ 257,000,000)	5,497,984 (US$ 179,000,000)	4,146,525 (US$ 135,000,000)	1.30-1.50	2	-	〃	-	〃	-	126,714,610	126,714,610	
7	Orisol Asia Limited	Artesol Limited	〃	〃	8,759 (US$ 300,000)	-	-	-	2	-	〃	-	〃	-	117,331	117,331	
		Orisol Taiwan Ltd.	〃	〃	66,414 (US$ 2,200,000)	-	-	-	2	-	〃	-	〃	-	117,331	117,331	
		Orisol Vietnam Co., Ltd	〃	〃	15,478 (US$ 500,000)	15,358 (US$ 500,000)	15,358 (US$ 500,000)	2.00	2	-	〃	-	〃	-	126,714,610	126,714,610	
8	Precious Full Investment Limited	Powerknit Vietnam Company Limited	〃	〃	1,423,930 (US$ 46,000,000)	1,412,890 (US$ 46,000,000)	1,412,890 (US$ 46,000,000)	1.30	2	-	〃	-	〃	-	126,714,610	126,714,610	
		Pou Li Vietnam Company Limited	〃	〃	1,750,050 (US$ 57,000,000)	798,590 (US$ 26,000,000)	798,590 (US$ 26,000,000)	1.30-3.00	2	-	〃	-	〃	-	126,714,610	126,714,610	
		Pou Phong Vietnam Company Limited	〃	〃	1,577,505 (US$ 51,000,000)	1,412,890 (US$ 46,000,000)	1,412,890 (US$ 46,000,000)	1.30-3.00	2	-	〃	-	〃	-	126,714,610	126,714,610	
		Yue De Vietnam Company Limited	〃	〃	2,140,855 (US$ 70,000,000)	1,075,025 (US$ 35,000,000)	1,075,025 (US$ 35,000,000)	2.00	2	-	〃	-	〃	-	126,714,610	126,714,610	
		Pou Hung Vietnam Company Limited	〃	〃	4,911,360 (US$ 162,000,000)	2,948,640 (US$ 96,000,000)	2,948,640 (US$ 96,000,000)	1.30-2.00	2	-	〃	-	〃	-	126,714,610	126,714,610	
9	Pou Yuen Industrial (Holdings) Ltd.	Pt. Pou Chen Indonesia	〃	〃	1,939,465 (US$ 63,000,000)	921,450 (US$ 30,000,000)	921,450 (US$ 30,000,000)	1.50	2	-	〃	-	〃	-	10,065,951	10,065,951	
		Pou Chen Vietnam Enterprise Ltd.	〃	〃	1,825,500 (US$ 60,000,000)	1,228,600 (US$ 40,000,000)	921,450 (US$ 30,000,000)	1.30-3.00	2	-	〃	-	〃	-	126,714,610	126,714,610	
		Pt. Nikomas Gemilang	〃	〃	2,773,575 (US$ 90,000,000)	921,450 (US$ 30,000,000)	307,150 (US$ 10,000,000)	1.30-1.50	2	-	〃	-	〃	-	126,714,610	126,714,610	
		Pouyuen Vietnam Company Ltd.	〃	〃	9,498,100 (US$ 310,000,000)	5,221,550 (US$ 170,000,000)	5,221,550 (US$ 170,000,000)	1.30-3.00	2	-	〃	-	〃	-	126,714,610	126,714,610	
		Pou Sung Vietnam Company Ltd.	〃	〃	7,691,550 (US$ 280,000,000)	4,607,250 (US$ 150,000,000)	3,685,800 (US$ 120,000,000)	1.30-2.00	2	-	〃	-	〃	-	126,714,610	126,714,610	
10	Yue Yuen Industrial (Holdings) Ltd.	Texas Clothing Holding Corp.	〃	〃	1,401,360 (US$ 48,000,000)	-	-	-	2	-	〃	-	〃	-	50,685,844	50,685,844	

(Continued)

No. (Note 1)	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limit (Notes 3 and 4)	Note
													Item	Value			
11	Dong Guan Pou Chen Footwear Company Limited	Pou Sheng (China) Investment Co., Ltd.	〃	〃	$ 1,312,080 (RMB 280,000,000)	$ -	$ -	-	2	$ -	〃	$ -	〃	$ -	$ 126,714,610	$ 126,714,610	
12	Key International Co., Ltd.	Prime Asia (S.E. Asia) Leather Corporation	〃	〃	410,837 (US$ 13,400,000)	165,861 (US$ 5,400,000)	-	-	2	-	〃	-	〃	-	126,714,610	126,714,610	
		Prime Asia Leather Corp.	〃	〃	2,678,748 (US$ 87,500,000)	1,075,025 (US$ 35,000,000)	1,075,025 (US$ 35,000,000)	-	2	-	〃	-	〃	-	126,714,610	126,714,610	
		Cohen Enterprises Inc.	〃	〃	137,070 (US$ 4,500,000)	-	-	-	2	-	〃	-	〃	-	9,131,803	9,131,803	
		Pou Chien Enterprise Co., Ltd.	〃	〃	1,500,000	-	-	-	2	-	〃	-	〃	-	126,714,610	126,714,610	
13	Faith Year Investments Limited	Pro Kingtex Vietnam Company Limited	〃	〃	389,350 (US$ 13,000,000)	-	-	-	2	-	〃	-	〃	-	126,714,610	126,714,610	
14	Prime Asia (S.E. Asia) Leather Corporation	Prime Asia (Vietnam) Co., Ltd	〃	〃	547,904 (US$ 17,700,000)	543,656 (US$ 17,700,000)	543,656 (US$ 17,700,000)	1.50	2	-	〃	-	〃	-	126,714,610	126,714,610	
15	Top Galaxy Group Limited	Yue Yuen (Anfu) Footwear Co., Ltd	〃	〃	46,433 (US$ 1,500,000)	46,073 (US$ 1,500,000)	46,073 (US$ 1,500,000)	3.01	2	-	〃	-	〃	-	126,714,610	126,714,610	
16	Pou Sheng (China) Investment Co., Ltd.	Qingdao Pou-Sheng International Sport Products Co., Ltd.	Loan receivable	〃	1,616,670 (RMB 345,000,000)	1,542,840 (RMB 345,000,000)	997,833 (RMB 223,129,073)	4.35	2	-	〃	-	〃	-	1,546,895	1,546,895	
17	Wealthplus Holdings Limited	Treasure Chain International Limited	Accounts receivable from related parties	〃	4,498,858 (RMB 974,000,000)	3,863,808 (RMB 864,000,000)	3,863,808 (RMB 864,000,000)	4.35	2	-	〃	-	〃	-	45,024,571	45,024,571	
18	Dong Guan Baoqiao Electronic Technology Co., Ltd.	Kunshan Yuanying Electronics Technology Co., Ltd.	〃	〃	3,671 (RMB 820,960)	3,671 (RMB 820,960)	3,671 (RMB 820,960)	4.35	2	-	〃	-	〃	-	86,311,454	86,311,454	
19	Bao Hong (Yangzhou) Shoes Co., Ltd.	Pou Sheng (China) Investment Co., Ltd.	〃	〃	299,624 (RMB 67,000,000)	299,624 (RMB 67,000,000)	299,624 (RMB 67,000,000)	Note 6	2	-	〃	-	〃	-	126,714,610	126,714,610	
20	Shanggao Yisen Industry Co. Ltd	Yu Xing (Jishui) Footwear Co., Ltd.	〃	〃	371,757 (RMB 83,130,000)	371,757 (RMB 83,130,000)	371,757 (RMB 83,130,000)	3.33	2	-	〃	-	〃	-	126,714,610	126,714,610	

Note 1: The Company is coded as follows:

a. The Company is coded "0".
b. The investee is coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The nature of financing is code as follows:

a. Business relationship is coded 1.
b. The need for short-term financing is coded 2.

Note 3: According to the Company's policy, procedure of financing provided to others as follows:

a. The maximum amount permitted to a single borrower is listed based on the types of financing reasons as follows:

1) Business relationship: Each of the financing amount shall not exceed the amount of our business relationship. Business relationship means higher amount of the purchases from or sales to both sides in the current year or in the future year and shall not exceed 10% of the Company's net worth.
2) The need for short-term financing: Each of the financing amount shall not exceed 10% of the Company's net worth.

b. The total maximum amount permitted to a single borrower is listed based on the types of financing reasons as follows:

1) Business relationship: Each of the financing amount shall not exceed 10% of the Company's net worth.
2) The need for short-term financing: Each of the financing amount shall not exceed 30% of the Company's net worth.
3) Among foreign companies which the Company holds 100% voting rights directly and indirectly, when financing is necessary, the amount is not limited by the above information. However, the limit amount of financing to others during one year shall not exceed the borrowers' net worth.

Note 4: Foreign companies on which Yue Yuen Industrial (Holdings) Limited holds 100% voting rights directly and indirectly: The financing amount shall not exceed 100% of total equity of Yue Yuen's consolidated financial statement.
Great Pacific Investments Limited for joint ventures or join operation: The financing amount shall not exceed 40% of total equity of lender's financial statement.
Pou Yuen Industrial (Holdings) Ltd. for subsidiaries held less than 100%: The financing amount shall not exceed 40% of total equity of lender's financial statement.
Yue Yuen Industrial (Holdings) Limited for subsidiaries held less than 100%: The financing amount shall not exceed 40% of total equity of lender's financial statement.
Pou Sheng International (Holdings) Limited for subsidiaries held less than 100%: The financing amount shall not exceed 40% of total equity of lender's financial statement.
Wealthplus Holdings Limited for subsidiaries: Each of the financing amoun shall not exceed 30% of total equity of lender's financial statement.
Orisal Asia Limited for subsidiaries held less than 100%: The financing amount shall not exceed 40% of total equity of lender's financial statement.

Note 5: The borrowing rate is 1 month US dollar LIBOR rate plus 0.8% and 1.2%.

Note 6: If the term of the loan is half a year or more, the annual interest rate of the loan is based on the one-year short-term loan interest rate of the People's Bank of China. If the loan term is less than half a year, the annual interest rate of the loan is fixed at 3.55%.

(Concluded)

TABLE 2

POU CHEN CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorsement/ Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 4)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 4)	Note
		Name	Relationship (Note 2)											
0	Pou Chen Corporation	Wealthplus Holding Ltd.	b	$ 77,863,392	$ 61,418,344	$ 23,942,343	$ -	$ -	31	$ 155,726,784	Y	N	N	
		Barits Development Corp.	b	77,863,392	8,651,700	7,942,900	4,076,300	-	10	155,726,784	Y	N	N	
		Pou Shine Investment Co., Ltd.	b	77,863,392	1,500,000	1,500,000	578,500	-	2	155,726,784	Y	N	N	
		Pou Yuen Technology Co., Ltd.	b	77,863,392	300,000	300,000	49,500	-	-	155,726,784	Y	N	N	
		Pro Arch International Development Enterprise Inc.	b	77,863,392	80,030	60,238	60,238	-	-	155,726,784	Y	N	N	
		Pou Yii Development Co., Ltd.	b	77,863,392	700,000	600,000	-	-	1	155,726,784	Y	N	N	
		Yue Hong Realty Development Co., Ltd.	b	77,863,392	550,000	550,000	490,000	-	1	155,726,784	Y	N	N	
1	Yue Yuen Industrial (Holdings) Limited	Prime Asia (S. E.Asia) Leather Corporation	b	77,863,392	29,760 (US$ 1,000,000)	-	-	-	-	155,726,784	N	N	N	
		Oftenrich Holdings Ltd.	f	77,863,392	78,651 (US$ 2,700,000)	-	-	-	-	155,726,784	N	N	N	
		Orisol Asia Limited	b	77,863,392	90,000	90,000	-	-	-	155,726,784	N	N	N	
		Tien Pou International Ltd.	f	77,863,392	210,494 (US$ 6,800,000)	86,002 (US$ 2,800,000)	61,430 (US$ 2,000,000)	-	-	155,726,784	N	N	N	
		Great Spring Management Ltd.	f	77,863,392	136,202 (US$ 4,400,000)	135,146 (US$ 4,400,000)	57,760 (US$ 1,880,527)	-	-	155,726,784	N	N	N	
		Universal Ocean Co., Ltd.	f	77,863,392	136,202 (US$ 4,400,000)	135,146 (US$ 4,400,000)	12,286 (US$ 400,000)	-	-	155,726,784	N	N	N	
		Cohen Enterprises Inc.	f	77,863,392	851,263 (US$ 27,500,000)	844,663 (US$ 27,500,000)	494,627 (US$ 16,103,775)	-	1	155,726,784	N	N	N	
		Pou Chien Enterprise Co., Ltd.	b	77,863,392	2,000,000	2,000,000	1,300,000	-	3	155,726,784	N	N	N	
		Haggar Direct Inc.	b	77,863,392	30,955 (US$ 1,000,000)	30,715 (US$ 1,000,000)	-	-	-	155,726,784	N	N	N	
		Texas Clothing Holding Corp.	b	77,863,392	30,955 (US$ 1,000,000)	30,715 (US$ 1,000,000)	-	-	-	155,726,784	N	N	N	
		Pt Ka Yuen Indonesia	f	77,863,392	30,955 (US$ 1,000,000)	30,715 (US$ 1,000,000)	-	-	-	155,726,784	N	N	N	
		Orisol Asia Ltd.	b	77,863,392	91,380 (US$ 3,000,000)	-	-	-	-	155,726,784	N	N	N	
		Prosperous Enterprises Ltd. & Starite International Ltd. & Prosperous Enterprises (Taiwan) Ltd.	f	77,863,392	121,578 (US$ 4,164,353)	-	-	-	-	155,726,784	N	N	N	
		Pine Wood Industries Ltd.	f	77,863,392	171,800 (US$ 5,550,000)	113,646 (US$ 3,700,000)	53,231 (US$ 1,733,070)	-	-	155,726,784	N	N	N	
		Ka Yuen Rubber Factory Ltd.	f	77,863,392	245,318 (US$ 7,925,000)	243,416 (US$ 7,925,000)	-	-	-	155,726,784	N	N	N	
		Pt Kmk Globals Sports	b	77,863,392	278,595 (US$ 9,000,000)	276,435 (US$ 9,000,000)	-	-	-	155,726,784	N	N	N	
		Pt Pou Yuen Indonesia	b	77,863,392	464,325 (US$ 15,000,000)	460,725 (US$ 15,000,000)	-	-	1	155,726,784	N	N	N	
		Vietnam Tiong Liong Industrial Co., Ltd.	f	77,863,392	27,484 (US$ 943,500)	17,047 (US$ 555,000)	-	-	-	155,726,784	N	N	N	
		Pt. Selalu Cinta Indonesia	b	77,863,392	1,392,975 (US$ 45,000,000)	1,382,175 (US$ 45,000,000)	1,232,900 (US$ 40,140,000)	-	2	155,726,784	N	N	N	

(Continued)

No. (Note 1)	Endorsement/ Guarantee Provider	Endorsee/Guarantee Name	Endorsee/Guarantee Relationship (Note 2)	Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 4)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 4)	Note
		Prime Asia Leather Corporation	b	$ 77,863,392	$ 2,631,175 (US$ 85,000,000)	$ 2,610,775 (US$ 85,000,000)	$ 350,151 (US$ 11,400,000)	$ -	3	$ 155,726,784	N	N	N	
		Haggar Clothing Co.	b	77,863,392	4,643,250 (US$ 150,000,000)	4,607,250 (US$ 150,000,000)	2,898,236 (US$ 94,358,970)	-	6	155,726,784	N	N	N	
		Pou Phong Vietnam Company Ltd.	b	77,863,392	154,775 (US$ 5,000,000)	153,575 (US$ 5,000,000)	-	-	-	155,726,784	N	N	N	
		Powerknit Vietnam Company Ltd.	b	77,863,392	154,775 (US$ 5,000,000)	153,575 (US$ 5,000,000)	-	-	-	155,726,784	N	N	N	
		Henan YYSPORTS Sport Products Co., Ltd.	b	77,863,392	43,871 (RMB 9,362,235)	41,868 (RMB 9,362,235)	-	-	-	155,726,784	N	N	Y	
		Guizhou Pou-Sheng Sport Products Co., Ltd.	b	77,863,392	46,796 (RMB 9,986,384)	44,659 (RMB 9,986,384)	-	-	-	155,726,784	N	N	Y	
		Shanghai DZJ Sports Industries Dev. CO., LTD	b	77,863,392	58,495 (RMB 12,482,980)	55,824 (RMB 12,482,980)	-	-	-	155,726,784	N	N	Y	
		Jiangxi Bao Yuan Trade Co., Ltd.	b	77,863,392	67,270 (RMB 14,355,427)	64,197 (RMB 14,355,427)	-	-	-	155,726,784	N	N	Y	
		Hefei Pouxun Sporting Goods Co., Ltd.	b	77,863,392	140,389 (RMB 29,959,152)	133,977 (RMB 29,959,152)	-	-	-	155,726,784	N	N	Y	
		Qingdao Pou-Sheng International Sport Products Co., Ltd.	b	77,863,392	143,196 (RMB 30,558,335)	136,657 (RMB 30,558,335)	-	-	-	155,726,784	N	N	Y	
		Zhejiang Shengdao Sporting-Goods Co., Ltd.	b	77,863,392	321,724 (RMB 68,656,390)	307,031 (RMB 68,656,390)	-	-	-	155,726,784	N	N	Y	
		Bao Sheng Dao Ji (Beijing) Trading Company Ltd.	b	77,863,392	520,607 (RMB 111,098,522)	496,832 (RMB 111,098,522)	-	-	1	155,726,784	N	N	Y	
		Shanghai Pou-Yuen Sport Products Business Trading Co., Ltd.	b	77,863,392	982,720 (RMB 209,714,064)	937,842 (RMB 209,714,064)	-	-	1	155,726,784	N	N	Y	
		Shaanxi Pousheng Trading Co., Ltd.	b	77,863,392	1,283,969 (RMB 274,001,411)	1,225,333 (RMB 274,001,411)	-	-	2	155,726,784	N	N	Y	
2	Pou Sheng International (Holdings) Limited	Qingdao Pou-Sheng International Sport Products Co., Ltd.	b	77,863,392	567,213 (RMB 121,434,000)	543,053 (RMB 121,434,000)	-	-	1	155,726,784	N	N	Y	
		Hefei Pouxun Sporting Goods Co., Ltd.	b	77,863,392	312,061 (RMB 67,694,000)	302,728 (RMB 67,694,000)	-	-	-	155,726,784	N	N	Y	
		Henan YYSPORTS Sport Products Co., Ltd.	b	77,863,392	221,665 (RMB 47,480,000)	212,331 (RMB 47,480,000)	-	-	-	155,726,784	N	N	Y	
		Yue Cheng (Kun Shan) Sports Co., Ltd.	b	77,863,392	224,928 (RMB 48,000,000)	214,656 (RMB 48,000,000)	-	-	-	155,726,784	N	N	Y	
		Shanghai Pou-Yuen Sport Products Business Trading Co., Ltd.	b	77,863,392	13,128,103 (RMB2,105,542,000) (US$ 111,000,000)	12,825,350 (RMB2,105,542,000) (US$ 111,000,000)	3,134,806 (RMB 700,985,058)	-	16	155,726,784	N	N	Y	
		Shaanxi Pousheng Trading Co., Ltd.	b	77,863,392	7,412,421 (RMB1,248,062,000) (US$ 51,000,000)	7,147,800 (RMB1,248,062,000) (US$ 51,000,000)	839,394 (RMB 187,700,000)	-	9	155,726,784	N	N	Y	
		Bao Sheng Dao Ji (Beijing) Trading Company Ltd.	b	77,863,392	5,060,953 (RMB 351,899,000) (US$ 111,000,000)	4,983,058 (RMB 351,899,000) (US$ 111,000,000)	149,365 (RMB 33,400,000)	-	6	155,726,784	N	N	Y	
		Zhejiang Shengdao Sporting-Goods Co., Ltd.	b	77,863,392	2,839,701 (RMB 213,404,000) (US$ 60,000,000)	2,797,243 (RMB 213,404,000) (US$ 60,000,000)	699,197 (RMB 156,350,000)	-	4	155,726,784	N	N	Y	
		Taiwan Taisong Trading Co., Ltd.	b	77,863,392	40,000	40,000	-	-	-	155,726,784	N	N	N	
		Pou Yuen Trading Corporation	b	77,863,392	45,000	45,000	-	-	-	155,726,784	N	N	N	
		Guizhou Pou-Sheng Sport Products Co., Ltd.	b	77,863,392	131,696 (RMB 28,500,000)	127,452 (RMB 28,500,000)	-	-	-	155,726,784	N	N	Y	

(Continued)

No. (Note 1)	Endorsement/ Guarantee Provider	Endorsee/Guarantee: Name	Endorsee/Guarantee: Relationship (Note 2)	Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 4)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 4)	Note
		Jiangxi Bao Yuan Trade Co., Ltd.	b	$ 77,863,392	$ 167,202 (RMB 36,000,000)	$ 160,992 (RMB 36,000,000)	$ -	$ -	-	$ 155,726,784	N	N	Y	
		Kun Shan Pou-Chi Sports Co., Ltd.	b	77,863,392	566,364 (RMB 121,000,000)	541,112 (RMB 121,000,000)	-	-	1	155,726,784	N	N	Y	
		Kun Shan Yysports E-Commerce Co., Ltd.	b	77,863,392	360,564 (RMB 79,000,000)	353,288 (RMB 79,000,000)	-	-	-	155,726,784	N	N	Y	
		Guangzhou Pou-Yuen Trading Co., Ltd.	b	77,863,392	1,578,705 (US$ 51,000,000)	1,566,465 (US$ 51,000,000)	-	-	2	155,726,784	N	N	Y	
		Pou Sheng (China) Investment Co., Ltd.	b	77,863,392	3,821,205 (RMB 500,000,000) (US$ 51,000,000)	3,802,465 (RMB 500,000,000) (US$ 51,000,000)	-	-	5	155,726,784	N	N	Y	
		Nanning Pou-Kung Sport Products Co., Ltd.	b	77,863,392	8,944 (RMB 2,000,000)	8,944 (RMB 2,000,000)	-	-	-	155,726,784	N	N	Y	
		Yue-Shen (Taicang) Footwear Co., Ltd.	b	77,863,392	35,950 (RMB 8,039,000)	35,950 (RMB 8,039,000)	-	-	-	155,726,784	N	N	Y	
		Taicang Yue-Shen Sporting Goods Co., Ltd.	b	77,863,392	80,720 (RMB 18,050,000)	80,720 (RMB 18,050,000)	-	-	-	155,726,784	N	N	Y	
3	Pou Sheng (China) Investment Co., Ltd.	Kun Shan Pou-Chi Sports Co., Ltd.	b	77,863,392	937 (RMB 200,000)	-	-	-	-	155,726,784	N	N	Y	
		Henan Yysports Sport Products Co., Ltd.	b	77,863,392	97,122 (RMB 21,000,000)	93,912 (RMB 21,000,000)	53,686 (RMB 12,004,870)	-	-	155,726,784	N	N	Y	
		Guizhou Pou-Sheng Sport Products Co., Ltd.	b	77,863,392	128,640 (RMB 28,000,000)	125,216 (RMB 28,000,000)	44,731 (RMB 10,002,376)	-	-	155,726,784	N	N	Y	
		Shanghai DZJ Sports Industries Dev. CO., Ltd.	b	77,863,392	93,720 (RMB 20,000,000)	89,440 (RMB 20,000,000)	-	-	-	155,726,784	N	N	Y	
		Jiangxi Bao Yuan Trade Co., Ltd.	b	77,863,392	133,151 (RMB 28,500,000)	122,086 (RMB 27,300,000)	90,974 (RMB 20,342,964)	-	-	155,726,784	N	N	Y	
		Yue Cheng (Kun Shan) Sports Co., Ltd.	b	77,863,392	172,927 (RMB 30,000,000)	134,160 (RMB 30,000,000)	-	-	-	155,726,784	N	N	Y	
		Taicang Yue-Shen Sporting Goods Co., Ltd.	b	77,863,392	223,235 (RMB 45,000,000)	201,240 (RMB 45,000,000)	-	-	-	155,726,784	N	N	Y	
		Qingdao Pou-Sheng International Sport Products Co., Ltd.	b	77,863,392	316,631 (RMB 68,460,000)	306,153 (RMB 68,460,000)	181,729 (RMB 40,637,166)	-	-	155,726,784	N	N	Y	
		Hefei Pouxun Sporting Goods Co., Ltd.	b	77,863,392	296,859 (RMB 61,500,000)	275,028 (RMB 61,500,000)	167,721 (RMB 37,504,785)	-	-	155,726,784	N	N	Y	
		Zhejiang Shengdao Sporting-Goods Co., Ltd.	b	77,863,392	558,013 (RMB 119,200,000)	518,752 (RMB 116,000,000)	253,704 (RMB 56,731,576)	-	1	155,726,784	N	N	Y	
		Bao Sheng Dao Ji (Beijing) Trading Company Ltd.	b	77,863,392	858,811 (RMB 183,500,000)	820,612 (RMB 183,500,000)	697,501 (RMB 155,970,553)	-	1	155,726,784	N	N	Y	
		Shaanxi Pousheng Trading Co., Ltd.	b	77,863,392	2,173,548 (RMB 463,200,000)	2,071,430 (RMB 463,200,000)	1,087,457 (RMB 243,170,601)	-	3	155,726,784	N	N	Y	
		Shanghai Pou-Yuen Sport Products Business Trading Co., Ltd.	b	77,863,392	1,885,957 (RMB 390,500,000)	1,746,316 (RMB 390,500,000)	1,061,831 (RMB 237,439,960)	-	2	155,726,784	N	N	Y	

Note 1: The Company is coded as follows:

a. The Company is coded "0".
b. The investee is coded consecutively beginning from "1" in the order presented in the table above.

(Continued)

Note 2: Relationships for guarantee provider and guarantee are as follows:

a. Business relationship.
b. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
c. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
d. A company in which the Company directly and indirectly holds more than 90% of the voting shares.
e. A company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
f. A company where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
g. A company where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: According to the Company's procedures for the Management of Endorsements and Guarantees, the aggregate amount of endorsements/guarantees provided by the Company shall not exceed 200% of its net worth. Meanwhile, the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 100% of the Company's net worth.

Note 4: Endorsement/guarantee given by listed parent on behalf of subsidiaries, by subsidiaries on behalf of listed parent, and on behalf of companies in mainland China is coded "Y".

(Concluded)

TABLE 3

POU CHEN CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Pou Chen Corporation	Ordinary shares							
	Mega Financial Holding Company Ltd.		Financial assets at FVTOCI - current	191,730,486	$ 4,975,406	1.41	$ 4,975,406	
	Taiwan Paiho Limited		〃	615,473	30,343	0.21	30,343	
	Zhiyuan Venture Capital Co., Ltd.		Financial assets at FVTOCI - non-current	6,000,000	59,952	10.71	59,952	
	New Loulan Corporation., Ltd.		〃	100,000	804	4.00	804	
Wealthplus Holdings Limited	Fund							
	Cid Greater China Venture Capital Fund II, L.P.		Financial assets mandatorily at FVTPL - current	-	95,263 (US$ 3,101,507)	-	95,263	
	Ordinary shares							
	Golden Brands Developments Ltd.		Financial assets at FVTOCI - non-current	17,086,572	71,297 (US$ 2,321,245)	5.38	71,297	
	Great Team Backend Foundry, Inc.		〃	4,000,000	146,203 (US$ 4,760,000)	6.87	146,203	
	Bonds							
	China Construction Bank		Financial assets at amortized cost - current	-	1,228,600 (US$ 40,000,000)	-	1,228,600	
	Goldman Sachs Bank		〃	-	80,659 (US$ 2,626,062)	-	80,659	
	Morgan Stanley Bank Formosa Bond		〃	-	223,884 (US$ 7,289,084)	-	223,884	
	Bank of America		〃	-	153,444 (US$ 4,995,752)	-	153,444	
	Societe Generale Taiwan Formosa Bond		Financial assets at amortized cost - non-current	-	94,317 (US$ 3,070,717)	-	94,317	
	Structured product							
	CIB Redeemable Structured Product		〃	-	156,524 (US$ 5,096,000)	-	156,524	
Win Fortune Investments Limited	Fund							
	Prodigy Strategic Investment Fund Xxii Segregated Portfolio		Financial assets mandatorily at FVTPL - non-current	41,660	162,743 (US$ 5,298,480)	-	162,743	
Pou Shine Investments Co., Ltd.	Ordinary shares							
	Taiwan Paiho Limited		Financial assets at FVTOCI - current	775,170	38,216	0.26	38,216	
	Mega Financial Holding Company Ltd.		〃	125,123,044	3,246,943	0.92	3,246,943	
Pou Yuen Technology Co., Ltd.	Ordinary shares							
	Mega Financial Holding Company Ltd.		〃	17,039,372	442,172	0.13	442,172	
Barits Development Corporation	Ordinary shares							
	Mega Financial Holding Company Ltd.		〃	133,720,943	3,470,058	0.98	3,470,058	
	Global Brands Manufacture Ltd.		〃	34,448,000	434,044	6.68	434,044	
	Shey Yu Co., Ltd.		Financial assets at FVTOCI - non-current	32,000	320	1.07	320	
	Environment In Assistant Engineering Corp.		〃	20,000	-	1.00	-	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Song Ming Investments Co., Ltd.	Fund							
	Cathay Taiwan Money Market Fund		Financial assets mandatorily at FVTPL - current	3,222,441	$ 40,049	-	$ 40,049	
	Ordinary shares							
	Mega Financial Holding Company Ltd.		Financial assets at FVTOCI - current	49,416,125	1,282,348	0.36	1,282,348	
Pro Arch International Development Enterprise Inc.	Fund							
	Cathay Taiwan Money Market Fund		Financial assets mandatorily at FVTPL - current	444,936	5,530	-	5,530	
Pou Chin Development Co., Ltd.	Fund							
	Cathay Taiwan Money Market Fund		〃	418,551	5,202	-	5,202	
Wang Yi Construction Co., Ltd.	Fund							
	Cathay Taiwan Money Market Fund		〃	422,128	5,246	-	5,246	
Windsor Entertainment Co., Ltd.	Funds							
	Mega Diamond Money Market Fund		〃	3,308,539	41,429	-	41,429	
	Jih Sun Money Market Fund		〃	686,973	10,163	-	10,163	
	Prudential Financial Money Market Fund		〃	1,090,135	17,217	-	17,217	
	Ordinary shares							
	Taichung International Entertainment Corporation		Financial assets at FVTOCI - non-current	3	7,860	0.09	7,860	
Pou Yii Development Co., Ltd.	Ordinary shares							
	Mega Financial Holding Company Ltd.		Financial assets at FVTOCI - current	40,069,450	1,039,802	0.30	1,039,802	
Yue Yuen Industrial (Holdings) Limited	Fund							
	Cathay Taiwan Money Market Fund		Financial assets mandatorily at FVTPL - current	29,690,182	370,612 (US$ 12,066,154)	-	370,612	
	Ordinary shares							
	Evermore Chemical Industry Co., Ltd.		Financial assets at FVTOCI - current	8,081,281	124,591 (US$ 4,056,360)	8.13	124,591	
	Taiwan Paiho Limited		Financial assets at FVTOCI - non-current	9,528,228	471,799 (US$ 15,360,552)	3.20	471,799	
	Keg Big Dome Sports Co., Ltd.		〃	-	9,977 (US$ 324,835)	11.76	9,977	
	Bonds							
	Haitong International Finance 2014 Ltd.		Financial assets at amortized cost - current	-	18,513 (US$ 602,728)	-	18,513	
	Greenland Global Investment Ltd.		〃	-	18,466 (US$ 601,191)	-	18,466	
	Citic Securities Finance Mtn Co., Ltd.		〃	-	18,484 (US$ 601,782)	-	18,484	
	Bank of China (Hong Kong)		Financial assets at amortized cost - non-current	-	37,768 (US$ 1,229,617)	-	37,768	
	The Bank of East Asia Limited		〃	-	19,127 (US$ 622,725)	-	19,127	
	Beijing State-Owned Assets Management Co., Ltd.		〃	-	18,444 (US$ 600,497)	-	18,444	
	Boom Up Investments Ltd.		〃	-	18,583 (US$ 605,020)	-	18,583	
	China Overseas Finance (Cayman) II Ltd.		〃	-	19,160 (US$ 623,785)	-	19,160	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	Cnooc Finance 2015 Australia Pty. Ltd.		〃	-	$ 18,363 (US$ 597,844)	-	$ 18,363	
	Fita International Ltd.		〃	-	19,031 (US$ 619,611)	-	19,031	
	Huarong Finance II Co., Ltd.		〃	-	18,663 (US$ 607,621)	-	18,663	
	Sinochem Group Co., Ltd.		〃	-	18,832 (US$ 613,132)	-	18,832	
	Standard Chartered (Hong Kong)		〃	-	19,055 (US$ 620,371)	-	19,055	
	Structured product							
	JP Morgan Credit Linked Note		Financial assets mandatorily at FVTPL - non-current	-	593,107 (US$ 19,310,000)	-	593,107	

Note: The marketable securities stated here are related to shares, debentures and beneficiary certificates and the derivative products caused by those of "IFRS 9 Financial Instruments". For information on the investments in subsidiaries, associates and joint ventures refer to Tables 9 and 10.

TABLE 4

POU CHEN CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Company Name	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Wealthplus Holding Ltd.	Sun Art Retail Group Ltd.	Financial assets mandatorily at FVTPL - current	-	None	9,184,500	$ 288,813 (US$ 9,704,750)	-	$ -	9,184,500	$ 368,939 (US$ 12,303,891)	$ 288,813 (US$ 9,704,750)	$ 80,126 (US$ 2,599,141)	-	$ -
Yue Yuen Industrial (Holdings) Limited	Cathay Taiwan Money Market Fund	Financial assets at FVTPL - current	〃	〃	31,799,918	393,086 (US$ 13,208,532)	33,401,818	416,999 (US$ 13,535,201) (Note 1)	35,511,554	440,126 (US$ 14,699,245)	439,473 (US$ 14,677,579)	653 (US$ 21,666)	29,690,182	370,612 (US$ 12,066,154)
	Evermore Chemical Industry Co., Ltd.	Financial assets at FVTOCI - non-current	〃	〃	-	-	8,081,281	124,591 (US$ 4,056,360) (Note 3)	-	-	-	-	8,081,281	124,591 (US$ 4,056,360)
	〃	Investments accounted for using equity method	〃	〃	28,867,281	439,458 (US$ 14,766,732)	-	(11,193) (US$ (590,005)) (Note 2)	28,867,281	554,314 (US$ 18,478,857)	428,265 (US$ 14,176,727)	126,049 (US$ 4,302,130)	-	-
	Original Designs Developments Limited	〃	〃	〃	23,500	247,860 (US$ 8,328,636)	-	27,817 (US$ 655,151) (Note 2)	23,500	336,330 (US$ 10,949,952)	275,677 (US$ 8,983,787)	60,653 (US$ 1,966,165)	-	-

Note 1: Include acquisition and valuation adjustments for fair value.

Note 2: Include investment income recognized under equity method and exchange differences on translating foreign operations.

Note 3: Include transfer due to the loss of influence and valuation adjustments for fair value.

TABLE 5

POU CHEN CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Yue Yuen Industrial (Holdings) Limited	Public construction such as factories and dormitories	2018.01-2018.12	$ 6,368,256 (US$ 207,333,761)	Accumulated payment as of December 31, 2018 $ 5,904,378 (US$ 192,231,098)	-	None	-	-	-	-	Market price	Plant expansion	

TABLE 6

POU CHEN CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Pou Chen Corporation	Yue Yuen Industrial (Holdings) Limited	The subsidiary in which the Company holds 50.97% indirectly at December 31, 2018	Sale	$ (11,840,120)	(98)	D/A 45 days			$ 1,961,548	99	
	Platinum Long John Co., Ltd.	The Company in which Yue Yuen Industrial (Holdings) Limited holds 48.67% indirectly at December 31, 2018	Purchase	267,823	3	D/A 45 days			(21,004)	(2)	
	San Fang Chemical Industry Co., Ltd.	Pou Chien Chemical Co., Ltd. and Yue Dean Technology Corporation are the Company's directors.	〃	155,862	2	D/A 45 days			(45,556)	(3)	
	Chang Yang Material Corporation	The Company in which Yue Yuen Industrial (Holdings) Limited holds 100% indirectly at December 31, 2018	〃	115,668	1	D/A 45 days			(2,471)	-	
Yue Yuen Industrial (Holdings) Limited	Pou Chen Corporation	The parent company	Purchase	11,840,120 (US$ 392,312,700)	7	D/A 45 days			(1,961,548) (US$ (63,862,868))	(13)	
	Ka Yuen Rubber Factory Limited	Investee accounted for by the equity method	〃	1,655,790 (US$ 54,851,000)	1	D/A 45 days			(462,015) (US$ (15,042,000))	(3)	
	Twinways Investments Limited	〃	〃	1,263,283 (US$ 41,892,000)	1	D/A 45 days			(323,552) (US$ (10,534,000))	(2)	
	San Fang Chemical Industry Co., Ltd.	〃	〃	582,331 (US$ 19,098,000)	-	D/A 45 days			(193,259) (US$ (6,292,000))	1	
	Eastlion Industrial Ltd.	〃	〃	737,649 (US$ 24,186,000)	-	D/A 45 days			(142,241) (US$ (4,631,000))	1	
	Great Skill Industrial Limited	〃	〃	316,870 (US$ 10,426,000)	-	D/A 45 days			(102,834) (US$ (3,348,000))	1	

TABLE 7

POU CHEN CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Pou Chen Corporation	Yue Yuen Industrial (Holdings) Limited	The subsidiary in which the Company holds 50.97% indirectly at December 31, 2018	$ 1,961,548	7	$ -	-	$ 1,877,604	$ -

TABLE 8

POU CHEN CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Pou Chen Corporation	Yue Yuen Industrial (Holdings) Limited	a	Operating revenue	$ 11,840,120	D/A 45 days	4
		〃	a	Purchase	980	〃	-
		〃	a	Accounts receivable	1,953,411	〃	1
		〃	a	Accounts payable	3,500	〃	-
1	Barits Development Corporation	Yue Yuen Industrial (Holdings) Limited	c	Operating revenue	67,911	〃	-
		〃	c	Accounts receivable	15,601	〃	-

Note 1: The Company and its subsidiaries are coded as follows:

a. The Company is coded “0”.
b. The subsidiaries are coded consecutively beginning from “1” in the order presented in the table above.

Note 2: Nature of relationship is as follows:

a. From the parent company to its subsidiary.
b. From a subsidiary to its parent company.
c. Between subsidiaries.

Note 3: The percentage calculation is based on the consolidated total operating revenue or total assets. For balance sheet items, each item’s period-end balance is shown as a percentage to consolidated total assets as of December 31, 2018. For profit or loss items, cumulative amounts are shown as a percentage to the consolidated total operating revenue for the year ended December 31, 2018.

TABLE 9

POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount: December 31, 2018	Original Investment Amount: December 31, 2017	As of December 31, 2018: Shares	As of December 31, 2018: %	As of December 31, 2018: Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
Pou Chen Corporation	Wealthplus Holding Ltd.	British Virgin Islands	Investing in footwear, electronic and peripheral products	$ 295,429 (US$ 9,222,000)	$ 295,429 (US$ 9,222,000)	9,222,000	100.00	$ 75,550,960 (US$ 2,459,741,486)	$ 4,733,448 (US$ 157,074,980)	$ 4,733,448 (US$ 157,074,980)	
	Win Fortune Investments Limited	British Virgin Islands	Investing activities	3,230 (US$ 100,000)	3,230 (US$ 100,000)	100,000	100.00	2,059,924 (US$ 67,065,739)	104,198 (US$ 3,448,399)	104,198 (US$ 3,448,399)	
	Windsor Hotel Co., Ltd.	No. 610, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 407, Taiwan (ROC)	Entertainment and resort operations	450,000	450,000	10,000,000	100.00	102,868	12,145	12,145	
	Pou Shine Investment Co., Ltd.	No. 2, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)	Investing activities	1,124,667	1,124,667	133,094,460	100.00	2,982,038	185,180	185,180	
	Pan Asia Insurance Services Co., Ltd.	8F., No. 3, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)	Agency of property and casualty insurance	5,000	5,000	-	100.00	17,508	7,067	7,067	
	Barits Development Corp.	No. 2, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)	Import and export of shoe-related materials and investing activities	2,117,088	2,117,088	251,662,040	99.49	7,373,614	236,668	235,462	
	Pou Yuen Technology Co., Ltd.	No. 4, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)	Rental of real estate	966,449	966,449	28,437,147	97.82	295,986	39,115	38,264	
	Pro Arch International Development Enterprise Inc.	No. 8, Gongyequ 11th Rd., Xitun Dist., Taichung City 407, Taiwan (ROC)	Design and manufacture of footwear products	2,643,184	2,643,184	20,000,000	100.00	250,676	12,579	12,579	
	Pou Yii Development Co., Ltd.	1F., No. 71, Dadun 4th St., Nantun Dist., Taichung City 408, Taiwan (ROC)	Rental and sale of real estate	40,320	40,320	7,875,000	15.00	145,641	54,636	8,195	The Company and its associate hold 90.00%
	Wang Yi Construction Co., Ltd.	Rm. 1, 6F., No. 600, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 407, Taiwan (ROC)	Construction	7,700	7,700	601,755	7.82	-	(9,001)	5,011	The Company and its associate hold 97.57%
	Elitegroup Computer Systems Co., Ltd.	No. 239, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan (ROC)	Manufacturing of electronic components	3,364,570	3,434,638	70,066,949	12.57	1,384,079	20,412	2,566	The Company and its associate hold 19.50% and serve as director
	Techview International Technology Inc.	8F., No. 3, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)	Development and sales of TFT-LCD display	380,115	380,115	75	30.00	-	224	-	The Company and its associate hold 50.00%
	Ruen Chen Investment Holding Co., Ltd.	Rm. 1, 13F., No. 308, Sec. 2, Bade Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)	Investment holding	11,150,000	11,080,000	2,961,000,000	20.00	8,403,275	22,457,476	4,491,495	(Note 1)
Wealthplus Holdings Limited	Yue Yuen Industrial (Holdings) Ltd.	22nd Floor, C-Bons International Center,. 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Manufacturing and sale of athletic and casual footwear and sports apparel	24,199,976 (US$ 747,132,133)	24,199,976 (US$ 747,132,133)	806,836,663	49.90	63,459,718 (US$ 2,066,082,311)	9,258,196 (US$ 307,116,000)	4,513,184 (US$ 149,712,156)	The subsidiary in which the Company holds 50.97% indirectly at December 31, 2018 (Note 2)
	Silver Island Trading Ltd.	British Virgin Islands	Sale of electronic components	129,720 (US$ 4,000,000)	129,720 (US$ 4,000,000)	4,000,000	50.00	75,729 (US$ 2,465,527)	55,059 (US$ 1,784,693)	76,064 (US$ 2,465,527)	
	Venture Well Holdings Ltd.	British Virgin Islands	Sale of electronic components	332,638 (US$ 10,257,121)	332,638 (US$ 10,257,121)	10,121,521	31.55	160,685 (US$ 5,231,470)	5,228 (US$ 168,125)	1,650 (US$ 53,052)	
Win Fortune Investments Limited	Yue Yuen Industrial (Holdings) Ltd.	22nd Floor, C-Bons International Center,. 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Manufacturing and sale of athletic and casual footwear and sports apparel	404,026 (US$ 12,769,118)	404,026 (US$ 12,769,118)	17,307,172	1.07	1,361,951 (US$ 44,341,552)	9,258,196 (US$ 307,116,000)	96,801 (US$ 3,211,100)	The subsidiary in which the Company holds 50.97% indirectly at December 31, 2018 (Note 2)
Pou Shine Investments Co., Ltd.	Barits Development Corporation	No. 2, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)	Import and export of shoe-related materials and investing activities	2,583	2,583	323,370	0.13	9,434	236,668	303	Subsidiary
	Elitegroup Computer Systems Co., Ltd.	No. 239, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan (ROC)	Manufacturing of electronic components	373,347	384,804	11,457,179	2.06	226,325	20,412	419	The Company and its associate hold 19.50% and serve as director
	Techview International Technology Inc.	8F., No. 3, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)	Development and sales of TFT-LCD display	34,296	34,296	12	4.80	-	224	-	The Company and its associate hold 50.00%

(Continued)

Note 1: 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.

Note 2: The Company provided 61,295 thousand ordinary shares of Yue Yuen in the custody of the trust department of Mega Bank.

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2018	Original Investment Amount December 31, 2017	As of December 31, 2018 Shares	As of December 31, 2018 %	As of December 31, 2018 Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
Barits Development Corporation	Song Ming Investments Co., Ltd.	No. 2, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)	Investing activities	$ 1,218,879	$ 1,218,879	120,486,400	100.00	$ 2,095,304	$ 115,746	$ 115,746	
	Wang Yi Construction Co., Ltd.	Rm. 1, 6F., No. 600, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 407, Taiwan (ROC)	Construction	89,712	89,712	6,910,750	89.75	83,737	(9,001)	(8,078)	The Company and its associate hold 97.57%
	Pou Chin Development Co., Ltd.	10F., No. 600, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 407, Taiwan (ROC)	Agency of land demarcation	200,000	200,000	20,000,000	100.00	200,123	(793)	(793)	
	Yu Hong Development Co., Ltd.	13F., No. 600, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 407, Taiwan (ROC)	Development of real estate	240,000	10,000	24,000,000	100.00	176,164	(8,178)	(8,178)	
	Elitegroup Computer Systems Co., Ltd.	No. 239, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan (ROC)	Manufacturing of electronic components	348,159	372,268	24,109,451	4.32	476,246	20,412	883	The Company and its associate hold 19.50% and serve as director
	Techview International Technology Inc.	8F., No. 3, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)	Development and sales of TFT-LCD display	128,610	128,610	19	7.60	-	224	-	The Company and its associate hold 50.00%
Wang Yi Construction Co., Ltd.	Elitegroup Computer Systems Co., Ltd.	No. 239, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan (ROC)	Manufacturing of electronic components	30,838	31,762	924,148	0.17	18,256	20,412	34	The Company and its associate hold 19.50% and serve as director
Song Ming Investments Co., Ltd.	Pou Yii Development Co., Ltd.	1F., No. 71, Dadun 4th St., Nantun Dist., Taichung City 408, Taiwan (ROC)	Rental and sale of real estate	262,500	262,500	39,375,000	75.00	728,204	54,636	40,977	The Company and its associate hold 90.00%
	Pou Yuen Technology Co., Ltd.	No. 4, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)	Rental of real estate	21,240	21,240	578,170	1.99	12,507	39,115	778	Subsidiary
	Elitegroup Computer Systems Co., Ltd.	No. 239, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan (ROC)	Manufacturing of electronic components	21,725	23,873	2,147,558	0.38	42,424	20,412	79	The Company and its associate hold 19.50% and serve as director
Pou Yuen Technology Co., Ltd.	Vantage Capital Investments Limited	British Virgin Islands	Investment holding	215,342 (US$ 6,523,222)	215,342 (US$ 6,523,222)	14,539,767	100.00	24,468 (US$ 796,604)	(2,336) (US$ (77,590))	(2,336) (US$ (77,590))	
	Techview International Technology Inc.	8F., No. 3, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)	Development and sales of TFT-LCD display	128,597	128,597	19	7.60	-	224	-	The Company and its associate hold 50.00%
Yue Yuen Industrial (Holdings) Limited	Ace Top Group Limited	British Virgin Islands	Investment holding	-	15,865 (US$ 505,702)	-	-	-	-	-	
	Eagle Nice (International) Holdings Limited	British Cayman Islands	Manufacturing of wearing apparel and clothing accessories	1,325,223 (US$ 40,864,107)	1,325,223 (US$ 40,864,107)	192,000,000	38.42	2,225,485 (US$ 72,455,953)	629,044 (US$ 20,710,557)	241,678 (US$ 7,956,996)	
	Full Pearl International Ltd.	British Virgin Islands	Sale of women's shoes	381,878 (US$ 12,226,424)	381,878 (US$ 12,226,424)	1,319	40.04	437,835 (US$ 14,254,758)	23,759 (US$ 794,825)	9,513 (US$ 318,248)	
	Oftenrich Holdings Limited	Bermuda	Manufacturing and sale of footwear	1,339,783 (US$ 42,210,159)	1,339,783 (US$ 42,210,159)	5,400	45.00	2,309,826 (US$ 75,201,878)	298,175 (US$ 9,733,236)	134,179 (US$ 4,379,956)	
	Pine Wood Industries Limited	British Virgin Islands	Manufacturing and sale of fabric	92,393 (US$ 2,849,000)	92,393 (US$ 2,849,000)	2,849,000	37.00	188,830 (US$ 6,147,806)	6,947 (US$ 277,957)	2,571 (US$ 102,844)	
	Prosperous Industrial (Holdings) Ltd.	British Cayman Islands	Manufacturing and sale of gym bags	583,740 (US$ 18,000,000)	583,740 (US$ 18,000,000)	252,000,000	22.50	1,252,500 (US$ 40,778,113)	(446,986) (US$ (14,399,413))	(100,994) (US$ (3,239,868))	
	Supplyline Logistics Ltd.	Hong Kong	Logistics service provider	250,496 (US$ 7,813,063)	244,603 (US$ 7,617,946)	4,612	49.00	-	(16,532) (US$ (559,758))	-	
	San Fang Chemical Industry Co., Ltd.	ROC	Manufacturing and sale of synthetic leather	2,696,757 (US$ 83,192,794)	2,696,757 (US$ 83,192,794)	177,908,075	44.72	4,316,937 (US$ 140,548,163)	287,463 (US$ 9,574,396)	128,554 (US$ 4,281,670)	
	Evermore Chemical Industry Co., Ltd.	ROC	Manufacturing and sale of chemical materials	-	386,133 (US$ 12,264,331)	-	-	-	(2,361) (US$ (80,568))	(686) (US$ (23,405))	
	Zhuhai Poulik Properties Management Co., Ltd.	British Virgin Islands	Property management	-	49,734 (US$ 1,646,526)	-	-	-	-	-	
	Tien Pou International Ltd.	British Virgin Islands	Investment holding	369,662 (US$ 11,740,355)	369,662 (US$ 11,740,355)	11,600,000	40.00	79,477 (US$ 2,587,574)	(317,715) (US$ (10,562,603))	(127,086) (US$ (4,225,041))	
	Nan Pao Resins Chemical Co., Ltd.	ROC	Manufacturing and sale of chemical materials	539,797 (US$ 16,873,924)	539,797 (US$ 16,873,924)	21,205,248	17.59	1,682,363 (US$ 54,773,348)	801,928 (US$ 26,515,550)	140,748 (US$ 4,664,085)	
	Bigfoot Limited	British Virgin Islands	Fabric trade/dyeing, finishing and processing of fabric/footwear material fitting	138,837 (US$ 4,281,139)	138,837 (US$ 4,281,139)	3,964,188	48.76	136,986 (US$ 4,459,920)	(155,830) (US$ (5,037,979))	(75,983) (US$ (2,456,518))	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount: December 31, 2018	Original Investment Amount: December 31, 2017	As of December 31, 2018: Shares	As of December 31, 2018: %	As of December 31, 2018: Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
Yue Yuen Industrial (Holdings) Limited	Enthroned Group Limited	British Virgin Islands	Investment holding	$ 158 (US$ 4,876)	$ 158 (US$ 4,876)	4,876	48.76	$ 150 (US$ 4,876)	$ -	$ -	
	Just Lucky Investments Limited	British Virgin Islands	Property management	26,207 (US$ 808,130)	26,207 (US$ 808,130)	808,130	38.30	61,390 (US$ 1,998,691)	(13,279) (US$ (444,191))	(5,086) (US$ (170,125))	
	Natural Options Limited	British Virgin Islands	Manufacturing of foam	11,144 (US$ 343,638)	11,144 (US$ 343,638)	340,870	38.30	6,805 (US$ 221,553)	167 (US$ 5,300)	64 (US$ 2,030)	
	Original Designs Developments Limited	British Virgin Islands	Manufacturing of shoe last	-	40,156 (US$ 1,238,242)	-	-	-	39,446 (US$ 1,346,291)	19,514 (US$ 666,010)	
	Rise Bloom International Limited	Hong Kong	Investment holding	24,312 (US$ 760,000)	24,312 (US$ 760,000)	760,000	38.00	46,474 (US$ 1,513,059)	(71) (US$ (6,178))	(27) (US$ (2,348))	
	Prosperlink Limited	Samoa	Investment holding	17,432 (US$ 570,000)	17,432 (US$ 570,000)	570,000	38.00	23,301 (US$ 758,637)	2,402 (US$ 80,397)	913 (US$ 30,551)	
	Pou Ming Paper Products Manufacturing Co., Ltd.	British Virgin Islands	Manufacturing of paper products	66,937 (US$ 2,163,800)	66,937 (US$ 2,163,800)	1,000,000	20.00	25,222 (US$ 821,168)	31,034 (US$ 1,019,274)	6,207 (US$ 203,855)	
	Best Focus Holdings Ltd.	British Virgin Islands	Manufacturing and sale of shoe box	162,150 (US$ 5,000,000)	162,150 (US$ 5,000,000)	5,000,000	50.00	5,910 (US$ 192,424)	1,240 (US$ 41,034)	620 (US$ 20,517)	
	Great Skill Industrial Limited	British Virgin Islands	Manufacturing and sale of plastic shoe material injection crepe	68,882 (US$ 2,130,000)	68,882 (US$ 2,130,000)	2,130,000	50.00	98,541 (US$ 3,208,230)	36,971 (US$ 1,226,482)	18,485 (US$ 613,241)	
	Hua Jian Industrial Holding Co., Limited	British Virgin Islands	Manufacturing and sale of women's shoes	771,201 (US$ 23,780,485)	771,201 (US$ 23,780,485)	1	50.00	1,468,814 (US$ 47,820,725)	(335,319) (US$ (11,264,824))	(167,660) (US$ (5,632,412))	
	Jumbo Power Enterprises Limited	British Virgin Islands	Manufacturing and sale of footwear	259,742 (US$ 8,000,000)	259,742 (US$ 8,000,000)	50	50.00	538,827 (US$ 17,542,789)	18,772 (US$ 532,664)	9,386 (US$ 266,332)	
	Ka Yuen Rubber Factory Limited	British Virgin Islands	Manufacturing and sale of rubber sole	564,782 (US$ 17,500,000)	564,782 (US$ 17,500,000)	17,500,000	50.00	733,645 (US$ 23,885,570)	383,043 (US$ 12,701,226)	191,522 (US$ 6,350,613)	
	Willpower Industries Limited	British Virgin Islands	Manufacturing and sale of paper products	221,001 (US$ 6,950,000)	221,001 (US$ 6,950,000)	6,950,000	44.84	803,420 (US$ 26,157,262)	144,353 (US$ 4,758,292)	64,728 (US$ 2,133,618)	
	Blessland Enterprises Limited	British Virgin Islands	Manufacturing and sale of insole	39,852 (US$ 1,232,414)	39,852 (US$ 1,232,414)	1,175,000	50.00	36,968 (US$ 1,203,596)	3,849 (US$ 125,931)	1,924 (US$ 62,966)	
	Cohen Enterprises Inc.	British Virgin Islands	Manufacturing and sale of footwear leather products	623,276 (US$ 20,215,015)	623,276 (US$ 20,215,015)	20,000,000	50.00	539,966 (US$ 17,579,860)	(19,290) (US$ (612,703))	(9,644) (US$ (306,351))	
	Twinways Investments Limited	British Virgin Islands	Manufacturing and sale of footwear accessory injection crepe	551,432 (US$ 17,500,000)	551,432 (US$ 17,500,000)	17,500,000	50.00	1,315,862 (US$ 42,841,005)	513,675 (US$ 17,044,514)	256,837 (US$ 8,522,257)	
	Top Units Developments Ltd.	British Virgin Islands	Manufacturing of footwear accessories	418,997 (US$ 14,079,196)	418,997 (US$ 14,079,196)	5,390,000	49.00	517,955 (US$ 16,863,246)	354,202 (US$ 11,744,389)	173,559 (US$ 5,754,751)	

(Concluded)

TABLE 10

POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, US Dollars and Renminbi)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Great Team Backend Foundry, Inc.	Processing and manufacturing of transistors	$ 328,100 (US$ 10,000,000)	b	$ -	$ -	$ -	$ -	$ 14,546 (RMB 3,225,813)	6.89	$ -	$ 146,203 (RMB 32,693,068)	$ -	(Note 3)
Yue-Shen (Taicang) Footwear Co., Ltd.	Finished shoes, semi-finished products, components and production and marketing of moulds	554,646 (US$ 17,100,000)	b	-	-	-	-	6,798 (RMB 1,429,922)	31.77	2,087 (RMB 438,644) b, 1)	243,741 (RMB 54,503,853)	-	
Dongguan Yuming Electronic Technology Co., Ltd.	Production and marketing of over 17 inches color-image monitor, motherboards and other products	475,745 (US$ 14,500,000)	b	-	-	-	-	2,198 (RMB 486,869)	100.00	2,198.0 (RMB 486,869) b, 1)	71,297 (RMB 15,942,987)	-	
Dongguan Gaocheng Precision Injection Molding Technology Co., Ltd.	Mould, plastic case for mobile phones	395,526 (US$ 12,055,034)	b	-	-	-	-	196 (RMB 40,472)	100.00	196 (RMB 40,472) b, 2)	51,721 (RMB 11,565,424)	-	
Haicheng (Shanghai) Information Technology Co., Ltd.	Sales and production of desktop computers, notebook computers, CRT monitors, PDA handheld computers, etc.	393,720 (US$ 12,000,000)	b	-	-	-	-	-	50.00	- b, 2)	-	-	
Yue Cheng (Kun Shan) Sports Co., Ltd.	Operating sporting goods and equipment, spare parts production and marketing business	435,402 (US$ 14,200,000)	b	-	-	-	-	255,882 (RMB 56,124,784)	31.77	80,265 (RMB 17,606,522) b, 1)	846,278 (RMB 189,239,322)	-	
Zhongshan Bao Ji Clothing Co., Ltd.	Production and marketing of sportswear	82,025 (US$ 2,500,000)	b	-	-	-	-	(33,995) (RMB (7,382,337))	48.55	(16,260) (RMB (3,531,317)) b, 1)	5,836 (RMB 1,304,905)	-	
Dongguan Baoqiao Electronic Technology Co., Ltd.	Production and marketing of other optical appliances and instruments	147,645 (US$ 4,500,000)	b	-	-	-	-	19,617 (RMB 4,338,812)	100.00	19,617 (RMB 4,338,812) b, 2)	127,639 (RMB 28,541,904)	-	
Long Chuan Pou Yuan Shoe Co., Ltd.	Production of sports shoes, casual shoes, leather shoes and other footwear	262,480 (US$ 8,000,000)	b	-	-	-	-	-	50.97	- b, 1)	-	-	
Poushun Paper Products Manufacturing Co., Ltd.	Production and sale of shoe inner boxes, cartons	68,901 (US$ 2,100,000)	b	-	-	-	-	(631) (RMB (138,454))	10.19	(61) (RMB (13,353)) b, 1)	10,018 (RMB 2,240,144)	-	
Beijing Advazone Electronic Limited Company	Development and production of computer software	512,019 (US$ 16,100,000)	b	-	-	-	-	(14) (RMB (3,085))	31.91	(4) (RMB (958)) b, 2)	34,651 (RMB 7,748,438)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds: Outward	Remittance of Funds: Inward	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
Pouhong Footwear Industrial Ltd.	Production and operation of leisure shoes, sports shoes	$ 49,215 (US$ 1,500,000)	b	$ -	$ -	$ -	$ -	$ 12,041 (RMB 2,637,792)	50.97	$ 6,061 (RMB 1,327,842) b, 1)	$ 40,292 (RMB 9,009,898)	$ -	
Shanggao Yisen Industry Co., Ltd.	Production and sale of finished shoes, semi-finished products, components and moulds	660,404 (US$ 20,390,000)	b	-	-	-	-	131,729 (RMB 29,067,787)	50.97	66,486 (RMB 14,671,546) b, 1)	772,687 (RMB 172,783,291)	-	
Bao Hong (Yangzhou) Shoes Co., Ltd.	Production of needles, woven garments, footwear and sales of self-produce products	1,841,686 (US$ 61,291,800)	b	-	-	-	-	(104,568) (RMB (22,930,419))	50.97	(52,597) (RMB (11,534,593)) b, 1)	586,591 (RMB 131,169,675)	-	
Dong Guan Yu Yuen Mold Co., Ltd.	Production and sale of molds for non-metallic products	62,011 (US 1,890,000)	b	-	-	-	-	3,080 (RMB 673,335)	50.97	1,549 (RMB 338,516) b, 1)	41,456 (RMB 9,270,228)	-	
Zhong Shan Glory Shoes Ind., Ltd.	Production and operation of various types of leather shoes products	951,490 (US$ 29,000,000)	b	-	-	-	-	737,747 (RMB 162,290,697)	22.94	166,610 (RMB 36,655,019) b, 2)	583,234 (RMB 130,418,970)	-	
Zhong Shan Lu Mei Da Shoes Ind., Ltd.	Production and operation of various types of leather shoes products	39,372 (US$ 1,200,000)	b	-	-	-	-	634 (RMB 138,729)	22.94	144 (RMB 31,409) b, 2)	10,089 (RMB 2,256,020)	-	
Yin Hwa Precision Lasts Company Limited	Production of plastic shoe lasts	47,575 (US$ 1,450,000)	b	-	-	-	-	6,372 (RMB 1,381,958)	-	1,576 (RMB 341,896) b, 1)	-	-	
Zhong Ao Multiplex Management Group Co., Ltd.	Stadium management, wholesale and retail of clothing and footwear accessories	2,055,560 (RMB 431,795,000)	b	-	-	-	-	614,634 (RMB 134,957,738)	20.29	122,604 (RMB 26,923,251) b, 1)	596,329 (RMB 133,347,179)	-	
ShangGao Yisen Ka Yuen Industry Co., Ltd.	Production and sale of footwear products	77,432 (US$ 2,360,000)	b	-	-	-	-	17,623 (RMB 3,862,448)	25.49	4,430 (RMB 971,053) b, 1)	25,229 (RMB 5,641,546)	-	
Bao Sheng Dao Ji (BeiJing) Trading Company Ltd.	Retail business of sports goods and accessories	1,988,061 (US$ 65,000,000)	b	-	-	-	-	(1,177) (RMB (258,082))	31.77	(144) (RMB (31,447)) b, 1)	1,063,808 (RMB 237,882,032)	-	
Qingdao Pou-Sheng International Sport Products Co., Ltd.	Sales of sports and leisure shoes and accessories	94,800 (RMB 20,000,000)	b	-	-	-	-	274,216 (RMB 60,200,335	22.87	61,988 (RMB 13,609,531) b, 1)	167,692 (RMB 37,498,188)	-	
Guizhou Pou-Sheng Sport Products Co., Ltd.	Sales of sports and leisure shoes and accessories	322,886 (US$ 10,000,000)	b	-	-	-	-	4,841 (RMB 1,152,859)	31.77	1,492 (RMB 355,857) b, 1)	65,283 (RMB 14,598,213)	-	
Nanning Pou-Kung Sport Products Co., Ltd.	Retail business of sports goods and accessories	42,653 (US$ 1,300,000)	b	-	-	-	-	(22,153) (RMB (48,975,440))	31.77	(6,985) (RMB (1,544,179)) b, 1)	(1,636) (RMB (365,801))	-	
Shanghai Pou-Yuen Sport Products Business Trading Co., Ltd.	Retail business of sports goods and accessories	946,050 (US$ 30,000,000)	b	-	-	-	-	609,627 (RMB 132,747,995)	31.77	191,383 (RMB 41,676,850) b, 1)	1,202,746 (RMB 268,950,292)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Diodite (China) Sports Good Co., Ltd.	Retail and wholesale business of sporting goods and accessories	$ 639,800 (US$ 20,000,000)	b	$ -	$ -	$ -	$ -	$ 2,143 (RMB 469,969)	31.77	$ 672 (RMB 147,460) b, 1)	$ 44,908 (RMB 10,042,073)	$ -	
Taicang YYSPORTS Business Trading Co., Ltd.	Retail business of sports goods and accessories series products	164,050 (US$ 5,000,000)	b	-	-	-	-	9,766 (RMB 2,113,894)	31.77	3,055 (RMB 661,241) b, 1)	131,666 (RMB 29,442,380)	-	
Yangzhou Baoyi Shoes Manufacturing Co., Ltd.	Vulcanized shoes, sports shoes, leisure shoes and other footwear manufacturing, marketing	729,906 (US$ 22,456,800)	b	-	-	-	-	77,507 (RMB 17,316,165)	25.49	19,620 (RMB 4,383,165) b, 1)	259,312 (RMB 57,985,622)	-	
Dalian YYSPORTS Sport Industrial Development Co., Ltd.	Development and sale of sports goods, clothing, shoes and hats, fitness equipment and related products	928,000 (RMB 200,000,000)	b	-	-	-	-	(1,614) (RMB (353,855))	31.77	(482) (RMB (105,622)) b, 1)	461,818 (RMB 103,268,707)	-	
YYSPORTS (Chengdu) Business Trading Co., Ltd.	Retail business of sports goods and accessories	689,194 (US$ 22,400,000)	b	-	-	-	-	(72,721) (RMB (15,998,053))	31.77	(22,853) (RMB (5,027,794)) b, 1)	166,755 (RMB 37,288,791)	-	
Fujian Baomin Sporting Goods Co., Ltd.	Retail business of sports goods and accessories	147,645 (US$ 4,500,000)	b	-	-	-	-	(5,733) (RMB (1,226,643))	28.60	(1,615) (RMB (345,578)) b, 1)	70,333 (RMB 15,727,407)	-	
Guangzhou Pou-Yuen Trading Co., Ltd.	Retail business of sports goods and accessories	710,251 (US$ 23,310,000)	b	-	-	-	-	(7,920) (RMB (1,884,937))	31.77	(2,570) (RMB (609,990)) b, 1)	258,074 (RMB 57,708,759)	-	
Dragon Light (China) Sporting Goods Co., Ltd.	Development and sale of sports goods, clothing, shoes and hats, fitness equipment and related products	2,111,340 (US$ 66,000,000)	b	-	-	-	-	(357,698) (RMB (76,780,847))	31.77	(111,849) (RMB (24,008,441)) b, 1)	515,163 (RMB 115,197,351)	-	
Shend Dao (Yang Zhou) Sporting Goods Dev Co., Ltd.	Shopping mall management and property management	2,111,340 (US$ 66,000,000)	b	-	-	-	-	125,342 (RMB 27,102,395)	31.77	39,266 (RMB 8,490,846) b, 1)	679,609 (RMB 151,969,823)	-	
Zhong Shan Pou Feng Mold Limited	Production and operation mould	85,306 (US$ 2,600,000)	b	-	-	-	-	1,248 (RMB 275,568)	50.97	629 (RMB 138,861) b, 1)	43,095 (RMB 9,636,631)	-	
Fanchang Yuxiang Enterprise Development Co., Ltd.	Production and sale of garments, shoes and related products, semi-finished products and bags, etc.	383,800 (US$ 12,000,000)	b	-	-	-	-	18 (RMB 3,894)	50.97	9 (RMB 1,953) b, 1)	4 (RMB 874)	-	
Dong Guan Pou Yuan Paper Products Ltd.	Production and sales of packaging and decoration prints	56,436 (US$ 1,750,000)	b	-	-	-	-	(2,931) (RMB (621,477))	50.97	(1,468) (RMB (311,150)) b, 1)	15,064 (RMB 3,368,484)	-	
Zhong Shan O Li Su Shoe Making Machine Ltd.	Manufacturing shoes and boots or repairing machinery	157,134 (US$ 5,100,000)	b	-	-	-	-	(21,805) (RMB (4,771,439))	50.97	(10,964) (RMB (2,399,428)) b, 2)	36,635 (RMB 8,191,986)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Shaanxi Pousheng Trading Co., Ltd.	Engaged in wholesale, retail and import and export business of sports goods, fitness equipment and sportswear	$ 2,012,320 (US$ 66,000,000)	b	$ -	$ -	$ -	$ -	$ 994,457 (RMB 215,672,986)	31.77	$ 311,373 (RMB 67,531,713) b, 1)	$ 2,092,256 (RMB 467,856,866)	$ -	
Taicang Yue-Shen Sporting Goods Co., Ltd.	Engaged in the production and sales of shoe products, semi-finished products, moulds and related sports goods.	393,720 (US$ 12,000,000)	b	-	-	-	-	(9,734) (RMB (2,101,491))	31.77	(3,043) (RMB (656,963)) b, 1)	511,708 (RMB 114,424,964)	-	
Hangzhou Pou-Hung Sport Products Co., Ltd.	Design, development, production and processing of sports goods, sports instruments, sportswear, sports shoes and accessories	67,308 (RMB 14,200,000)	b	-	-	-	-	-	15.89	- b, 1)	4,261 (RMB 952,720)	-	
Yangzhou Yijian Software Tech Co., Ltd.	Integration of software and hardware sales service systems (excluding IC design)	35,803 (US$ 1,170,000)	b	-	-	-	-	1,318 (RMB 290,872)	50.97	665 (RMB 146,652) b, 1)	2,800 (RMB 626,009)	-	
Rui Jin Pou Yuen Footwear Development Co., Ltd.	Production and sale of sports shoes, leisure shoes and semi-finished products	356,697 (US$ 12,000,000)	b	-	-	-	-	(8,860) (RMB (1,820,845))	50.97	(4,376) (RMB (898,360)) b, 1)	195,533 (RMB 43,723,791)	-	
Yang Xin Pou Jia Shoes Manufacturing Co., Ltd.	Production and sale of shoes uppers, footwear and garments	1,391,195 (US$ 45,500,000)	b	-	-	-	-	154,447 (RMB 33,958,928)	50.97	78,053 (RMB 17,162,369) b, 1)	771,087 (RMB 172,425,475)	-	
Bou Jin (Yangzhou) Garments Co., Ltd.	Production and sale of sportswear, casual wear, etc.	698,853 (US$ 21,300,000)	b	-	-	-	-	(98,100) (RMB (21,184,347))	20.39	(19,674) (RMB (4,248,686)) b, 1)	18,953 (RMB 4,238,122)	-	
Jiangxi Province Yutai Shoe Co., Ltd.	Production and sale of footwear products and semi-finished products	468,425 (US$ 15,000,000)	b	-	-	-	-	7,093 (RMB 1,555,571)	50.97	3,676 (RMB 806,115) b, 1)	(69,295) (RMB (15,495,283))	-	
Dongguan Yu Xiang Shoes Material Co., Ltd.	Production and sale of footwear products	295,820 (US$ 9,500,000)	b	-	-	-	-	22,687 (RMB 5,290,949)	50.97	11,650 (RMB 2,713,728) b, 1)	213,745 (RMB 47,796,191)	-	
Fan-Chang Yue-Shen Sporting Goods Co., Ltd.	Production and sale of garments, shoes and related products, semi-finished products and bags, etc.	128,600 (US$ 4,000,000)	b	-	-	-	-	336 (RMB 72,546)	31.77	105 (RMB 22,675) b, 1)	-	-	
Chen Zhou Glory Shoes Ind., Ltd.	Production and sale of sports shoes, leisure shoes and leather shoes and semi-finished products	59,610 (US$ 2,000,000)	b	-	-	-	-	(87) (RMB (18,933))	22.94	(20) (RMB (4,281)) b, 2)	13,582 (RMB 3,037,025)	-	
Jiang Xi Hwa Ching Foam Ltd.	Manufacturing and sale of plastic foam, plastic packaging materials and other plastic products	63,600 (US$ 2,000,000)	b	-	-	-	-	2,808 (RMB 627,870)	19.37	542 (RMB 121,198) b, 1)	16,453 (RMB 3,679,015)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Dong Guan Yue Tai Shoe Material Company Limited	Production and sale of footwear products	$ 70,153 (US$ 2,202,580)	b	$ -	$ -	$ -	$ -	$ (4,638) (RMB (1,020,717))	25.49	$ (1,169) (RMB (257,375)) b, 1)	$ 16,174 (RMB 3,616,676)	$ -	
Yue Yuen (Anfu) Footwear Co., Ltd.	Production and marketing of finished shoes, semi-finished products and components and modules	1,763,350 (US$ 60,000,000)	b	-	-	-	-	189,733 (RMB 41,518,580)	50.97	95,518 (RMB 20,903,160) b, 1)	980,456 (RMB 219,243,364)	-	
Dong Guan Bao Yu Shoes Co., Ltd.	Production and sale of sports shoes, leisure shoes, leather shoes, children's shoes, semi-finished footwear and footwear materials	66,780 (US$ 2,100,000)	b	-	-	-	-	-	50.97	- b, 1)	36,735 (RMB 8,214,426)	-	
Beijing Baojing Kang Tai Trading Co., Ltd.	Wholesale and retail of sporting goods, sporting instruments and clothing, shoes and hats	261,797 (US$ 8,940,000)	b	-	-	-	-	(8,088) (RMB (1,817,004))	15.89	(1,258) (RMB (282,719)) b, 1)	54,073 (RMB 12,091,509)	-	
Kunshan Xin Dong Sports Co., Ltd.	Wholesale, import, export and packaging of sports goods, sports instruments, clothing, shoes, caps	29,101 (US$ 999,000)	b	-	-	-	-	69 (RMB 15,102)	31.77	22 (RMB 4,738) b, 1)	7,352 (RMB 1,644,084)	-	
Kun Shan Pou-chi Sports Co., Ltd.	Wholesale, commission agency, import and export business of sports goods, sports equipment, clothing, shoes, caps and packaging and related design, technical consultation and service	399,539 (US$ 13,500,000)	b	-	-	-	-	207,086 (RMB 45,615,302)	31.77	65,050 (RMB 14,329,555) b, 1)	220,809 (RMB 49,375,927)	-	
Yangzhou Baoyuan Shoes Co., Ltd.	Production and sale of sports shoes, sportswear, leisure shoes and sports goods	145,650 (US$ 5,000,000)	b	-	-	-	-	-	31.77	- b, 1)	-	-	
Dongguan Yuancheng Shoes Material Co., Ltd.	Production and sale of footwear products	89,382 (US$ 2,750,000)	b	-	-	-	-	(633) (RMB (138,439))	25.49	(159) (RMB (34,741)) b, 1)	22,617 (RMB 5,057,470)	-	
Dongguan De Chang Zi Xun Co., Ltd.	Business management consultation, marketing planning and other services	10,290 (US$ 350,000)	b	-	-	-	-	7,836 (RMB 1,721,524)	50.97	3,945 (RMB 866,641) b, 1)	15,917 (RMB 3,559,253)	-	
Zhong Shan Bao Song Zi Xun Co., Ltd.	Business management consultation, marketing planning and other services	10,290 (US$ 350,000)	b	-	-	-	-	10,101 (RMB 2,187,578)	50.97	5,066 (RMB 1,097,099) b, 1)	13,624 (RMB 3,046,620)	-	
Yiyang Yujing Shoes Industrial Co., Ltd.	Production and sale of finished and semi-finished sports shoes and leisure shoes	743,983 (US$ 24,000,000)	b	-	-	-	-	(59,654) (RMB (13,199,352))	50.97	(30,072) (RMB (6,654,243)) b, 1)	33,531 (RMB 7,498,013)	-	
Dong Guan YuZhan Shoes Co., Ltd.	Prepare sports shoes, leisure shoes, leather shoes, children's shoes, semi-finished shoes and shoes material items	557,490 (US$ 19,100,000)	b	-	-	-	-	-	50.97	- b, 1)	-	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds Outward	Remittance of Funds Inward	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
Jiangxi Uniscien Consulting Co., Ltd.	Business management consultation, marketing planning and other services	$ 10,442 (US$ 350,000)	b	$ -	$ -	$ -	$ -	$ 4,409 (RMB 967,418)	50.97	$ 2,218 (RMB 486,717) b, 1)	$ 13,644 (RMB 3,050,920)	$ -	
Pei Xian Bao Yi Shoes Manufacturing Co., Ltd.	Production and sale of finished and semi-finished sports shoes and leisure shoes	287,250 (US$ 10,000,000)	b	-	-	-	-	(148) (RMB (31,932))	-	(37) (RMB (7,992)) b, 1)	-	-	
Yu Xing (Jishui) Footwear Co., Ltd.	Production and sale of sports shoes	183,840 (US$ 6,400,000)	b	-	-	-	-	2,641 (RMB 579,239)	50.97	1,405 (RMB 308,135) b, 1)	(105,584) (RMB (23,609,977))	-	
Dongguan Xingtai Consulting Co., Ltd.	Business management consultation, marketing planning and other services	41,945 (US$ 1,400,000)	b	-	-	-	-	8,396 (RMB 1,839,495)	50.97	4,222 (RMB 925,119) b, 1)	30,345 (RMB 6,785,617)	-	
Yang Xin Zhang Yuan Shoe Co., Ltd.	Production and sale of footwear products	61,029 (US$ 2,100,000)	b	-	-	-	-	(1,782) (RMB (390,764))	25.49	(448) (RMB (98,298)) b, 1)	7,607 (RMB 1,700,933)	-	
YangXin Pou Jia Yuen Shoes Manufacturing Co., Ltd.	Production and sale of rubber soles	72,990 (US$ 2,500,000)	b	-	-	-	-	10,854 (RMB 2,378,916)	25.49	2,728 (RMB 597,985 b, 1)	20,272 (RMB 4,533,146)	-	
Pou Sheng (China) Investment Co., Ltd.	Business of investment, technical services and wholesale, import and export sports goods, sportswear, sports shoes and leisure shoes	4,550,741 (US$ 152,922,400)	b	-	-	-	-	(60,556) (RMB (13,686,065))	31.77	(19,151) (RMB (4,327,863)) b, 1)	1,209,177 (RMB 270,388,471)	-	
Yichun Yisen Industry Co., Ltd.	Production and sale of footwear and mold products	410,130 (US$ 14,000,000)	b	-	-	-	-	49,981 (RMB 10,995,777)	50.97	25,116 (RMB 5,525,930 b, 1)	328,743 (RMB 73,511,465)	-	
Zhong Xiang Yue-Shen Sporting Goods Co., Ltd.	Production, processing of shoes, semi-finished products, moulds and related sporting goods, sales of self-produce products	94,380 (US$ 3,250,000)	b	-	-	-	-	(307,971) (RMB (66,803,022))	50.97	(153,976) (RMB (33,399,516)) b, 1)	(5,597) (RMB (1,251,538))	-	
Dong Guan Yurui Electronic Technology Co., Ltd.	Processing and manufacturing of electronic products such as computer peripheral equipment	87,120 (US$ 3,000,000)	b	-	-	-	-	-	50.97	- b, 1)	-	-	
Zhang Shan Shi Bi Fu Material Co., Ltd.	Production and operation of knitted fabrics and carbon fiber shoes, especially for shoes, sports shoes, etc.	43,290 (US$ 1,395,100)	b	-	-	-	-	3,494 (RMB 784,822)	24.85	871 (RMB 195,515 b, 1)	11,213 (RMB 2,507,485)	-	
Dong Guan Pou Chen Footwear Company Limited	Production and sale of footwear products, semi-finished footwear products and accessories, moulding tools and engaged in the wholesale and import and export business of footwear products	850,131 (RMB 177,000,000)	b	-	-	-	-	217,372 (RMB 46,515,795)	50.97	108,916 (RMB 23,305,276 b, 1)	855,560 (RMB 191,314,948)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Dongguan Yusheng Shoe Industry Co., Ltd.	Production and sale of finished shoes, semi-finished shoes and mold products and engaged in research and development of shoes, finished shoes, mold products	$ 883,824 (RMB 184,000,000)	b	$ -	$ -	$ -	$ -	$ 61,518 (RMB 13,507,462)	50.97	$ 30,986 (RMB 6,804,113 b, 1)	$ 850,736 (RMB 190,236,230)	$ -	
Dong Guan Yue Yuan Footwear Products Company Limited	Production and sale of footwear products, semi-finished footwear products, mold products and engaged in wholesale and import and export business of footwear products	860,086 (RMB 179,000,000)	b	-	-	-	-	19,975 (RMB 4,435,938)	50.97	10,070 (RMB 2,236,390 b, 1)	295,430 (RMB 66,062,225)	-	
Dong Guan Yue Lei Plastic Company Limited	Prepare for research and development of shoe materials and composite materials	37,960 (RMB 7,800,000)	b	-	-	-	-	-	50.97	- b, 1)	-	-	
Jilin Xinfangwei Sports Goods Company Limited	Sports goods sales	196,160 (RMB 40,000,000)	b	-	-	-	-	-	15.89	- b, 1)	-	-	
Zhang Yuan (Dong Guan) Shoe Materials Co., Ltd.	Prepare for research and development of shoe materials and composite materials	114,804 (RMB 23,000,000)	b	-	-	-	-	36,740 (RMB 8,023,504)	25.49	9,247 (RMB 2,019,446) b, 1)	37,887 (RMB 8,472,100)	-	
Dong Guan Jia Yuan Shoe Materials Products Company Limited	Prepare shoe material	108,805 (RMB 21,600,000)	b	-	-	-	-	974 (RMB 221,686)	50.97	491 (RMB 111,767) b, 1)	51,461 (RMB 11,507,358)	-	
Dong Guan Yue Guan Paper Products Co., Ltd.	Production and sale of cartons and engaged in research and development of cartons	48,693 (RMB 10,000,000)	b	-	-	-	-	521 (RMB 117,179)	10.19	53 (RMB 11,861) b, 1)	4,491 (RMB 1,004,299)	-	
Kun Shan YYSPORTS E-Commerce Co., Ltd.	Network technology development, technical consultation, technical services and retail and wholesale of sports goods, sports equipment	89,367 (US$ 3,000,000)	b	-	-	-	-	(31,176) (RMB (7,026,931))	31.77	(9,818) (RMB (2,212,998)) b, 1)	(4,092) (RMB (915,044))	-	
Hunan Huaqing Foam Products Co., Ltd.	Processing and production of plastic foam, foam daily products, shoe products and composite products	76,819 (US$ 2,500,000)	b	-	-	-	-	(1,814) (RMB (392,259))	6.78	(122) (RMB (26,346)) b, 1)	4,474 (RMB 1,000,403)	-	
Kun Shan Taisong Trading Co., Ltd.	Wholesale and retail of clothing, footwear, glasses and watches	790,110 (US$ 26,500,000)	b	-	-	-	-	(215,726) (RMB (47,247,116))	31.77	(67,654) (RMB (14,818,116)) b, 1)	(102,497) (RMB (22,919,818))	-	
Dong Guan Artesol Trading Co., Ltd.	Wholesale of adhesives, glue rubber, shoe materials and their supporting products, etc.	9,138 (US$ 300,000)	b	-	-	-	-	226 (RMB 49,109)	-	113 (RMB 24,550) b, 1)	-	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Shanghai Pou-Lo Sport Culture Co., Ltd.	Management consultants, wholesale of sports goods and equipment wholesale, other sports services and other art performance assistant services	$ 16,093 (US$ 500,000)	b	$ -	$ -	$ -	$ -	$ (641) (RMB (140,524))	31.77	$ (185) (RMB (40,565)) b, 1)	$ (3,020) (RMB (675,388))	$ -	
Kun Shan Pou-Han Sport Culture Development Co., Ltd.	Management consultants, wholesale of sports goods and equipment wholesale, other sports services and other art performance assistant services	48,278 (US$ 1,500,000)	b	-	-	-	-	4,495 (RMB 988,580)	31.77	1,414 (RMB 311,054) b, 1)	14,529 (RMB 3,248,906)	-	
Yisen (YiFeng) Mould Co., Ltd.	Production and sale of mould products	479,284 (US$ 14,850,000)	b	-	-	-	-	(16,124) (RMB (3,487,312))	50.97	(8,094) (RMB (1,750,556)) b, 1)	198,249 (RMB 44,331,214)	-	
Zhu Hai Yu Yuan Industrial Co., Ltd.	Processing, production and sale of footwear products	1,408 (RMB 300,000)	b	-	-	-	-	4,365 (RMB 966,993)	50.97	2,226 (RMB 493,049) b, 1)	36,620 (RMB 8,188,677)	-	
Yang Xin Pou Shou Sporting Goods Co., Ltd.	Processing, production and sale of footwear products	236,574 (US$ 7,800,000)	b	-	-	-	-	(43,873) (RMB (9,454,613))	50.97	(21,962) (RMB (4,732,727)) b, 1)	88,858 (RMB 19,869,925)	-	
Zhang Yuan (Yi Feng)Shoe Materials Co., Ltd.	Production, sales and development of shoe materials and composite materials	14,222 (US$ 470,000)	b	-	-	-	-	590 (RMB 132,973)	-	150 (RMB 33,825) b, 1)	-	-	
Changsha YYSPORTS Sport Products Co., Ltd.	Sales of sports goods and equipments	22,825 (RMB 5,000,000)	b	-	-	-	-	21,371 (RMB 4,756,287)	31.77	6,736 (RMB 1,499,202) b, 1)	3,034 (RMB 678,469)	-	
Henan YYSPORTS Sport Products Co., Ltd.	Retail business of sports goods and accessories	9,130 (RMB 2,000,000)	b	-	-	-	-	130,641 (RMB 28,466,560)	31.77	40,979 (RMB 8,929,569) b, 1)	92,038 (RMB 20,581,054)	-	
Shenyang Pou-Yi Trading Co., Ltd.	Retail business of sports goods and accessories	182,600 (RMB 40,000,000)	b	-	-	-	-	(26,766) (RMB (5,770,473))	31.77	(8,332) (RMB (1,796,126)) b, 1)	12,819 (RMB 2,866,454)	-	
Zhejiang shengdao Sporting-goods Co., Ltd.	Retail business of sports goods and accessories	228,250 (RMB 50,000,000)	b	-	-	-	-	349,598 (RMB 76,692,526)	31.77	109,728 (RMB 24,072,645) b, 1)	284,764 (RMB 63,677,001)	-	
Mudanjiang YYSPORTS Sport Technology Co., Ltd.	Sports service, research and development of sports fitness equipment and retail business of sports goods	4,565 (RMB 1,000,000)	b	-	-	-	-	4,476 (RMB 987,195)	31.77	1,409 (RMB 310,722) b, 1)	2,554 (RMB 571,065)	-	
Widevision Investment (Shenzhen) Co., Ltd.	Business management consulting, economic information consulting and market management planning	13,833 (RMB 3,000,000)	b	-	-	-	-	1,190 (RMB 274,961)	100.00	1,779 (RMB 401,841) b, 1)	9,506 (RMB 2,125,575)	-	

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
$ -	$ 20,898,020 (US$ 680,384,824)	$ 91,318,624

Note 1: Methods of investments have following types:

a. Direct investment in mainland China.
b. Indirect investment in the Company located in mainland China through a third place.
c. Other.

Note 2: Investment profit or loss recognized in the current period:

a. If it is in the preparation stage, there is no investment gains and losses, it should be noted.
b. The amount of investment gain (loss) was recognized in following bases:

1) Based on the financial statements audited by an ROC CPA firm cooperating with an international CPA firm.
2) Based on the financial statements audited by the auditor of parent company.

Note 3: Financial assets at FVTOCI

Note 4: The limitation of the amount is in accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" which was passed on August 29, 2008

(Concluded)

TABLE 10-1

POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, US Dollars and Renminbi)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Kunshan Yuanying Electronics Technology Co., Ltd.	Manufacturing and sale of alloy	$ 85,936 (US$ 2,620,000)	b	$ -	$ -	$ -	$ -	$ (5,189) (RMB(1,137,909))	100.00	$ (5,189) (RMB(1,137,909)) b, 2)	$ 79,218 (RMB 17,714,240)	$ -	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
$ -	$ 177,226 (US$ 5,770,000)	$ 377,300

Note 1: Methods of investments have following types:

a. Direct investment in mainland China.
b. Indirect investment in the Company located in mainland China through a third place.
c. Other.

Note 2: Investment profit or loss recognized in the current period

a. If it is in the preparation stage, there is no investment gains and losses, it should be noted.
b. The amount of investment gain (loss) was recognized on following bases:

1) Based on the financial statements audited by an ROC CPA firm cooperating with an international CPA firm.
2) Based on the financial statements audited by the auditor of parent company.

Note 3: The limitation of the amount is in accordance with the provisions of the “Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area” which was passed on August 29, 2008

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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, 2018 and 2017, 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 (collectively referred to as the "financial statements").

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, 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 based on our audits and the report of other auditors.

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2018. 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. Below is the key audit matter of the financial statements for the year ended December 31, 2018.

<u>Impairment Assessment on Goodwill - Investments Accounted for Using Equity Method</u>

As described in Notes 4, 5, 16 and Table 6 to the financial statements, any excess of investment cost over the fair value of the investee's net identifiable assets is recognized as goodwill. Management performs impairment test of goodwill in accordance with IAS 36.

Management evaluates impairment of an asset by estimating the recoverable amount of such an asset based on forecast sales, estimated future cash flows, and discount rate. Impairment test involves the management's critical estimations and judgments. Therefore, we considered impairment assessment of goodwill of investments accounted for using equity method as a key audit matter for the year ended December 31, 2018.

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, 2018 and 2017, the carrying amounts of the investment were $8,403,275 thousand and $16,659,984 thousand which constituted 7.32% and 14.40% of the Company's total assets, respectively. For the years ended December 31, 2018 and 2017, the profit of the associate which the Company recognized were $4,491,495 thousand and $3,775,090 thousand which constituted 38.69% and 28.29% 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 and 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, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

<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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 194,630	-	$ 1,199,584	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	5,005,749	4	-	-
Available-for-sale financial assets - current (Notes 4 and 9)	-	-	4,685,590	4
Financial assets at amortized cost - current (Notes 4 and 10)	689,271	1	-	-
Notes receivable (Notes 4 and 11)	1,180	-	54,923	-
Notes receivable from related parties (Notes 4, 11 and 32)	-	-	64	-
Accounts receivable (Notes 4 and 11)	1,127	-	48,466	-
Accounts receivable from related parties (Notes 4, 11 and 32)	1,981,697	2	1,445,747	2
Other receivables (Notes 4, 11 and 32)	344,215	-	257,958	-
Inventories (Notes 4 and 12)	52,092	-	38,650	-
Other current assets (Notes 4 and 13)	57,190	-	132,375	-
Total current assets	8,327,151	7	7,863,357	7
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	60,756	-	-	-
Held-to-maturity financial assets - non-current (Notes 4 and 14)	-	-	282,432	-
Financial assets measured at cost - non-current (Notes 4 and 15)	-	-	61,000	-
Investments accounted for using equity method (Notes 4 and 16)	98,566,569	86	100,234,720	87
Property, plant and equipment (Notes 4 and 17)	5,341,147	5	4,859,896	4
Investment properties (Notes 4 and 18)	1,985,597	2	2,039,425	2
Deferred tax assets (Notes 4 and 26)	4,532	-	3,510	-
Other non-current assets (Notes 4 and 13)	535,493	-	324,130	-
Total non-current assets	106,494,094	93	107,805,113	93
TOTAL	$ 114,821,245	100	$ 115,668,470	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	$ 14,654,000	13	$ 9,275,200	8
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	30,751	-	206,060	-
Notes payable (Notes 4 and 20)	7,678	-	47,850	-
Notes payable to related parties (Notes 4, 20 and 32)	74	-	11,211	-
Accounts payable (Notes 4 and 20)	1,224,211	1	1,123,244	1
Accounts payable to related parties (Notes 4, 20 and 32)	82,876	-	44,428	-
Other payables (Note 21)	1,954,626	2	2,352,183	2
Current tax liabilities (Notes 4 and 26)	717,895	-	1,006,020	1
Current portion of long-term borrowings (Note 19)	4,194,398	4	750,000	1
Other current liabilities	177,126	-	71,461	-
Total current liabilities	23,043,635	20	14,887,657	13
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 19)	12,905,602	11	16,250,000	14
Deferred tax liabilities (Notes 4 and 26)	291,324	-	125,106	-
Net defined benefit liabilities (Notes 4 and 22)	670,776	1	752,580	1
Other non-current liabilities (Note 16)	46,516	-	37,749	-
Total non-current liabilities	13,914,218	12	17,165,435	15
Total liabilities	36,957,853	32	32,053,092	28
EQUITY (Notes 4 and 23)				
Share capital				
Ordinary shares	29,467,872	26	29,467,872	25
Capital surplus	4,600,092	4	4,615,341	4
Retained earnings				
Legal reserve	13,811,050	12	12,518,889	11
Special reserve	13,917,230	12	13,636,368	12
Unappropriated earnings	38,360,517	33	37,294,138	32
Total retained earnings	66,088,797	57	63,449,395	55
Other equity	(22,293,369)	(19)	(13,917,230)	(12)
Total equity	77,863,392	68	83,615,378	72
TOTAL	$ 114,821,245	100	$ 115,668,470	100

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

(With Deloitte & Touche audit report dated March 25, 2019)

POU CHEN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 24 and 32)	$ 12,062,778	100	$ 11,704,905	100
OPERATING COSTS (Notes 25 and 32)	7,452,651	62	7,736,216	66
GROSS PROFIT	4,610,127	38	3,968,689	34
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	-	-	13,533	-
REALIZED GROSS PROFIT	4,610,127	38	3,982,222	34
OPERATING EXPENSES (Notes 22 and 25)				
Selling and marketing expenses	67,731	-	68,949	1
General and administrative expenses	2,286,232	19	1,785,903	15
Research and development expenses	1,778,265	15	1,648,447	14
Total operating expenses	4,132,228	34	3,503,299	30
INCOME FROM OPERATIONS	477,899	4	478,923	4
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 25 and 32)	589,671	5	670,751	6
Other gains and losses (Note 25)	1,026,890	8	(1,424,361)	(12)
Net loss on derecognition of financial assets at amortized cost	(224)	-	-	-
Finance costs (Note 25)	(319,999)	(3)	(313,483)	(3)
Share of the profit of subsidiaries and associates (Notes 4 and 16)	9,835,610	82	13,932,128	119
Total non-operating income and expenses	11,131,948	92	12,865,035	110
INCOME BEFORE INCOME TAX	11,609,847	96	13,343,958	114
INCOME TAX EXPENSE (Notes 4 and 26)	(901,201)	(7)	(422,352)	(3)
NET INCOME FOR THE YEAR	10,708,646	89	12,921,606	111

(Continued)

POU CHEN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	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 22)	$ (37,152)	-	$ (206,462)	(2)
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	316,990	2	-	-
Share of the other comprehensive loss of subsidiaries and associates	(378,343)	(3)	(179,045)	(1)
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	-	-	217,073	2
Share of the other comprehensive loss of subsidiaries and associates	(24,156,118)	(200)	(497,935)	(5)
Other comprehensive loss for the year, net of income tax	(24,254,623)	(201)	(666,369)	(6)
TOTAL COMPREHENSIVE (LOSS) INCOME	$ (13,545,977)	(112)	$ 12,255,237	105
EARNINGS PER SHARE (Note 27)				
Basic	$ 3.63		$ 4.38	
Diluted	$ 3.62		$ 4.37	

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

(With Deloitte & Touche audit report dated March 25, 2019) (Concluded)

POU CHEN CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(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 on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Others	Total Equity
BALANCE AT JANUARY 1, 2017	$ 29,467,872	$ 4,540,163	$ 11,213,184	$ 11,905,595	$ 32,214,698	$ 3,109,173	$ (16,745,893)	$ -	$ 352	$ 75,705,144
Appropriation of 2016 earnings (Note 23)										
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)	4,618,754	-	86	(666,369)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,536,099	(4,899,702)	4,618,754	-	86	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 23)	-	(47,650)	-	-	-	-	-	-	-	(47,650)
Share of changes in equities of subsidiaries (Notes 4 and 23)	-	(7,579)	-	-	-	-	-	-	-	(7,579)
Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 23)	-	130,407	-	-	-	-	-	-	-	130,407
BALANCE AT DECEMBER 31, 2017	29,467,872	4,615,341	12,518,889	13,636,368	37,294,138	(1,790,529)	(12,127,139)	-	438	83,615,378
Effect of retrospective application	-	-	-	-	292,111	-	12,127,139	1,860,011	(506,875)	13,772,386
BALANCE AT JANUARY 1, 2018 AS RESTATED	29,467,872	4,615,341	12,518,889	13,636,368	37,586,249	(1,790,529)	-	1,860,011	(506,437)	97,387,764
Appropriation of 2017 earnings (Note 23)										
Legal reserve	-	-	1,292,161	-	(1,292,161)	-	-	-	-	-
Special reserve	-	-	-	280,862	(280,862)	-	-	-	-	-
Cash dividends	-	-	-	-	(5,893,574)	-	-	-	-	(5,893,574)
	-	-	1,292,161	280,862	(7,466,597)	-	-	-	-	(5,893,574)
Net income for the year ended December 31, 2018	-	-	-	-	10,708,646	-	-	-	-	10,708,646
Other comprehensive (loss) income for the year ended December 31, 2018	-	-	-	-	(64,539)	1,478,405	-	(12,677,612)	(12,990,877)	(24,254,623)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	10,644,107	1,478,405	-	(12,677,612)	(12,990,877)	(13,545,977)
Change in capital surplus from investments in associates accounted for using the equity method (Notes 4 and 23)	-	404	-	-	(2,333,670)	-	-	2,333,670	-	404
Share of changes in equities of subsidiaries (Notes 4 and 23)	-	(15,653)	-	-	(69,572)	-	-	-	-	(85,225)
Change in equity for the year ended December 31, 2018	-	(15,249)	1,292,161	280,862	774,268	1,478,405	-	(10,343,942)	(12,990,877)	(19,524,372)
BALANCE AT DECEMBER 31, 2018	$ 29,467,872	$ 4,600,092	$ 13,811,050	$ 13,917,230	$ 38,360,517	$ (312,124)	$ -	$ (8,483,931)	$ (13,497,314)	$ 77,863,392

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

(With Deloitte & Touche audit report dated March 25, 2019)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 11,609,847	$ 13,343,958
Adjustments for:		
Depreciation expenses	298,587	261,758
Net gain on fair value change of financial instruments at FVTPL	(574,565)	(60,430)
Finance costs	319,999	313,483
Net loss on derecognition of financial assets at amortized cost	224	-
Interest income	(30,808)	(27,010)
Dividends income	(291,438)	(275,865)
Share of the profit of subsidiaries and associates	(9,835,610)	(13,932,128)
Net loss on disposal of property, plant and equipment	30,723	21,149
Realized gain on the transactions with subsidiaries	-	(13,533)
Unrealized loss on foreign currency exchange	6,014	3,203
Changes in operating assets and liabilities		
Financial instruments held for trading	-	285,121
Financial assets mandatorily at fair value through profit or loss	399,256	-
Notes receivable	53,743	(33,670)
Notes receivable from related parties	64	(47)
Accounts receivable	47,339	(18,962)
Accounts receivable from related parties	(535,950)	409,030
Other receivables	98,966	6,437
Inventories	(13,218)	37,607
Other current assets	74,933	(71,095)
Other operating assets	9,299	(24,766)
Notes payable	(40,172)	31,174
Notes payable to related parties	(11,137)	(14,513)
Accounts payable	100,967	(201,396)
Accounts payable to related parties	38,448	(56,825)
Other payables	(453,168)	850,727
Other current liabilities	105,665	(41,571)
Net defined benefit liabilities	(118,956)	(1,243,050)
Cash generated from (used in) operations	1,289,052	(451,214)
Interest paid	(302,729)	(305,514)
Income tax paid	(1,024,131)	(651,808)
Net cash used in operating activities	(37,808)	(1,408,536)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(692,670)	-
Proceeds from financial assets at amortized cost	279,488	-
Proceeds on sale of debt investments with no active market	-	90,493
Acquisition of associates under equity method	(70,000)	(82,000)
Acquisition of property, plant and equipment	(794,936)	(604,314)
Proceeds from disposal of property, plant and equipment	99,197	64,548
Increase in refundable deposits	(671)	(1,964)

(Continued)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Decrease in refundable deposits	$ 6,178	$ -
Loans to related parties	(189,000)	-
Increase in other current liabilities	(236,267)	-
Increase in prepayments for equipment	(3,667)	(13,974)
Increase in other prepayments	-	(226,594)
Interest received	34,691	29,825
Dividends received	932,160	4,471,593
Cash dividends from reduction of capital surplus from associates	70,067	-
Net cash (used in) generated from investing activities	(565,430)	3,727,613
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	5,378,800	2,760,200
Proceeds from long-term borrowings	3,500,000	-
Repayments of long-term borrowings	(3,400,000)	-
Cash dividend	(5,893,574)	(4,420,181)
Increase in guarantee deposits	13,059	-
Decrease in guarantee deposits	-	(305)
Net cash used in financing activities	(401,715)	(1,660,286)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,004,953)	658,791
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,199,584	540,793
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 194,631	$ 1,199,584

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

(With Deloitte & Touche audit report dated March 25, 2019) (Concluded)

POU CHEN CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(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 shares 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 25, 2019.

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 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 did not have any material impact on the Company's accounting policies:

   1) Annual Improvements to IFRSs 2014-2016 Cycle

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

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

2) IFRS 9 “Financial Instruments” and related amendments

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

Classification, measurement and impairment of financial assets

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

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

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,199,584	$ 1,199,584	
Structured deposits	Held-to-maturity	Amortized cost	172,557	172,557	a)
Equity securities	Available-for-sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	4,746,590	4,749,513	b)
Debt securities	Held-to-maturity	Amortized cost	109,875	109,875	c)
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	1,807,158	1,807,158	d)
Refundable deposits	Loans and receivables	Amortized cost	9,142	9,142	d)

Financial Assets	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifications	Remeasurements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI - equity instruments	$ -	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from available-for-sale (IAS 39)	-	4,685,590	-	4,685,590	-	-	b)
Remeasurement of financial assets measured at cost (IAS 39)	-	61,000	2,923	63,923	-	2,923	b)
	-	4,746,590	2,923	4,749,513	-	2,923	
Amortized cost	-	-	-	-	-	-	
Add: Reclassification from held-to-maturity (IAS 39)	-	282,432	-	282,432	-	-	a), c)
Add: Reclassification from loans and receivables (IAS 39)	-	3,015,884	-	3,015,884	-	-	d)
	-	3,298,316	-	3,298,316	-	-	
	$ -	$ 8,044,906	$ 2,923	$ 8,047,829	$ -	$ 2,923	
Investments accounted for using equity method	$ 100,234,720	$ -	$ 13,769,463	$ 114,004,183	$ 292,111	$ 13,477,352	e)

a) Structured deposits previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 have been measured at amortized cost with an assessment of expected credit losses under IFRS 9 because, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows on the basis of the facts and circumstances that existed as at January 1, 2018.

b) Equity security investments classified as available-for-sale under IAS 39 (recognized as “financial assets measured at cost - non-current”) were not held for trading; thus, the Company elected to designate those investments as at FVTOCI under IFRS 9. As a result, the related other equity - unrealized gain or loss on available-for-sale financial assets of $904,504 thousand was reclassified to other equity - unrealized gain or loss on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $2,923 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain or loss on financial assets at FVTOCI on January 1, 2018.

c) Investments previously classified as held-to-maturity financial assets and debt investments with no active market measured at amortized cost under IAS 39 are classified as at amortized cost under IFRS 9 because the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows on the basis of the facts and circumstances that existed as at January 1, 2018.

d) Notes receivable, accounts receivable, other receivables and refunds that were previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

f) As a result of the retrospective application of IFRS 9 by associates accounted for using the equity method, there was an increase in investments accounted for using the equity method of $13,769,463 thousand, an increase in other equity - unrealized gain or loss on financial assets at FVTOCI of $446,147 thousand, a increase in other equity - unrealized gain or loss on available-for-sale financial assets of $13,031,205 thousand and a increase in retained earnings of $292,111 thousand on January 1, 2018.

Classification and measurement of financial liabilities

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

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

Financial Liabilities	**Measurement Category**		**Carrying Amount**	
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**
Derivatives	Held-for-trading	Mandatorily at FVTPL	$ 206,060	$ 206,060

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

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

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

The amendments clarify that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the 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 a deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the 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.

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

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

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

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

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

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

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

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

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

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

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

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

1) IFRS 16 "Leases"

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

Definition of a lease

Upon initial application of IFRS 16, the Company will reassess whether a contract is a lease in accordance with the definition of a lease under IFRS 16. Part of contracts, which are currently identified as containing a lease under IAS 17 and IFRIC 4, will not meet the definition of a lease under IFRS 16 and will be accounted for in accordance with other standards because the customers do not have the right to direct the use of the identified assets.

The Company as lessee

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

The Company applied IFRS 16 retrospectively. Comparative information will not be restated.

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

The Company expects to apply the following practical expedients:

a) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

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

The Company as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Other assets - current	$ 57,190	$ (2,773)	$ 54,417
Right-of-use assets	-	49,233	49,233
Total effect on assets	$ 57,190	$ 46,460	$ 103,650
Lease liabilities - current	$ -	$ 16,366	$ 16,366
Lease liabilities - non-current	-	30,094	30,094
Total effect on liabilities	$ -	$ 46,460	$ 46,460

2) 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 Company expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

The initial application of IFRIC 23 will not have a significant effect on the accounting of the Company.

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

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

The initial application of the above amendments will not have a significant effect on the accounting of the Company.

4) Annual Improvements to IFRSs 2015-2017 Cycle

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

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

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and 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 financial statements were authorized for issue, the Company assessed the application of other standards and interpretations will not have a significant impact 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, Revised or Amended Standards or Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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 Company shall apply these amendments to business combinations for which the acquisition date falls on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

Conversely, when the Company 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 Company's interest as an unrelated investor in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated. Also, when the Company 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 Company's interest as an unrelated investor in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated.

2) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create output. The amendments narrow the definition of output by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce output.

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 and net defined benefit liability which are measured at the present value of the defined benefit obligation less the fair value of plan 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 the 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 are 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 (i.e. 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 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.

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.

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

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

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is 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 (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

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

1) Measurement category

2018

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

a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

b) Financial assets at amortized cost

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

i The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

c) Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets are classified into the following categories: financial assets at FVTPL, available-for-sale financial assets, held-to-maturity investments, and loans and receivables.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are either held for trading or designated as at FVTPL.

Financial assets at FVTPL 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 31.

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 FVTPL.

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

Dividends on available-for-sale equity instruments are recognized in profit or loss when the 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 presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment loss is recognized in profit and loss.

c) Held-to-maturity investments

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

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

d) Loans and receivables

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

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

2) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

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

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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

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

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

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 a Company entity are recognized at the proceeds received, net of direct issue costs.

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

Financial liabilities

1) Subsequent measurement

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

   Financial liabilities are classified as at FVTPL when such a financial liability is held for trading. Such financial liabilities are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

2) Derecognition of financial liabilities

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

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.

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

l. Revenue recognition

2018

1) Sale of goods

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

The Company's revenue from the sale of goods comes from footwear sales. Sales of products are recognized as revenue when the goods are delivered to the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

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.

2017

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

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 applicable effective interest rate.

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

The Company which established in the ROC according to the Income Tax Law in the ROC, an additional tax of unappropriated earnings is provided 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 recognized when taxable profits are likely to deduct temporary differences and income tax deduction produced by expenditure.

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 taxes for the year

Current and deferred taxes 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 taxes 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	
	2018	2017
Cash on hand	$ 1,202	$ 1,110
Checking accounts and demand deposits	193,428	568,623
Cash equivalent (time deposits with original maturities of less than three months)		
Time deposits	-	327,847
Repurchase agreements collateralized by bonds	-	302,004
	$ 194,630	$ 1,199,584

7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

	December 31	
	2018	2017
Financial liabilities at FVTPL - current		
Derivative financial liabilities (not under hedge accounting)		
Exchange rate swap contracts (a)	$ 30,751	$ 197,154
Cross-currency swap contracts (b)	-	5,797
Interest rate swap contracts (c)	-	3,109
	$ 30,751	$ 206,060

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

December 31, 2018

Notional Amount (In Thousands)		Maturity Date	Rate	
US$	60,000	2019.01	US$:NT$	30.7720
US$	27,200	2019.03	US$:NT$	30.6250
US$	31,000	2019.03	US$:NT$	30.6250
US$	55,000	2019.03	US$:NT$	30.6240
US$	30,000	2019.03	US$:NT$	30.5770
US$	27,000	2019.03	US$:NT$	30.5730

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

The Company entered into exchange rate swap contracts 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

The Company entered into cross-currency swap contracts 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

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

8. FINANCIAL ASSETS AT FVTOCI - 2018

	December 31, 2017
Current	
Domestic investments	
Listed shares	$ 5,005,749
Non-current	
Domestic investments	
Unlisted shares	$ 60,756

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale (included in financial assets measured at cost - non-current) under IAS 39. Refer to Notes3, 9 and 15 for information relating to their reclassification and comparative information for 2017.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Current	
Domestic investments	
Listed shares	$ 4,685,590

10. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Domestic investments	
Time deposits with original maturity of more than 3 months	$ 689,271

The time deposits were classified as held-to-maturity financial assets under IAS 39. Refer to Notes 3 and 14 for information relating to their reclassification and comparative information for 2017.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2018	2017
Notes receivable (including related parties)		
At amortized cost		
Notes receivable - operating	$ 681	$ 2,147
Notes receivable - non-operating	499	52,840
Less: Allowance for doubtful accounts	-	-
	$ 1,180	$ 54,987
Accounts receivable (including related parties)		
At amortized cost		
Accounts receivable	$ 1,982,824	$ 1,494,213
Less: Allowance for doubtful accounts	-	-
	$ 1,982,824	$ 1,494,213
Other receivables (including related parties)		
Tax refund receivables	$ 49,232	$ 31,984
Others	294,983	225,974
Less: Allowance for doubtful accounts	-	-
	$ 344,215	$ 257,958

a. Notes receivable

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

b. Accounts receivable

2018

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

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

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

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

	December 31, 2018
Up to 30 days	$ 1,043,793
31-90 days	893,589
More than 90 days	45,442
	$ 1,982,824

2017

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

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

The aging analysis of the accounts receivable was as follows:

December 31, 2017

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

The above aging schedule was based on the invoice date.

12. INVENTORIES

	December 31 2018	December 31 2017
Raw materials	$ 25,254	$ 22,225
Supplies	147	172
Work in progress	1,753	891
Finished goods	18,027	12,957
Merchandise	6,911	2,405
	$ 52,092	$ 38,650

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $7,452,651 thousand and $7,736,216 thousand, respectively.

13. OTHER ASSETS

	December 31 2018	December 31 2017
Current		
Prepayments	$ 41,196	$ 29,808
Supplies inventory	1,145	64,313
Temporary payments	3,601	2,418
Value-added tax retained	11,248	35,836
	$ 57,190	$ 132,375
Non-current		
Prepayments	$ 519,210	$ 289,742
Prepayments for equipment	3,779	21,377
Refundable deposits	3,635	9,142
Others	8,869	3,869
	$ 535,493	$ 324,130

14. HELD-TO-MATURITY FINANCIAL ASSETS - NON-CURRENT - 2017

	December 31, 2017
Foreign investments	
Corporate bonds	$ 109,875
Structured product	172,557
	$ 282,432

15. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

	December 31, 2017
Domestic shares	
Unlisted shares	$ 61,000
Classified according to measurement categories	
Available-for-sale financial assets	$ 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.

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 88,779,215	$ 82,115,785
Investments in associates	9,787,354	18,118,935
	$ 98,566,569	$ 100,234,720

a. Investments in subsidiaries

	December 31	
	2018	2017
Unlisted companies	$ 88,779,215	$ 82,115,785

At the end of the reporting period, the proportion of ownership and voting rights in subsidiary held by the Company were as follows:

Name of Subsidiary	December 31 2018	December 31 2017
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) For the information of subsidiaries' nature of business, business location and registered country, please refer to Table 6 (Information on investees).

2) 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, 2018 and 2017. Therefore, the Company recognized $15,563 thousand and $19,855 thousand, respectively, in "other non-current liabilities".

3) 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, 2018 and 2017 was based on the subsidiaries' financial statements audited by the auditors for the same years.

b. Investments in associates

	December 31	
	2018	**2017**
Material associates		
Ruen Chen Investment Holding Co., Ltd.	$ 8,403,275	$ 16,659,984
Associates that are not individually material	1,384,079	1,458,951
	$ 9,787,354	$ 18,118,935

1) Material associates

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	**2018**	**2017**
Ruen Chen Investment Holding Co., Ltd.	20%	20%

a) For the information of subsidiaries' nature of business, business location and registered country, please refer to Table 6 (Information on investees).

b) 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	
	2018	**2017**
Assets	$ 4,362,687,326	$ 4,035,948,083
Liabilities	(4,309,426,713)	(3,936,746,594)
Non-controlling interests	(10,947,677)	(15,605,007)
Owners of Ruen Chen Investment Holding Co., Ltd.	$ 42,312,936	$ 83,596,482
Proportion of the Company	20.00%	20.00%
Equity attributable to the Company	$ 8,462,587	$ 16,719,296
Other adjustments	(59,312)	(59,312)
Carrying amount	$ 8,403,275	$ 16,659,984

	For the Year Ended December 31	
	2018	2017
Operating revenue	$ 636,836,934	$ 674,451,923
Net income	$ 24,301,356	$ 20,864,196
Other comprehensive income (loss)	(150,286,690)	20,744,687
Total comprehensive income	$(125,985,334)	$ 41,608,883

2) Associates that are not individually material

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2018	2017
Elitegroup Computer Systems Co., Ltd.	12.57%	12.57%
Techview International Technology Inc.	30.00%	30.00%

a) For the information of subsidiaries' nature of business, business location and registered country, please refer to Table 6 (Information on investees).

b) 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	
	2018	2017
The Company's share of:		
Net (loss) income	$ 2,566	$ 27,870
Other comprehensive loss	(8,909)	(52,147)
Total comprehensive (loss) income	$ (6,343)	$ (24,277)

c) The Company holds less than 20% interest of Elitegroup Computer Systems Co., Ltd. but the Company has the power to appoint two 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.

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

	December 31	
	2018	2017
Elitegroup Computer Systems Co., Ltd.	$ 865,327	$ 1,390,829

17. 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, 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
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 December 31, 2017	$ 1,677,136	$ 2,038,394	$ 392,116	$ 38,196	$ 54,812	$ 22,404	$ 636,838	$ 4,859,896
Cost								
Balance at January 1, 2018	$ 1,677,136	$ 3,983,516	$ 758,645	$ 174,940	$ 344,805	$ 95,157	$ 636,838	$ 7,671,037
Additions	997	13,484	129,758	12,866	46,693	33,275	596,457	833,530
Disposals	-	(122,946)	(121,586)	(23,724)	(28,970)	(5,244)	-	(302,470)
Transfers from prepayments for equipment	-	-	6,325	985	6,695	7,035	-	21,040
Reclassified	(7,502)	1,073,840	64,288	-	-	-	(1,138,128)	(7,502)
Urban renewal	(3,962)	(23,547)	-	-	-	-	-	(27,509)
Balance at December 31, 2018	$ 1,666,669	$ 4,924,347	$ 837,430	$ 165,067	$ 369,223	$ 130,223	$ 95,167	$ 8,188,126
Accumulated depreciation								
Balance at January 1, 2018	$ -	$ 1,945,122	$ 366,529	$ 136,744	$ 289,993	$ 72,753	$ -	$ 2,811,141
Disposals	-	(97,156)	(45,001)	(23,158)	(28,551)	(4,828)	-	(198,694)
Depreciation expenses	-	107,456	89,630	11,275	27,597	8,801	-	244,759
Urban renewal	-	(10,227)	-	-	-	-	-	(10,227)
Balance at December 31, 2018	$ -	$ 1,945,195	$ 411,158	$ 124,861	$ 289,039	$ 76,726	$ -	$ 2,846,979
Carrying amounts at December 31, 2018	$ 1,666,669	$ 2,979,152	$ 426,272	$ 40,206	$ 80,184	$ 53,497	$ 95,167	$ 5,341,147

a. Except for depreciation expenses recognized the Company had neither significant disposal nor impairment of properties in 2018 and 2017.

b. The Company participated in urban renewal with the land located in Songshan District, Taipei City. The carrying amount of old building $13,320 thousand was reduced by the compensation for rights transformation plan, rent and removal 17,282 thousand, which was recorded as a reduction of the initial carrying amount of urban renewal land.

c. 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

d. The Company has a land located in Changhwa County with a 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.

18. INVESTMENT PROPERTIES

	2018	2017
Cost		
Balance at January 1	$ 2,660,423	$ 2,542,722
Reclassified	-	117,701
Balance at December 31	$ 2,660,423	$ 2,660,423
Accumulated depreciation and impairment		
Balance at January 1	$ 620,998	$ 566,691
Depreciation expenses	53,828	53,648
Reclassified	-	659
Balance at December 31	$ 674,826	$ 620,998
Carrying amounts at December 31	$ 1,985,597	$ 2,039,425

a. Except for depreciation expenses recognized, the Company had neither significant disposal nor impairment of properties in 2018 and 2017.

b. 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

c. 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	
	2018	2017
Investment property	$ 3,135,054	$ 3,093,510

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Unsecured borrowings		
Credit borrowings	$ 14,654,000	$ 9,275,200

The range of effective interest rate on bank borrowings was 0.60%-0.90% and 0.67%-2.10% per annum as of December 31, 2018 and 2017, respectively.

b. Long-term borrowings

	December 31	
	2018	2017
Unsecured borrowings		
Bank loans	$ 17,100,000	$ 17,000,000
Less: Current portion	(4,194,398)	(750,000)
	$ 12,905,602	$ 16,250,000

Range of maturity dates and interest rates:

	December 31	
	2018	2017
Maturity date		
Long-term borrowings	2020.01.15-2026.07.15	2019.03.27-2021.12.21
Current portion of long-term borrowings	2019.03.27-2019.12.03	2018.09.27
Range of interest rate	1.01%-1.60%	1.09%-1.60%

20. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2018	2017
Notes payable (including related parties)		
Operating	$ 4,333	$ 53,793
Non-operating	3,419	5,268
	$ 7,752	$ 59,061
Accounts payable (including related parties)	$ 1,307,087	$ 1,167,672

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

21. OTHER PAYABLES

	December 31 2018	December 31 2017
Payables for salaries	$ 248,824	$ 240,096
Payables for purchase of property, plant and equipment	211,913	183,320
Compensation due to directors and supervisors	107,388	123,428
Employee compensation payables	737,859	678,216
Interest payables	49,134	32,116
Payables for annual leave	114,565	108,186
Others	484,943	986,821
	$ 1,954,626	$ 2,352,183

22. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The Company adopted a pension plan under the Labor Pension Act (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 the 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 2018	December 31 2017
Present value of defined benefit obligation	$ 1,496,483	$ 1,512,580
Fair value of plan assets	(825,707)	(760,000)
Net defined benefit liability	$ 670,776	$ 752,580

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, 2017	$ 2,103,407	$ (314,239)	$ 1,789,168
Service cost	21,030	-	21,030
Net interest expense (income)	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	205,699	763	206,462
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
Balance at January 1, 2017	$ 1,512,580	$ (760,000)	$ 752,580
Service cost	13,265	-	13,265
Past service cost	39,247	-	39,247
Net interest expense (income)	18,246	(9,900)	8,346
Recognized in profit or loss	70,758	(9,900)	60,858
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(18,460)	(18,460)
Actuarial loss arising from changes in demographic assumptions	24,509	-	24,509
Actuarial loss arising from changes in financial assumptions	21,681	-	21,681
Actuarial loss arising from experience adjustments	9,422	-	9,422
Recognized in other comprehensive income (loss)	55,612	(18,460)	37,152
Contributions from the employer	-	(169,387)	(169,387)
Benefits paid	(132,040)	132,040	-
Others	(10,427)	-	(10,427)
Balance at December 31, 2018	$ 1,496,483	$ (825,707)	$ 670,776

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	
	2018	2017
Operating costs	$ 77	$ 109
Selling and marketing expenses	34	22
General and administrative expenses	34,949	27,093
Research and development expenses	25,798	10,814
	$ 60,858	$ 38,038

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	
	2018	2017
Discount rate	1.125%	1.25%
Expected rate of salary increase	2.00%	2.00%

If the significant actuarial assumption will cause possible reasonable changes to occur, and other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	2017
Discount rate(s)		
0.25% increase	$ (43,852)	$ (44,769)
0.25% decrease	$ 45,747	$ 46,740
Expected rate(s) of salary increase		
0.25% increase	$ 44,549	$ 45,574
0.25% decrease	$ (42,928)	$ (43,880)

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	
	2018	**2017**
The expected contributions to the plan for the next year	$ 169,580	$ 169,807
The average duration of the defined benefit obligation	11.9 years	12.1 years

23. EQUITY

a. Share capital

	December 31	
	2018	**2017**
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	
	2018	**2017**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Recognized from issuance of ordinary 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	343,269
May be used to offset a deficit only (2)		
Recognized from share of changes in equities of subsidiaries	-	15,653
May not be used for any purpose		
Recognized from share of changes in net assets of associates	136,120	135,716
	$ 4,600,092	$ 4,615,341

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

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 share ownership proportion.

For information about the accrual basis of the employees' compensation and remuneration of directors and supervisors and the actual appropriations, refer to Note 25 (g).

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.

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

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2017	For Year 2016	For Year 2017	For Year 2016
Legal reserve	$ 1,292,161	$ 1,305,705	$ -	$ -
Special reserve	280,862	1,730,773	-	-
Cash dividends	5,893,574	4,420,181	2.00	1.50

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 13, 2019.

d. Other equity item

1) Exchange differences on translation foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (1,790,529)	$ 3,109,173
Exchange differences arising on translation of foreign subsidiaries and associates	1,478,405	(4,899,702)
Balance at December 31	$ (312,124)	$ (1,790,529)

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

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (12,127,139)	$ (16,745,893)
Adjustment on initial application of IFRS 9	12,127,139	-
Unrealized gain on available-for-sale financial assets	-	217,073
Unrealized gain on available-for-sale financial assets of subsidiaries and associates	-	4,401,681
Balance at December 31	$ -	$ (12,127,139)

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1	$ -
Adjustment on initial application of IFRS 9	1,860,011
Balance at January 1 per IFRS 9	1,860,011
Unrealized gain from equity instruments	316,991
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	2,333,670
Share of loss from associates and joint ventures accounted for using equity method	(12,994,603)
Balance at December 31	$ (8,483,931)

4) Others

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 438	$ 352
Adjustment on initial application of IFRS 9	(506,875)	-
Balance at January 1 per IFRS 9	(506,437)	352
Share from associates and join ventures accounted for using the equity method	(12,990,877)	86
Balance at December 31	$ (13,497,314)	$ 438

24. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from the products	$ 9,261,693	$ 9,600,331
Revenue from the rendering of services	2,801,085	2,104,574
	$ 12,062,778	$ 11,704,905

25. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations consisted of the following:

a. Other income

	For the Year Ended December 31	
	2018	2017
Rental income (Note 31)		
Rental income from operating lease		
Investment properties	$ 119,064	$ 119,595
Others	24,899	32,056
	143,963	151,651
Interest income		
Cash in bank	14,775	10,200
Repurchase agreements collateralized by bonds	5,285	4,428
Financial assets at amortized cost	9,874	-
Held-to-maturity financial assets	-	11,480
Debt investment with no active market	-	902
Others	874	-
	30,808	27,010
Dividends income	291,438	275,865
Others	123,462	216,225
	$ 589,671	$ 670,751

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Net loss on disposal of property, plant and equipment	$ (30,723)	$ (21,149)
Net foreign exchange gain (loss)	550,020	(1,400,702)
Net gain arising on financial assets designated as at FVTPL	436,180	146,545
Net gain (loss) arising on financial liabilities designated as at FVTPL	138,385	(86,115)
Others	(66,972)	(62,940)
	$ 1,026,890	$ (1,424,361)

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank borrowings	$ 317,782	$ 301,952
Interest on short-term bills payable	2,183	3,911
Other interest expense	34	7,620
	$ 319,999	$ 313,483

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 244,759	$ 208,110
Investment properties	53,828	53,648
	$ 298,587	$ 261,758
An analysis of depreciation by function		
Operating costs	$ 7,409	$ 8,384
Operating expenses	237,350	199,726
Non-operating expenses	53,828	53,648
	$ 298,587	$ 261,758

e. Direct expenses with investment properties

	For the Year Ended December 31	
	2018	2017
Direct operating expenses from investment properties that generate rental income	$ 70,664	$ 70,226
Direct operating expenses from investment properties that did not generate rental income	65	65
	$ 70,729	$ 70,291

f. Employee benefits expense

	2018			2017		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Salary						
Termination benefits	$ -	$ 23,436	$ 23,436	$ 1,157	$ 11,959	$ 13,116
Remuneration of directors and supervisors	-	113,124	113,124	-	131,992	131,992
Others	17,968	2,336,999	2,354,967	23,052	2,335,557	2,358,609
	17,968	2,473,559	2,491,527	24,209	2,479,508	2,503,717
Labor and health insurance	1,419	225,968	227,387	2,523	221,593	224,116
Post-employment benefit						
Defined contribution plans	725	115,088	115,813	1,276	109,567	110,843
Defined benefit plans	77	60,781	60,858	109	37,929	38,038
	802	175,869	176,671	1,385	147,496	148,881
Other employee benefits	502	75,501	76,003	917	76,123	77,040
Total employee benefits expense	$ 20,691	$ 2,950,897	$ 2,971,588	$ 29,034	$ 2,924,720	$ 2,953,754

As of December 31, 2018 and 2017, there were 3,394 and 3,775 employees, respectively, in the Company. Among the Company's directors, there were five who were not employees. The Company accounts for employee benefits expense based on the number of employees.

g. Employees' compensation and remuneration of directors and supervisors

According to the Company's Articles, 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, 2018 and 2017 which were approved by the Company's board of directors on March 25, 2019 and March 26, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	1.8%	1.8%
Remuneration of directors and supervisors	0.9%	0.9%

Amount

	For the Year Ended December 31			
	2018		2017	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 214,776	$ -	$ 246,856	$ -
Remuneration of directors and supervisors	107,388	-	123,428	-

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, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. 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	
	2018	2017
Current tax		
In respect of the current year	$ 144,686	$ 485,625
Adjustments for prior years' income tax	84,369	43,448
Income tax expense of unappropriated earnings	506,950	522,087
	736,005	1,051,160
Deferred tax		
In respect of the current period	159,010	(628,808)
Change of tax rate	6,186	-
	165,196	(628,808)
Income tax expense recognized in profit or loss	$ 901,201	$ 422,352

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

	For the Year Ended December 31	
	2018	2017
Income before income tax	$ 11,609,847	$ 13,343,958
Income tax expense calculated at the statutory rate	$ 2,321,969	$ 2,268,473
Tax effect of adjusting items		
Tax-exempt income	(58,288)	(46,897)
Investment income recognized under equity method	(1,967,122)	(2,368,462)
Others	7,137	3,703
Income tax on unappropriated earnings	506,950	522,087
Change of tax rate	6,186	-
Adjustments for prior years' income tax	84,369	43,448
Income tax expense recognized in profit or loss	$ 901,201	$ 422,352

In 2017, the applicable corporate income tax rate used by the Company entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 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	
	2018	2017
Deferred tax assets		
Temporary differences		
Others	$ 4,532	$ 3,510
Deferred tax liabilities		
Temporary differences		
Land value increment tax	$ 86,547	$ 86,547
Others	204,777	38,559
	$ 291,324	$ 125,106

c. Income tax assessments

The tax returns of the Company through 2016 have been assessed by the tax authorities.

27. EARNINGS PER SHARE

The basic earnings per share and diluted earnings per share for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Net income (in thousand dollars)		
Earnings used in the computation of earnings per share	$ 10,708,646	$ 12,921,606
Weighted average number of shares outstanding (in thousand shares)		
Weighted average number of ordinary shares in computation of basic earnings per share	2,946,787	2,946,787
Effect of potentially dilutive ordinary shares:		
Bonus to employees	8,085	7,888
Weighted average number of ordinary shares used in the computation of diluted earnings per share	2,954,872	2,954,675
Earnings per share (in dollars)		
Basic earnings per share	$3.63	$4.38
Diluted earnings per share	$3.62	$4.37

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.

28. SHARE-BASED PAYMENT ARRANGEMENTS

As of November 6, 2007, the Company had issued employee share options which expired on November 5, 2017. The Company did not grant any options for the year ended December 31, 2018. Information about outstanding share options for the year ended December 31, 2017 is as follows:

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

29. 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 are as follows:

	December 31	
	2018	**2017**
Not later than 1 year	$ 26,998	$ 14,696
Later than 1 year and not later than 5 years	32,029	13,340
	$ 59,027	$ 28,036

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 are as follows:

	December 31	
	2018	2017
Not later than 1 year	$ 137,881	$ 66,701
Later than 1 year and not later than 5 years	190,859	49,059
	$ 328,740	$ 115,760

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.

30. 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.

31. FINANCIAL INSTRUMENTS

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

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 that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1, 2 and 3 based on the degree to which the fair value is observable:

1) The fair value hierarchy is as follows:

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	$ 5,005,749	$ -	$ -	$ 5,005,749
Domestic unlisted shares	-	-	60,756	60,756
	$ 5,005,749	$ -	$ 60,756	$ 5,066,505
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 30,751	$ -	$ 30,751

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Investments in equity instruments				
Domestic listed shares	$ 4,685,590	$ -	$ -	$ 4,685,590
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 206,060	$ -	$ 206,060

2) There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

3) There was no reconciliation of Level 3 fair value measurements of financial assets except for changes in fair value recognized in other comprehensive income.

4) The fair value of Level 2 financial assets and financial liabilities is determined as follows:

a) The fair value of financial instruments with standard terms and conditions and traded in active liquid markets is determined with reference to the quoted market prices.

b) The future cash flows of derivatives are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

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

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Held-to-maturity financial assets	$ -	$ 282,432
Loans and receivables (Note 1)	-	3,015,884
Available-for-sale financial assets	-	4,685,590
Financial assets at amortized cost (Note 2)	3,215,755	-
Financial assets measured at cost	-	61,000
Financial assets at FVTOCI	5,066,505	-
Financial liabilities		
FVTPL		
Held for trading	30,751	206,060
Amortized cost (Note 3)	35,054,418	29,872,010

Note 1: The balance included loans and receivables at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable, other receivables and refundable deposits.

Note 2: The balance included financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables and refundable deposits.

Note 3: The balances included financial liabilities 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 market risk (including foreign currency risk, interest rate risk and other price 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.

<u>Sensitivity analysis</u>

The Company was mainly exposed to the USD and RMB.

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

	For the Year Ended December 31	
	2018	**2017**
USD	$ (99,553)	$ (102,228)
RMB	(188)	(314)

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	
	2018	**2017**
Cash flow interest rate risk		
Financial liabilities	$ 20,984,000	$ 20,775,200

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 $209,840 thousand and $207,752 thousand during the years ended December 31, 2018 and 2017, 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 prices had been 1% lower, the other comprehensive income for the year ended December 31, 2018 would have decreased by $50,057 thousand as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 1% lower, the other comprehensive income for the year ended December 31, 2017 would decrease by $46,856 thousand as a result of the changes in fair value of available-for-sale shares.

The Company's sensitivity to investments in equity securities has not changed significantly from the prior year.

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, 2018 and 2017, 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, 2018

	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	$ 753,032	$ 941,399	$ 1,605,987	$ -	$ -
Floating interest rate liabilities	5,044,000	5,195,000	2,339,398	8,405,602	-
Fixed interest rate liabilities	-	1,125,000	5,145,000	4,500,000	-
	$ 5,797,032	$ 7,261,399	$ 9,090,385	$ 12,905,602	$ -

December 31, 2017

	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	$ 2,140,587	$ -	$ -
Floating interest rate liabilities	5,660,000	1,895,200	1,720,000	11,500,000	-
Fixed interest rate liabilities	-	-	750,000	4,750,000	-
	$ 6,380,650	$ 2,630,773	$ 4,610,587	$ 16,250,000	$ -

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, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Exchange rate swap contracts	$ -	$ 30,751	$ -	$ -	$ -

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	$ -	$ -

c) Financing facilities

	December 31	
	2018	2017
Unsecured bank facility and reviewed annually:		
Amount used	$ 31,794,352	$ 26,320,826
Amount unused	20,677,321	9,132,230
	$ 52,471,673	$ 35,453,056

32. 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
Evermore Chemical Industry Co., Ltd.	Other related parties

b. Operating revenue

Account Items	Related Parties Categories	For the Year Ended December 31 2018	2017
Sales and service revenue	Yue Yuen	$ 11,840,120	$ 11,378,947
	Subsidiaries	1,731	1,303
	Associates	87,025	67,361
		$ 11,928,876	$ 11,447,611

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 2018	2017
Purchases	Subsidiaries	$ 980	$ 2,135
	Associates	596,043	751,799
	Other related parties	705	-
		$ 597,728	$ 753,934

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 2018	2017
Rent income	Windsor	$ 106,907	$ 108,099
	Yue Yuen	14,313	16,248
	Subsidiaries	807	2,266
	Associates	1,275	967
	Other related parties	4,658	4,670
		$ 127,960	$ 132,250

e. Receivables from related parties

Account Items	Related Parties Categories	For the Year Ended December 31 2018	2017
Notes receivable and accounts receivable	Yue Yuen	$ 1,961,548	$ 1,417,774
	Subsidiaries	1,752	78
	Associates	18,397	27,959
		$ 1,981,697	$ 1,445,811

f. Payables to related parties

Account Items	Related Parties Categories	For the Year Ended December 31 2018	2017
Notes payable and accounts payable	Subsidiaries	$ 3,500	$ 112
	Associates	79,339	55,527
	Other related parties	111	-
		$ 82,950	$ 55,639

g. Loans to related parties

Account Items	Related Parties Categories	For the Year Ended December 31 2018	2017
Other receivables	Subsidiaries	$ 189,000	$ -

h. Endorsement guarantee

Please refer to Table 1 (Financing provided to others) of Note 35 in the financial statement.

i. 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	
	2018	2017
Short-term employee benefits	$ 159,925	$ 170,121

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

33. 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 $134,103 thousand. The unpaid balance as of December 31, 2018 was $46,320 thousand.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than the functional currencies of the Company entities and the exchange rates between the foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

Unit: In Thousands of Foreign Currencies/ and New Taiwan Dollars

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 65,196	30.715	$ 2,002,497
RMB	838	4.472	3,747
Non-monetary items			
RMB	64,685	4.472	289,271
Financial liabilities			
Monetary items			
USD	383	30.715	11,753
Non-monetary items			
USD	1,001	30.715	30,751

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 89,598	29.760	$ 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	29.760	621,855
Non-monetary items			
USD	6,820	29.760	202,951

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

9) Trading in derivative instruments (Note 31)

10) Information on investees (Table 6)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party: (None).

TABLE 1

POU CHEN CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Financing Company	Borrowing Company	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limit (Notes 3 and 4)	Note
													Item	Value			
0	Pou Chen Corporation	Pou Yii Development Co., Ltd.	Loan receivable	Yes	$ 205,000	$ 205,000	$ 189,000	1.20	2	$ -	Operating capital	$ -	-	$ -	$ 7,786,339	$ 23,359,018	

Note 1: The Company is coded as follows:

a. The Company is coded "0".
b. The investee is coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The nature of financing is code as follows:

a. Business relationship is coded 1.
b. The need for short-term financing is coded 2.

Note 3: According to the Company's policy, procedure of financing provided to others as follows:

a. The maximum amount permitted to a single borrower is listed based on the types of financing reasons as follows:

1) Business relationship: Each of the financing amount shall not exceed the amount of our business relationship. Business relationship means the higher amount of the purchases from or sales to both sides in the current year or in the future year and shall not exceed 10% of the Company's net worth.
2) The need for short-term financing: Each of the financing amount shall not exceed 10% of the Company's net worth.

b. The total maximum amount permitted to a single borrower is listed based on the types of financing reasons as follow:

1) Business relationship: Each of the financing amount shall not exceed 10% of the Company's net worth.
2) The need for short-term financing: Each of the financing amount shall not exceed 30% of the Company's net worth.
3) Among foreign companies which the Company holds 100% voting rights directly and indirectly, when financing is necessary, the amount is not limited by the above information. However, the limit amount of financing to others during one year shall not exceed the borrowers' net worth.

TABLE 2

POU CHEN CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorsement/ Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 4)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 4)	Note
		Name	Relationship (Note 2)											
0	Pou Chen Corporation	Wealthplus Holding Ltd.	b	$ 77,863,392	$ 61,418,344	$ 23,942,343	$ -	$ -	31	$ 155,726,784	Y	N	N	
		Barits Development Corp.	b	77,863,392	8,651,700	7,942,900	4,076,300	-	10	155,726,784	Y	N	N	
		Pou Shine Investment Co., Ltd.	b	77,863,392	1,500,000	1,500,000	578,500	-	2	155,726,784	Y	N	N	
		Pou Yuen Technology Co., Ltd.	b	77,863,392	300,000	300,000	49,500	-	-	155,726,784	Y	N	N	
		Pro Arch International Development Enterprise Inc.	b	77,863,392	80,030	60,238	60,238	-	-	155,726,784	Y	N	N	
		Pou Yii Development Co., Ltd.	b	77,863,392	700,000	600,000	-	-	1	155,726,784	Y	N	N	
		Yue Hong Realty Development Co., Ltd.	b	77,863,392	550,000	550,000	490,000	-	1	155,726,784	Y	N	N	

Note 1: The Company is coded as follows:

a. The Company is coded “0”.
b. The investee is coded consecutively beginning from “1” in the order presented in the table above.

Note 2: Relationships for guarantee provider and guarantee are as follows:

a. Business relationship.
b. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
c. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
d. A company in which the Company directly and indirectly holds more than 90% of the voting shares.
e. A company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
f. A company where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
g. A company where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: According to the Company’s procedures for the Management of Endorsements and Guarantees, the aggregate amount of endorsements/guarantees provided by the Company shall not exceed 200% of its net worth. Meanwhile, the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 100% of the Company’s net worth.

Note 4: Endorsement/guarantee given by listed parent on behalf of subsidiaries, by subsidiaries on behalf of listed parent, and on behalf of companies in mainland China is coded “Y”.

TABLE 3

POU CHEN CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Pou Chen Corporation	Ordinary shares							
	Mega Financial Holding Company Ltd.		Financial assets at FVTOCI - current	191,730,486	$ 4,975,406	1.41	$ 4,975,406	
	Taiwan Paiho Limited		〃	615,473	30,343	0.21	30,343	
	Zhiyuan Venture Capital Co., Ltd.		Financial assets at FVTOCI - non-current	6,000,000	59,952	10.71	59,952	
	New Loulan Corporation., Ltd.		〃	100,000	804	4.00	804	

TABLE 4

POU CHEN CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Pou Chen Corporation	Yue Yuen Industrial (Holdings) Limited	The subsidiary in which the Company holds 50.97% indirectly at December 31, 2018	Sale	$ (11,840,120)	(98)	D/A 45 days			$ 1,961,548	99	
	Platinum Long John Co., Ltd.	The Company in which Yue Yuen Industrial (Holdings) Limited holds 48.67% indirectly at December 31, 2018	Purchase	267,823	3	D/A 45 days			(21,004)	(2)	
	San Fang Chemical Industry Co., Ltd.	Pou Chien Chemical Co., Ltd. and Yue Dean Technology Corporation are the Company's directors.	〃	155,862	2	D/A 45 days			(45,556)	(3)	
	Chang Yang Material Corporation	The Company in which Yue Yuen Industrial (Holdings) Limited holds 100% indirectly at December 31, 2018	〃	115,668	1	D/A 45 days			(2,471)	-	

TABLE 5

POU CHEN CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Pou Chen Corporation	Yue Yuen Industrial (Holdings) Limited	The subsidiary in which the Company holds 50.97% indirectly at December 31, 2018	$ 1,961,548	7	$ -	-	$ 1,877,604	$ -

TABLE 6

POU CHEN CORPORATION

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	%	Carrying Amount			
Pou Chen Corporation	Wealthplus Holding Ltd.	British Virgin Islands	Investing in footwear, electronic and peripheral products	$ 295,429 (US$ 9,222,000)	$ 295,429 (US$ 9,222,000)	9,222,000	100.00	$ 75,550,960 (US$ 2,459,741,486)	$ 4,733,448 (US$ 157,074,980)	$ 4,733,448 (US$ 157,074,980)	
	Win Fortune Investments Limited	British Virgin Islands	Investing activities	3,230 (US$ 100,000)	3,230 (US$ 100,000)	100,000	100.00	2,059,924 (US$ 67,065,739)	104,198 (US$ 3,448,399)	104,198 (US$ 3,448,399)	
	Windsor Hotel Co., Ltd.	No. 610, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 407, Taiwan (ROC)	Entertainment and resort operations	450,000	450,000	10,000,000	100.00	102,868	12,145	12,145	
	Pou Shine Investment Co., Ltd.	No. 2, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)	Investing activities	1,124,667	1,124,667	133,094,460	100.00	2,982,038	185,180	185,180	
	Pan Asia Insurance Services Co., Ltd.	8F., No. 3, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)	Agency of property and casualty insurance	5,000	5,000	-	100.00	17,508	7,067	7,067	
	Barits Development Corp.	No. 2, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)	Import and export of shoe-related materials and investing activities	2,117,088	2,117,088	251,662,040	99.49	7,373,614	236,668	235,462	
	Pou Yuen Technology Co., Ltd.	No. 4, Fugong Rd., Fuxing Township, Changhua County 506, Taiwan (ROC)	Rental of real estate	966,449	966,449	28,437,147	97.82	295,986	39,115	38,264	
	Pro Arch International Development Enterprise Inc.	No. 8, Gongyequ 11th Rd., Xitun Dist., Taichung City 407, Taiwan (ROC)	Design and manufacture of footwear products	2,643,184	2,643,184	20,000,000	100.00	250,676	12,579	12,579	
	Pou Yii Development Co., Ltd.	1F., No. 71, Dadun 4th St., Nantun Dist., Taichung City 408, Taiwan (ROC)	Real estate rental and sale	40,320	40,320	7,875,000	15.00	145,641	54,636	8,195	The Company and its associate hold 90.00%
	Wang Yi Construction Co., Ltd.	Rm. 1, 6F., No. 600, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 407, Taiwan (ROC)	Construction	7,700	7,700	601,755	7.82	-	(9,001)	5,011	The Company and its associate hold 97.57%
	Elitegroup Computer Systems Co., Ltd.	No. 239, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan (ROC)	Manufacturing of electronic components	3,364,570	3,434,638	70,066,949	12.57	1,384,079	20,412	2,566	The Company and its associate hold 19.50% and serve as director
	Techview International Technology Inc.	8F., No. 3, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)	Development and sales of TFT-LCD display	380,115	380,115	75	30.00	-	224	-	The Company and its associate hold 50.00%
	Ruen Chen Investment Holding Co., Ltd.	Rm. 1, 13F., No. 308, Sec. 2, Bade Rd., Da'an Dist., Taipei City 106, Taiwan (ROC)	Investment holding	11,150,000	11,080,000	2,961,000,000	20.00	8,403,275	22,457,476	4,491,495	Note

Note: 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.

TABLE 7

POU CHEN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, US Dollars and Renminbi)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Great Team Backend Foundry, Inc.	Processing and manufacturing of transistors	$ 328,100 (US$ 10,000,000)	b	$ -	$ -	$ -	$ -	$ 14,546 (RMB 3,225,813)	6.89	$ -	$ 146,203 (RMB 32,693,068)	$ -	(Note 3)
Yue-Shen (Taicang) Footwear Co., Ltd.	Finished shoes, semi-finished products, components and production and marketing of moulds	554,646 (US$ 17,100,000)	b	-	-	-	-	6,798 (RMB 1,429,922)	31.77	2,087 (RMB 438,644) b, 1)	243,741 (RMB 54,503,853)	-	
Dongguan Yuming Electronic Technology Co., Ltd.	Production and marketing of over 17 inches color-image monitor, motherboards and other products	475,745 (US$ 14,500,000)	b	-	-	-	-	2,198 (RMB 486,869)	100.00	2,198.0 (RMB 486,869) b, 1)	71,297 (RMB 15,942,987)	-	
Dongguan Gaocheng Precision Injection Molding Technology Co., Ltd.	Mould, plastic case for mobile phones	395,526 (US$ 12,055,034)	b	-	-	-	-	196 (RMB 40,472)	100.00	196 (RMB 40,472) b, 2)	51,721 (RMB 11,565,424)	-	
Haicheng (Shanghai) Information Technology Co., Ltd.	Sales and production of desktop computers, notebook computers, CRT monitors, PDA handheld computers, etc.	393,720 (US$ 12,000,000)	b	-	-	-	-	-	50.00	- b, 2)	-	-	
Yue Cheng (Kun Shan) Sports Co., Ltd.	Operating sporting goods and equipment, spare parts production and marketing business	435,402 (US$ 14,200,000)	b	-	-	-	-	255,882 (RMB 56,124,784)	31.77	80,265 (RMB 17,606,522) b, 1)	846,278 (RMB 189,239,322)	-	
Zhongshan Bao Ji Clothing Co., Ltd.	Production and marketing of sportswear	82,025 (US$ 2,500,000)	b	-	-	-	-	(33,995) (RMB (7,382,337))	48.55	(16,260) (RMB (3,531,317)) b, 1)	5,836 (RMB 1,304,905)	-	
Dongguan Baoqiao Electronic Technology Co., Ltd.	Production and marketing of other optical appliances and instruments	147,645 (US$ 4,500,000)	b	-	-	-	-	19,617 (RMB 4,338,812)	100.00	19,617 (RMB 4,338,812) b, 2)	127,639 (RMB 28,541,904)	-	
Long Chuan Pou Yuan Shoe Co., Ltd.	Production of sports shoes, casual shoes, leather shoes and other footwear	262,480 (US$ 8,000,000)	b	-	-	-	-	-	50.97	- b, 1)	-	-	
Poushun Paper Products Manufacturing Co., Ltd.	Production and sale of shoe inner boxes, cartons	68,901 (US$ 2,100,000)	b	-	-	-	-	(631) (RMB (138,454))	10.19	(61) (RMB (13,353)) b, 1)	10,018 (RMB 2,240,144)	-	
Beijing Advazone Electronic Limited Company	Development and production of computer software	512,019 (US$ 16,100,000)	b	-	-	-	-	(14) (RMB (3,085))	31.91	(4) (RMB (958)) b, 2)	34,651 (RMB 7,748,438)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Pouhong Footwear Industrial Ltd.	Production and operation of leisure shoes, sports shoes	$ 49,215 (US$ 1,500,000)	b	$ -	$ -	$ -	$ -	$ 12,041 (RMB 2,637,792)	50.97	$ 6,061 (RMB 1,327,842) b, 1)	$ 40,292 (RMB 9,009,898)	$ -	
Shanggao Yisen Industry Co., Ltd.	Production and sale of finished shoes, semi-finished products, components and moulds	660,404 (US$ 20,390,000)	b	-	-	-	-	131,729 (RMB 29,067,787)	50.97	66,486 (RMB 14,671,546) b, 1)	772,687 (RMB 172,783,291)	-	
Bao Hong (Yangzhou) Shoes Co., Ltd.	Production of needles, woven garments, footwear and sales of self-produce products	1,841,686 (US$ 61,291,800)	b	-	-	-	-	(104,568) (RMB (22,930,419))	50.97	(52,597) (RMB (11,534,593)) b, 1)	586,591 (RMB 131,169,675)	-	
Dong Guan Yu Yuen Mold Co., Ltd.	Production and sale of molds for non-metallic products	62,011 (US 1,890,000)	b	-	-	-	-	3,080 (RMB 673,335)	50.97	1,549 (RMB 338,516) b, 1)	41,456 (RMB 9,270,228)	-	
Zhong Shan Glory Shoes Ind., Ltd.	Production and operation of various types of leather shoes products	951,490 (US$ 29,000,000)	b	-	-	-	-	737,747 (RMB 162,290,697)	22.94	166,610 (RMB 36,655,019) b, 2)	583,234 (RMB 130,418,970)	-	
Zhong Shan Lu Mei Da Shoes Ind., Ltd.	Production and operation of various types of leather shoes products	39,372 (US$ 1,200,000)	b	-	-	-	-	634 (RMB 138,729)	22.94	144 (RMB 31,409) b, 2)	10,089 (RMB 2,256,020)	-	
Yin Hwa Precision Lasts Company Limited	Production of plastic shoe lasts	47,575 (US$ 1,450,000)	b	-	-	-	-	6,372 (RMB 1,381,958)	-	1,576 (RMB 341,896) b, 1)	-	-	
Zhong Ao Multiplex Management Group Co., Ltd.	Stadium management, wholesale and retail of clothing and footwear accessories	2,055,560 (RMB 431,795,000)	b	-	-	-	-	614,634 (RMB 134,957,738)	20.29	122,604 (RMB 26,923,251) b, 1)	596,329 (RMB 133,347,179)	-	
ShangGao Yisen Ka Yuen Industry Co., Ltd.	Production and sale of footwear products	77,432 (US$ 2,360,000)	b	-	-	-	-	17,623 (RMB 3,862,448)	25.49	4,430 (RMB 971,053) b, 1)	25,229 (RMB 5,641,546)	-	
Bao Sheng Dao Ji (BeiJing) Trading Company Ltd.	Retail business of sports goods and accessories	1,988,061 (US$ 65,000,000)	b	-	-	-	-	(1,177) (RMB (258,082))	31.77	(144) (RMB (31,447)) b, 1)	1,063,808 (RMB 237,882,032)	-	
Qingdao Pou-Sheng International Sport Products Co., Ltd.	Sales of sports and leisure shoes and accessories	94,800 (RMB 20,000,000)	b	-	-	-	-	274,216 (RMB 60,200,335	22.87	61,988 (RMB 13,609,531) b, 1)	167,692 (RMB 37,498,188)	-	
Guizhou Pou-Sheng Sport Products Co., Ltd.	Sales of sports and leisure shoes and accessories	322,886 (US$ 10,000,000)	b	-	-	-	-	4,841 (RMB 1,152,859)	31.77	1,492 (RMB 355,857) b, 1)	65,283 (RMB 14,598,213)	-	
Nanning Pou-Kung Sport Products Co., Ltd.	Retail business of sports goods and accessories	42,653 (US$ 1,300,000)	b	-	-	-	-	(22,153) (RMB (48,975,440))	31.77	(6,985) (RMB (1,544,179)) b, 1)	(1,636) (RMB (365,801))	-	
Shanghai Pou-Yuen Sport Products Business Trading Co., Ltd.	Retail business of sports goods and accessories	946,050 (US$ 30,000,000)	b	-	-	-	-	609,627 (RMB 132,747,995)	31.77	191,383 (RMB 41,676,850) b, 1)	1,202,746 (RMB 268,950,292)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Diodite (China) Sports Good Co., Ltd.	Retail and wholesale business of sporting goods and accessories	$ 639,800 (US$ 20,000,000)	b	$ -	$ -	$ -	$ -	$ 2,143 (RMB 469,969)	31.77	$ 672 (RMB 147,460) b, 1)	$ 44,908 (RMB 10,042,073)	$ -	
Taicang YYSPORTS Business Trading Co., Ltd.	Retail business of sports goods and accessories series products	164,050 (US$ 5,000,000)	b	-	-	-	-	9,766 (RMB 2,113,894)	31.77	3,055 (RMB 661,241) b, 1)	131,666 (RMB 29,442,380)	-	
Yangzhou Baoyi Shoes Manufacturing Co., Ltd.	Vulcanized shoes, sports shoes, leisure shoes and other footwear manufacturing, marketing	729,906 (US$ 22,456,800)	b	-	-	-	-	77,507 (RMB 17,316,165)	25.49	19,620 (RMB 4,383,165) b, 1)	259,312 (RMB 57,985,622)	-	
Dalian YYSPORTS Sport Industrial Development Co., Ltd.	Development and sale of sports goods, clothing, shoes and hats, fitness equipment and related products	928,000 (RMB 200,000,000)	b	-	-	-	-	(1,614) (RMB (353,855))	31.77	(482) (RMB (105,622)) b, 1)	461,818 (RMB 103,268,707)	-	
YYSPORTS (Chengdu) Business Trading Co., Ltd.	Retail business of sports goods and accessories	689,194 (US$ 22,400,000)	b	-	-	-	-	(72,721) (RMB (15,998,053))	31.77	(22,853) (RMB (5,027,794)) b, 1)	166,755 (RMB 37,288,791)	-	
Fujian Baomin Sporting Goods Co., Ltd.	Retail business of sports goods and accessories	147,645 (US$ 4,500,000)	b	-	-	-	-	(5,733) (RMB (1,226,643))	28.60	(1,615) (RMB (345,578)) b, 1)	70,333 (RMB 15,727,407)	-	
Guangzhou Pou-Yuen Trading Co., Ltd.	Retail business of sports goods and accessories	710,251 (US$ 23,310,000)	b	-	-	-	-	(7,920) (RMB (1,884,937))	31.77	(2,570) (RMB (609,990)) b, 1)	258,074 (RMB 57,708,759)	-	
Dragon Light (China) Sporting Goods Co., Ltd.	Development and sale of sports goods, clothing, shoes and hats, fitness equipment and related products	2,111,340 (US$ 66,000,000)	b	-	-	-	-	(357,698) (RMB (76,780,847))	31.77	(111,849) (RMB (24,008,441)) b, 1)	515,163 (RMB 115,197,351)	-	
Shend Dao (Yang Zhou) Sporting Goods Dev Co., Ltd.	Shopping mall management and property management	2,111,340 (US$ 66,000,000)	b	-	-	-	-	125,342 (RMB 27,102,395)	31.77	39,266 (RMB 8,490,846) b, 1)	679,609 (RMB 151,969,823)	-	
Zhong Shan Pou Feng Mold Limited	Production and operation mould	85,306 (US$ 2,600,000)	b	-	-	-	-	1,248 (RMB 275,568)	50.97	629 (RMB 138,861) b, 1)	43,095 (RMB 9,636,631)	-	
Fanchang Yuxiang Enterprise Development Co., Ltd.	Production and sale of garments, shoes and related products, semi-finished products and bags, etc.	383,800 (US$ 12,000,000)	b	-	-	-	-	18 (RMB 3,894)	50.97	9 (RMB 1,953) b, 1)	4 (RMB 874)	-	
Dong Guan Pou Yuan Paper Products Ltd.	Production and sales of packaging and decoration prints	56,436 (US$ 1,750,000)	b	-	-	-	-	(2,931) (RMB (621,477))	50.97	(1,468) (RMB (311,150)) b, 1)	15,064 (RMB 3,368,484)	-	
Zhong Shan O Li Su Shoe Making Machine Ltd.	Manufacturing shoes and boots or repairing machinery	157,134 (US$ 5,100,000)	b	-	-	-	-	(21,805) (RMB (4,771,439))	50.97	(10,964) (RMB (2,399,428)) b, 2)	36,635 (RMB 8,191,986)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Shaanxi Pousheng Trading Co., Ltd.	Engaged in wholesale, retail and import and export business of sports goods, fitness equipment and sportswear	$ 2,012,320 (US$ 66,000,000)	b	$ -	$ -	$ -	$ -	$ 994,457 (RMB 215,672,986)	31.77	$ 311,373 (RMB 67,531,713) b, 1)	$ 2,092,256 (RMB 467,856,866)	$ -	
Taicang Yue-Shen Sporting Goods Co., Ltd.	Engaged in the production and sales of shoe products, semi-finished products, moulds and related sports goods.	393,720 (US$ 12,000,000)	b	-	-	-	-	(9,734) (RMB (2,101,491))	31.77	(3,043) (RMB (656,963)) b, 1)	511,708 (RMB 114,424,964)	-	
Hangzhou Pou-Hung Sport Products Co., Ltd.	Design, development, production and processing of sports goods, sports instruments, sportswear, sports shoes and accessories	67,308 (RMB 14,200,000)	b	-	-	-	-	-	15.89	- b, 1)	4,261 (RMB 952,720)	-	
Yangzhou Yijian Software Tech Co., Ltd.	Integration of software and hardware sales service systems (excluding IC design)	35,803 (US$ 1,170,000)	b	-	-	-	-	1,318 (RMB 290,872)	50.97	665 (RMB 146,652) b, 1)	2,800 (RMB 626,009)	-	
Rui Jin Pou Yuen Footwear Development Co., Ltd.	Production and sale of sports shoes, leisure shoes and semi-finished products	356,697 (US$ 12,000,000)	b	-	-	-	-	(8,860) (RMB (1,820,845))	50.97	(4,376) (RMB (898,360)) b, 1)	195,533 (RMB 43,723,791)	-	
Yang Xin Pou Jia Shoes Manufacturing Co., Ltd.	Production and sale of shoes uppers, footwear and garments	1,391,195 (US$ 45,500,000)	b	-	-	-	-	154,447 (RMB 33,958,928)	50.97	78,053 (RMB 17,162,369) b, 1)	771,087 (RMB 172,425,475)	-	
Bou Jin (Yangzhou) Garments Co., Ltd.	Production and sale of sportswear, casual wear, etc.	698,853 (US$ 21,300,000)	b	-	-	-	-	(98,100) (RMB (21,184,347))	20.39	(19,674) (RMB (4,248,686)) b, 1)	18,953 (RMB 4,238,122)	-	
Jiangxi Province Yutai Shoe Co., Ltd.	Production and sale of footwear products and semi-finished products	468,425 (US$ 15,000,000)	b	-	-	-	-	7,093 (RMB 1,555,571)	50.97	3,676 (RMB 806,115) b, 1)	(69,295) (RMB (15,495,283))	-	
Dongguan Yu Xiang Shoes Material Co., Ltd.	Production and sale of footwear products	295,820 (US$ 9,500,000)	b	-	-	-	-	22,687 (RMB 5,290,949)	50.97	11,650 (RMB 2,713,728) b, 1)	213,745 (RMB 47,796,191)	-	
Fan-Chang Yue-Shen Sporting Goods Co., Ltd.	Production and sale of garments, shoes and related products, semi-finished products and bags, etc.	128,600 (US$ 4,000,000)	b	-	-	-	-	336 (RMB 72,546)	31.77	105 (RMB 22,675) b, 1)	-	-	
Chen Zhou Glory Shoes Ind., Ltd.	Production and sale of sports shoes, leisure shoes and leather shoes and semi-finished products	59,610 (US$ 2,000,000)	b	-	-	-	-	(87) (RMB (18,933))	22.94	(20) (RMB (4,281)) b, 2)	13,582 (RMB 3,037,025)	-	
Jiang Xi Hwa Ching Foam Ltd.	Manufacturing and sale of plastic foam, plastic packaging materials and other plastic products	63,600 (US$ 2,000,000)	b	-	-	-	-	2,808 (RMB 627,870)	19.37	542 (RMB 121,198) b, 1)	16,453 (RMB 3,679,015)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Dong Guan Yue Tai Shoe Material Company Limited	Production and sale of footwear products	$ 70,153 (US$ 2,202,580)	b	$ -	$ -	$ -	$ -	$ (4,638) (RMB (1,020,717))	25.49	$ (1,169) (RMB (257,375)) b, 1)	$ 16,174 (RMB 3,616,676)	$ -	
Yue Yuen (Anfu) Footwear Co., Ltd.	Production and marketing of finished shoes, semi-finished products and components and modules	1,763,350 (US$ 60,000,000)	b	-	-	-	-	189,733 (RMB 41,518,580)	50.97	95,518 (RMB 20,903,160) b, 1)	980,456 (RMB 219,243,364)	-	
Dong Guan Bao Yu Shoes Co., Ltd.	Production and sale of sports shoes, leisure shoes, leather shoes, children's shoes, semi-finished footwear and footwear materials	66,780 (US$ 2,100,000)	b	-	-	-	-	-	50.97	- b, 1)	36,735 (RMB 8,214,426)	-	
Beijing Baojing Kang Tai Trading Co., Ltd.	Wholesale and retail of sporting goods, sporting instruments and clothing, shoes and hats	261,797 (US$ 8,940,000)	b	-	-	-	-	(8,088) (RMB (1,817,004))	15.89	(1,258) (RMB (282,719)) b, 1)	54,073 (RMB 12,091,509)	-	
Kunshan Xin Dong Sports Co., Ltd.	Wholesale, import, export and packaging of sports goods, sports instruments, clothing, shoes, caps	29,101 (US$ 999,000)	b	-	-	-	-	69 (RMB 15,102)	31.77	22 (RMB 4,738) b, 1)	7,352 (RMB 1,644,084)	-	
Kun Shan Pou-chi Sports Co., Ltd.	Wholesale, commission agency, import and export business of sports goods, sports equipment, clothing, shoes, caps and packaging and related design, technical consultation and service	399,539 (US$ 13,500,000)	b	-	-	-	-	207,086 (RMB 45,615,302)	31.77	65,050 (RMB 14,329,555) b, 1)	220,809 (RMB 49,375,927)	-	
Yangzhou Baoyuan Shoes Co., Ltd.	Production and sale of sports shoes, sportswear, leisure shoes and sports goods	145,650 (US$ 5,000,000)	b	-	-	-	-	-	31.77	- b, 1)	-	-	
Dongguan Yuancheng Shoes Material Co., Ltd.	Production and sale of footwear products	89,382 (US$ 2,750,000)	b	-	-	-	-	(633) (RMB (138,439))	25.49	(159) (RMB (34,741)) b, 1)	22,617 (RMB 5,057,470)	-	
Dongguan De Chang Zi Xun Co., Ltd.	Business management consultation, marketing planning and other services	10,290 (US$ 350,000)	b	-	-	-	-	7,836 (RMB 1,721,524)	50.97	3,945 (RMB 866,641) b, 1)	15,917 (RMB 3,559,253)	-	
Zhong Shan Bao Song Zi Xun Co., Ltd.	Business management consultation, marketing planning and other services	10,290 (US$ 350,000)	b	-	-	-	-	10,101 (RMB 2,187,578)	50.97	5,066 (RMB 1,097,099) b, 1)	13,624 (RMB 3,046,620)	-	
Yiyang Yujing Shoes Industrial Co., Ltd.	Production and sale of finished and semi-finished sports shoes and leisure shoes	743,983 (US$ 24,000,000)	b	-	-	-	-	(59,654) (RMB (13,199,352))	50.97	(30,072) (RMB (6,654,243)) b, 1)	33,531 (RMB 7,498,013)	-	
Dong Guan YuZhan Shoes Co., Ltd.	Prepare sports shoes, leisure shoes, leather shoes, children's shoes, semi-finished shoes and shoes material items	557,490 (US$ 19,100,000)	b	-	-	-	-	-	50.97	- b, 1)	-	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Jiangxi Uniscien Consulting Co., Ltd.	Business management consultation, marketing planning and other services	$ 10,442 (US$ 350,000)	b	$ -	$ -	$ -	$ -	$ 4,409 (RMB 967,418)	50.97	$ 2,218 (RMB 486,717) b, 1)	$ 13,644 (RMB 3,050,920)	$ -	
Pei Xian Bao Yi Shoes Manufacturing Co., Ltd.	Production and sale of finished and semi-finished sports shoes and leisure shoes	287,250 (US$ 10,000,000)	b	-	-	-	-	(148) (RMB (31,932))	-	(37) (RMB (7,992)) b, 1)	-	-	
Yu Xing (Jishui) Footwear Co., Ltd.	Production and sale of sports shoes	183,840 (US$ 6,400,000)	b	-	-	-	-	2,641 (RMB 579,239)	50.97	1,405 (RMB 308,135) b, 1)	(105,584) (RMB (23,609,977))	-	
Dongguan Xingtai Consulting Co., Ltd.	Business management consultation, marketing planning and other services	41,945 (US$ 1,400,000)	b	-	-	-	-	8,396 (RMB 1,839,495)	50.97	4,222 (RMB 925,119) b, 1)	30,345 (RMB 6,785,617)	-	
Yang Xin Zhang Yuan Shoe Co., Ltd.	Production and sale of footwear products	61,029 (US$ 2,100,000)	b	-	-	-	-	(1,782) (RMB (390,764))	25.49	(448) (RMB (98,298)) b, 1)	7,607 (RMB 1,700,933)	-	
YangXin Pou Jia Yuen Shoes Manufacturing Co., Ltd.	Production and sale of rubber soles	72,990 (US$ 2,500,000)	b	-	-	-	-	10,854 (RMB 2,378,916)	25.49	2,728 (RMB 597,985 b, 1)	20,272 (RMB 4,533,146)	-	
Pou Sheng (China) Investment Co., Ltd.	Business of investment, technical services and wholesale, import and export sports goods, sportswear, sports shoes and leisure shoes	4,550,741 (US$ 152,922,400)	b	-	-	-	-	(60,556) (RMB (13,686,065))	31.77	(19,151) (RMB (4,327,863)) b, 1)	1,209,177 (RMB 270,388,471)	-	
Yichun Yisen Industry Co., Ltd.	Production and sale of footwear and mold products	410,130 (US$ 14,000,000)	b	-	-	-	-	49,981 (RMB 10,995,777)	50.97	25,116 (RMB 5,525,930 b, 1)	328,743 (RMB 73,511,465)	-	
Zhong Xiang Yue-Shen Sporting Goods Co., Ltd.	Production, processing of shoes, semi-finished products, moulds and related sporting goods, sales of self-produce products	94,380 (US$ 3,250,000)	b	-	-	-	-	(307,971) (RMB (66,803,022))	50.97	(153,976) (RMB (33,399,516)) b, 1)	(5,597) (RMB (1,251,538))	-	
Dong Guan Yurui Electronic Technology Co., Ltd.	Processing and manufacturing of electronic products such as computer peripheral equipment	87,120 (US$ 3,000,000)	b	-	-	-	-	-	50.97	- b, 1)	-	-	
Zhang Shan Shi Bi Fu Material Co., Ltd.	Production and operation of knitted fabrics and carbon fiber shoes, especially for shoes, sports shoes, etc.	43,290 (US$ 1,395,100)	b	-	-	-	-	3,494 (RMB 784,822)	24.85	871 (RMB 195,515 b, 1)	11,213 (RMB 2,507,485)	-	
Dong Guan Pou Chen Footwear Company Limited	Production and sale of footwear products, semi-finished footwear products and accessories, moulding tools and engaged in the wholesale and import and export business of footwear products	850,131 (RMB 177,000,000)	b	-	-	-	-	217,372 (RMB 46,515,795)	50.97	108,916 (RMB 23,305,276 b, 1)	855,560 (RMB 191,314,948)	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Dongguan Yusheng Shoe Industry Co., Ltd.	Production and sale of finished shoes, semi-finished shoes and mold products and engaged in research and development of shoes, finished shoes, mold products	$ 883,824 (RMB 184,000,000)	b	$ -	$ -	$ -	$ -	$ 61,518 (RMB 13,507,462)	50.97	$ 30,986 (RMB 6,804,113 b, 1)	$ 850,736 (RMB 190,236,230)	$ -	
Dong Guan Yue Yuan Footwear Products Company Limited	Production and sale of footwear products, semi-finished footwear products, mold products and engaged in wholesale and import and export business of footwear products	860,086 (RMB 179,000,000)	b	-	-	-	-	19,975 (RMB 4,435,938)	50.97	10,070 (RMB 2,236,390 b, 1)	295,430 (RMB 66,062,225)	-	
Dong Guan Yue Lei Plastic Company Limited	Prepare for research and development of shoe materials and composite materials	37,960 (RMB 7,800,000)	b	-	-	-	-	-	50.97	- b, 1)	-	-	
Jilin Xinfangwei Sports Goods Company Limited	Sports goods sales	196,160 (RMB 40,000,000)	b	-	-	-	-	-	15.89	- b, 1)	-	-	
Zhang Yuan (Dong Guan) Shoe Materials Co., Ltd.	Prepare for research and development of shoe materials and composite materials	114,804 (RMB 23,000,000)	b	-	-	-	-	36,740 (RMB 8,023,504)	25.49	9,247 (RMB 2,019,446) b, 1)	37,887 (RMB 8,472,100)	-	
Dong Guan Jia Yuan Shoe Materials Products Company Limited	Prepare shoe material	108,805 (RMB 21,600,000)	b	-	-	-	-	974 (RMB 221,686)	50.97	491 (RMB 111,767) b, 1)	51,461 (RMB 11,507,358)	-	
Dong Guan Yue Guan Paper Products Co., Ltd.	Production and sale of cartons and engaged in research and development of cartons	48,693 (RMB 10,000,000)	b	-	-	-	-	521 (RMB 117,179)	10.19	53 (RMB 11,861) b, 1)	4,491 (RMB 1,004,299)	-	
Kun Shan YYSPORTS E-Commerce Co., Ltd.	Network technology development, technical consultation, technical services and retail and wholesale of sports goods, sports equipment	89,367 (US$ 3,000,000)	b	-	-	-	-	(31,176) (RMB (7,026,931))	31.77	(9,818) (RMB (2,212,998)) b, 1)	(4,092) (RMB (915,044))	-	
Hunan Huaqing Foam Products Co., Ltd.	Processing and production of plastic foam, foam daily products, shoe products and composite products	76,819 (US$ 2,500,000)	b	-	-	-	-	(1,814) (RMB (392,259))	6.78	(122) (RMB (26,346)) b, 1)	4,474 (RMB 1,000,403)	-	
Kun Shan Taisong Trading Co., Ltd.	Wholesale and retail of clothing, footwear, glasses and watches	790,110 (US$ 26,500,000)	b	-	-	-	-	(215,726) (RMB (47,247,116))	31.77	(67,654) (RMB (14,818,116)) b, 1)	(102,497) (RMB (22,919,818))	-	
Dong Guan Artesol Trading Co., Ltd.	Wholesale of adhesives, glue rubber, shoe materials and their supporting products, etc.	9,138 (US$ 300,000)	b	-	-	-	-	226 (RMB 49,109)	-	113 (RMB 24,550) b, 1)	-	-	

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds: Outward	Remittance of Funds: Inward	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
Shanghai Pou-Lo Sport Culture Co., Ltd.	Management consultants, wholesale of sports goods and equipment wholesale, other sports services and other art performance assistant services	$ 16,093 (US$ 500,000)	b	$ -	$ -	$ -	$ -	$ (641) (RMB (140,524))	31.77	$ (185) (RMB (40,565)) b, 1)	$ (3,020) (RMB (675,388))	$ -	
Kun Shan Pou-Han Sport Culture Development Co., Ltd.	Management consultants, wholesale of sports goods and equipment wholesale, other sports services and other art performance assistant services	48,278 (US$ 1,500,000)	b	-	-	-	-	4,495 (RMB 988,580)	31.77	1,414 (RMB 311,054) b, 1)	14,529 (RMB 3,248,906)	-	
Yisen (YiFeng) Mould Co., Ltd.	Production and sale of mould products	479,284 (US$ 14,850,000)	b	-	-	-	-	(16,124) (RMB (3,487,312))	50.97	(8,094) (RMB (1,750,556)) b, 1)	198,249 (RMB 44,331,214)	-	
Zhu Hai Yu Yuan Industrial Co., Ltd.	Processing, production and sale of footwear products	1,408 (RMB 300,000)	b	-	-	-	-	4,365 (RMB 966,993)	50.97	2,226 (RMB 493,049) b, 1)	36,620 (RMB 8,188,677)	-	
Yang Xin Pou Shou Sporting Goods Co., Ltd.	Processing, production and sale of footwear products	236,574 (US$ 7,800,000)	b	-	-	-	-	(43,873) (RMB (9,454,613))	50.97	(21,962) (RMB (4,732,727)) b, 1)	88,858 (RMB 19,869,925)	-	
Zhang Yuan (Yi Feng)Shoe Materials Co., Ltd.	Production, sales and development of shoe materials and composite materials	14,222 (US$ 470,000)	b	-	-	-	-	590 (RMB 132,973)	-	150 (RMB 33,825) b, 1)	-	-	
Changsha YYSPORTS Sport Products Co., Ltd.	Sales of sports goods and equipments	22,825 (RMB 5,000,000)	b	-	-	-	-	21,371 (RMB 4,756,287)	31.77	6,736 (RMB 1,499,202) b, 1)	3,034 (RMB 678,469)	-	
Henan YYSPORTS Sport Products Co., Ltd.	Retail business of sports goods and accessories	9,130 (RMB 2,000,000)	b	-	-	-	-	130,641 (RMB 28,466,560)	31.77	40,979 (RMB 8,929,569) b, 1)	92,038 (RMB 20,581,054)	-	
Shenyang Pou-Yi Trading Co., Ltd.	Retail business of sports goods and accessories	182,600 (RMB 40,000,000)	b	-	-	-	-	(26,766) (RMB (5,770,473))	31.77	(8,332) (RMB (1,796,126)) b, 1)	12,819 (RMB 2,866,454)	-	
Zhejiang shengdao Sporting-goods Co., Ltd.	Retail business of sports goods and accessories	228,250 (RMB 50,000,000)	b	-	-	-	-	349,598 (RMB 76,692,526)	31.77	109,728 (RMB 24,072,645) b, 1)	284,764 (RMB 63,677,001)	-	
Mudanjiang YYSPORTS Sport Technology Co., Ltd.	Sports service, research and development of sports fitness equipment and retail business of sports goods	4,565 (RMB 1,000,000)	b	-	-	-	-	4,476 (RMB 987,195)	31.77	1,409 (RMB 310,722) b, 1)	2,554 (RMB 571,065)	-	
Widevision Investment (Shenzhen) Co., Ltd.	Business management consulting, economic information consulting and market management planning	13,833 (RMB 3,000,000)	b	-	-	-	-	1,190 (RMB 274,961)	100.00	1,779 (RMB 401,841) b, 1)	9,506 (RMB 2,125,575)	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
$ -	$ 20,898,020 (US$ 680,384,824)	$ 91,318,624

(Continued)

Note 1: Methods of investments have following types:

a. Direct investment in mainland China.
b. Indirect investment in the Company located in mainland China through a third place.
c. Other.

Note 2: Investment profit or loss recognized in the current period:

a. If it is in the preparation stage, there is no investment gains and losses, it should be noted.
b. The amount of investment gain (loss) was recognized in following bases:

   1) Based on the financial statements audited by an ROC CPA firm cooperating with an international CPA firm.
   2) Based on the financial statements audited by the auditor of parent company.

Note 3: Financial assets at FVTOCI

Note 4: The limitation of the amount is in accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" which was passed on August 29, 2008

(Concluded)

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	2018	Difference	
			Amount	Percentage
Current Assets	154,667,365	164,383,958	9,716,593	6.28%
Non-Current Assets	147,237,065	139,878,455	(7,358,610)	(5.00%)
Total Assets	301,904,430	304,262,413	2,357,983	0.78%
Current Liabilities	84,461,024	93,303,080	8,842,056	10.47%
Non-Current Liabilities	59,063,460	58,761,627	(301,833)	(0.51%)
Total Liabilities	143,524,484	152,064,707	8,540,223	5.95%
Equity	29,467,872	29,467,872	-	-
Capital Surplus	4,615,341	4,600,092	(15,249)	(0.33%)
Retained Earnings	63,449,395	66,088,797	2,639,402	4.16%
Other Equity	(13,917,230)	(22,293,369)	(8,376,139)	(60.19%)
Non-Controlling Interests	74,764,568	74,334,314	(430,254)	(0.58%)
Total Equity	158,379,946	152,197,706	(6,182,240)	(3.90%)

(1) Analysis of changes in financial ratios:

Decrease of NT$8.38 billion in other equity was mainly due to the IFRS 9-based retrospective adjustment of NT$13.48 billion applicable for the first time in 2018; NT$1.48 billion in exchange profit on translation of foreign financial statements; unrealized loss of NT$690 million on financial assets at fair value through other comprehensive profit or loss; and other comprehensive loss of NT$24.03 billion on the share of associates and joint ventures accounted for using the equity method.

(2) Impact: no material impact.

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

7.2 Financial Performance

(In NT$ thousands)

Item \ Year	2017	2018	Difference	
			Amount	Percentage
Operating Revenue	278,631,872	293,316,089	14,684,217	5.27%
Operating Costs	205,563,548	217,844,794	12,281,246	5.97%
Operating Expenses	56,000,226	61,661,831	5,661,605	10.11%
Income from Operations	17,068,098	13,809,464	(3,258,634)	(19.09%)
Non-operating Income and Expenses	7,749,406	6,450,919	(1,298,487)	(16.76%)
Income Before Income Tax	24,817,504	20,260,383	(4,557,121)	(18.36%)
Income Tax Expense	3,086,914	3,888,517	801,603	25.97%
Net Income For the Year	21,730,590	16,371,866	(5,358,724)	(24.66%)
Other Comprehensive Net Income (Loss)	719,523	(23,332,866)	(24,052,389)	(3342.82%)
Total Comprehensive Income For the Year	22,450,113	(6,961,000)	(29,411,113)	(131.01%)

(1) Analysis of changes in financial ratios :

A. Decrease in net profit for the year:

NT$5.36 billion decrease in net profit for the year was primarily because operating cost increased due to the adverse effects of order and product portfolio changes on the footwear business. In addition, the Company's retailing of sporting goods and brand licensing business were affected by sales network expansion and store renovation, causing increased market promotion and marketing expenses compared to previous year and resulting in a decrease in net operating income of NT$3.26 billion. Regarding non-operating revenue and expenses, decrease in net income for the year was mainly due to decrease of NT$490 million in other income, increase of NT$800 million in financing cost and increase of US$800 million in income tax expense.

B. Increase in other comprehensive loss:

Other comprehensive loss increased by NT$24.05 billion mainly due to (A) the share of loss of associates and joint ventures accounted for using the equity method increased by NT$29.83 billion. This is mainly due to the increase in unrealized loss on financial assets at fair value through other comprehensive profit or loss, as recognized by Ruen Chen Investment of the Pou Chen Group compared to the corresponding period last year; (B) exchange profit on translation of foreign financial statements increased by NT$6.08 billion, primarily because the functional currency in foreign operations is USD, and the exchange rate of USD to NTD this year depreciated (depreciation of 3.21%) and the exchange rate of USD to NTD in 2017 appreciated (appreciation of 7.72%), which caused the year's exchange profit on translation of foreign financial statements for the year, compared to the exchange loss in the corresponding period last year, when the subsidiary converted USD to NTD.

(2) Sales conditions forecast：

Regarding footwear manufacturing in 2019, the Company will continue to invest in automated development and process refinement, introduce innovative production models, improve the flexibility and diversity of our manufacturing capabilities, maintain the maximum flexibility of production allocation, and constantly increase the depth of cooperation with brand customers to provide the most valuable total solutions for the benefit of brand customers, thereby creating greater profitability. With respect to retailing of sporting goods and brand licensing business, consumer behaviors are tended toward customized services and diverse products. Management thinking will be more consumer-oriented. In response, the Company will continue to expand its physical and virtual integration, enhance the operating capability of its omni-channels, enrich product supplies and refine shopping services to satisfy the different needs of consumers, create effective sales strategies, and in turn improve the benefits of channel operations.

(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 2018

(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
34,108,353	10,543,202	(6,707,486)	(6,229,073)	537,005	32,252,001

A. Operating activities:

Net cash inflow from operating activities is NT$10.54 billion, mainly including NT$20.26 billion operating income before tax adjusted by items that do not affect cash flow. These items include adding NT$9.85 billion depreciation expenses, deducting the NT$5.76 billion share of the profit of associates and joint ventures accounted for using the equity method, and the cash outflow from NT$6.8 billion increase in inventory, NT$2.63 billion in interest paid, and NT$4.21 billion in income tax paid.

B. Investing activities:

Net cash outflow from investing activities is NT$6.71 billion, mainly including NT$13.39 billion cash outflow for acquisition and disposal of property, plant, and equipment; NT$750 million cash inflow from acquisition and disposal of equity-accounted investments; NT$3 billion net cash inflow from acquisition and disposal of financial assets carried at cost after amortization; NT$420 million cash inflow from disposal of subsidiary; and NT$2.56 billion cash inflow from dividends received.

C. Financing activities:

Net cash outflow from financing activities is NT$6.23 billion, mainly including NT$4.11 billion cash inflow proceeds from short-term borrowings, NT$2.64 billion cash inflow from long-term borrowings, NT$20 million cash inflow from performance bond deposit, NT$100 million cash outflow for paying short-term bills, NT$5.89 billion cash outflow for distribution of cash dividends by The Company, and NT$7.01 billion cash outflow for distribution of cash dividends to several shareholders by Yue Yuen Industrial Holdings.

(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
32,252,001	25,857,403	(24,487,634)	33,621,770	-	-

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, acquiring equity-accounted investments, and 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 brand licensing 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 2018, is NT$5.76 billion compared to the NT$5.78 billion in 2017, slightly decreased NT$20 million.

(2) The investment plan for the coming year will continue focusing on footwear manufacturing and two core businesses in sporting goods 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.
Audit Committee	The Committee shall, pursuant to its organizational rules, adopt independent and professional opinions to conduct prudent risk assessment and supervise the fair representation of the company's financial report, hiring or dismissal of an attesting CPA and its independence and performance, compliance to relevant regulations and rules, effective implementation of the company's internal control system, and control of existing or latent risks of the Company. The Committee shall propose suitable suggestions that facilitate the board's decision-making.
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 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 U.S. dollar, NT dollar, and RMB will not only affect the Company’s interest earned on the deposits and return from financial products but also affect its financing cost.

Regarding financial products investment, the Company mainly invests in low-risk financial products, such as time deposits, repurchase agreements, and money market funds to preserve principal and support liquidity requirements. Meanwhile, the Company also invests a portion of funds into investment grade securities or bonds to ensure investment risk as pursuing higher yield.

In addition to appropriately allocating positions into different durations, the Company use derivative products, such as interest rate swap, cross-currency swaps, and utilize fixed-rate loans to lower the interest rate fluctuations impact on the Company's financing cost. The Company will continue to monitor interest rate trends, hedge against interest rates fluctuation, and adopt fixed-rate financing instruments to mitigate the impact of interest rate fluctuation on the Company's financing cost.

Considering the diminishing stimulating effects on tax reduction and government expenditure expansion and the tightening monetary policies in the United States in the past few years, it is estimated that the States' economic growth will slow down in 2019. Given the uncertainty over the trade war between China and USA, Brexit, China's exports slumped and European factory output declined, the global economic growth will be affected. The IMF also revised its outlook for 2019 global economic growth to 3.5%.

The statement and press conference following the January 2019 Federal Reserve policy meeting was a further pivot to a dovish stance. The Fed stated that the target federal funds rate has risen to a neutral range and it will be patient and in no hurry to raise the target federal funds rate. The statement led the investors to estimate that the chance of rate moving higher in 2019 is limited.

As the uncertainty over the trade war between China and the United States, global trade volume decrease and economic growth will slow down, it is expected that Taiwan's GDP and CPI in 2019 will be lower than those in 2018, and the central bank will continue to adopt accommodative monetary policy in light of economic and financial developments. The Company will pay close attention to the global economic environment and timely manage interest rate fluctuation risk.

B. Exchange Rate Fluctuation

The Company and its subsidiaries according to the Company's principles, market trends and account recorded costs to hedge foreign currency positions arising from operating through spot exchange, forward contract, option or other financial instruments. The foreign exchange rate will be more volatile under several uncertainties and trade tensions. The Company will continue to monitor the movements of the foreign exchange rate, reduce exposure by offsetting debt entitlements and debt obligations and utilize hedging instruments to minimize the impact from fluctuations in exchange rates on the profit and loss of the Company.

C. Inflation

Given the price fluctuation in raw materials and energy, the Company will continue to monitor the trends of raw materials price, appropriate control raw materials inventory and flexibly adjust business plans to avoid the negative impact from the fluctuation in inflationary of raw materials price.

(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 core business and does not engage in any high-risk or high-leveraged investments. The Company has established a guideline on the "Procedures for Acquisition and Disposal of Assets." All of the investments or disposal matters will manage following the guidance.

B. To support the operation of its affiliates, the Company has established a guideline on the "Operational Procedures for Loaning of Company Funds" and "Operational Procedures for Making Endorsements and Guarantees" per related regulations promulgated by the regulatory authority. The Company has explicitly assigned internal units and personnel to evaluate and audit periodically.

C. In the future, all of the transactions will conduct following the Company's internal guideline.

(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 107.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.

As technologies advance and become more prevalent, enterprises are increasingly using information systems and relying on information. Problems associated with information security will therefore warrant rigorous attention. Since building and incorporating the information security management system (ISMS) in 2013, the Company has established information security system documents and control measures that conform to the ISO27001 international information security standards and encompass information-related management aspects, which include policies, organization, personnel, physical environment, network security, operational management, access control, information system development and maintenance, information security incidents, disaster drills, and plant Internet equipment digital safety management. We also used the Plan-Do-Check-Act (PDCA) approach to continuously improve the model operations. Management is assisted through comprehensive system setup to mitigate information risks and threats.

Based on the protection level of the IT operating environment inside the group, we constructed five security constructs of information, process, network, device, and system, including action plans for information confidentiality management, fraud prevention and awareness, Internet use security control, mobile device security measure, and Internet connection protection and control. These plans serve to facilitate information security risk control and business continuity.

(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, ranked 16th and 17th in the manufacturing industry in the Taiwan Top 2,000 Survey of Commonwealth Magazine in both 2018 and 2017. 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.

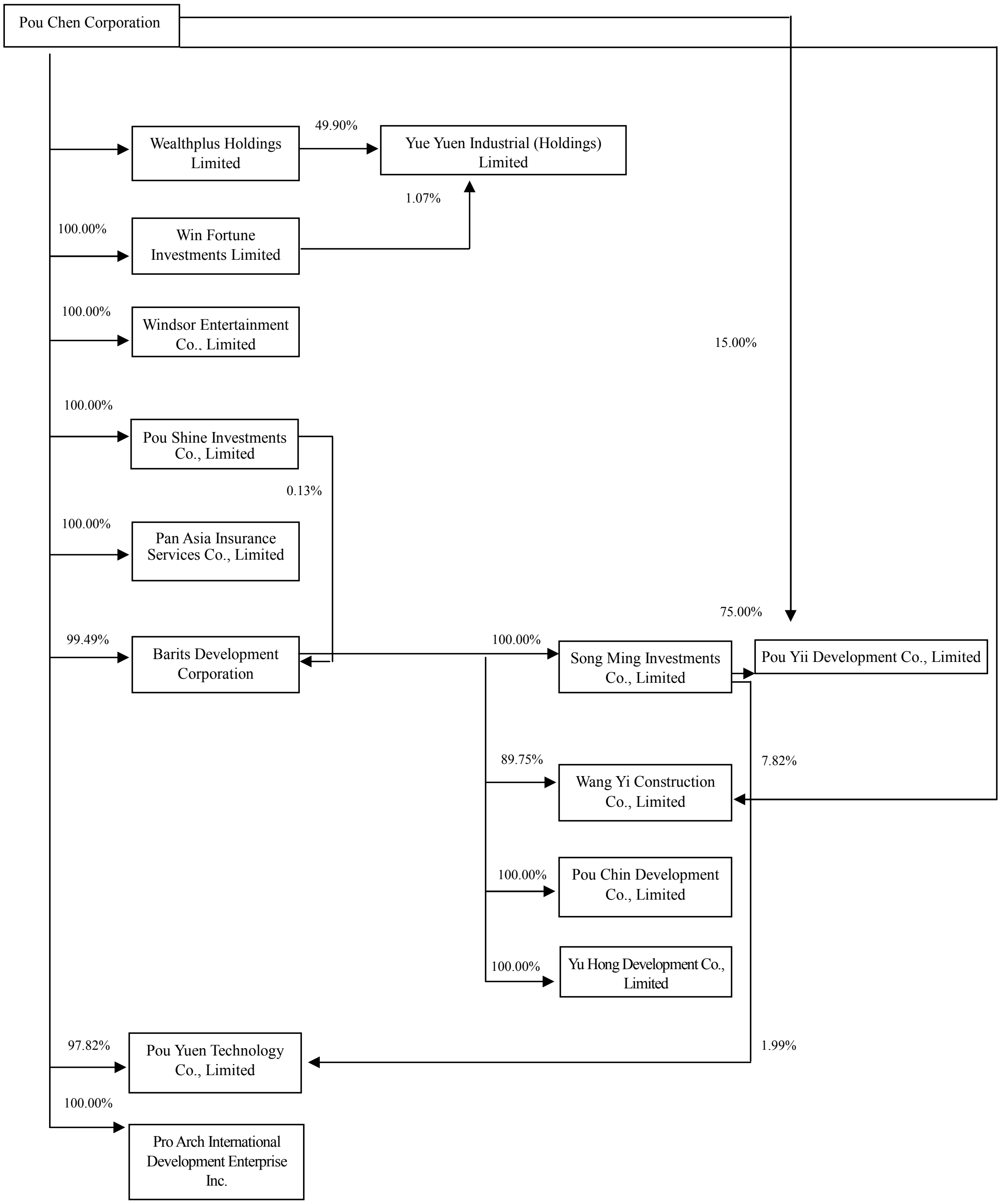
7.7 Other Material Items: N/A

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., Limited	July 15, 2003	No.610, Sec. 4, Taiwan Blvd., Taichung City, Taiwan	100,000	Entertainment and resort operations
Pou Shine Investments Co., Limited	March 19, 1990	No.2, Fu Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan	1,330,945	Investing activities
Pan Asia Insurance Services Co., Limited	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., Limited	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., Limited	September 26, 1996	No.2, Fu Kong Rd., Fu Hsin Hsian, Chang Hwa, Taiwan	1,204,864	Investing activities
Wang Yi Construction Co., Limited	May 23, 1984	6F-1, No.600, Sec. 4, Taiwan Blvd., Taichung City, Taiwan	77,000	Construction
Pou Yii Development Co., Limited	October 18, 1996	1F, No.71, Dadun 4th St., Taichung City, Taiwan	525,000	Rental and sale of real estate
Pou Chin Development Co., Limited	December 27, 2007	10F, No.600, Sec. 4, Taiwan Blvd., Taichung City, Taiwan	200,000	Agency of land demarcation
Yu Hong Development Co., Limited	October 18, 2012	13F, No.600, Sec. 4, Taiwan Blvd., Taichung City, Taiwan	240,000	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$52,182,000	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., Limited	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., Limited	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., Limited	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

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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., Limited, represented by Hsu, Hsiang-Ming	323,370	0.13
	Supervisor	Pou Shine Investments Co., Limited, represented by Liu, Shu-Hsuan	323,370	0.13
Pou Yuen Technology Co., Limited	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., Limited, represented by Hsiao, Hsiu-Chen	578,170	1.99
Pro Arch International Development Enterprise Inc.	Chairman	Pou Chen Corporation, represented by Ho, Ming-Kun	20,000,000	100.00
	Director	Pou Chen Corporation, represented by Wu, Hui-Chi	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 Hsieh, Chi-Ting	20,000,000	100.00
Song Ming Investments Co., Limited	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., Limited	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., Limited	Chairman	Song Ming Investments Co., Limited, represented by Wu, Chin-Tiao	39,375,000	75.00
	Director	Song Ming Investments Co., Limited, represented by Hsiao, Hsiu-Chen	39,375,000	75.00
	Director	Song Ming Investments Co., Limited, 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., Limited	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., Limited	Chairman	Barits Development Corporation, represented by Chan, Lu-Min	24,000,000	100.00
	Director	Barits Development Corporation, represented by Ho, Ming-Kun	24,000,000	100.00
	Director	Barits Development Corporation, represented by Liu, Shu-Hsuan	24,000,000	100.00
	Supervisor	Barits Development Corporation, represented by Hsiao, Hsiu-Chen	24,000,000	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	-	-

(Continued on next page)

(Continued)

Entity Name	Title	Name/Representative	Share Ownership	
			Number of Shares	Percentage
	Independent Non-executive Director	Huang, Ming-Fu	-	-
	Independent Non-executive Director	Wong Hak Kun	-	-
	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 ($)
Wealthplus Holdings Limited	$ 295,429	$75,678,475	$ 105,750	$75,572,725	$ 69,266	$ 14,434	$ 4,733,448	N/A
Win Fortune Investments Limited	3,230	2,035,228	50	2,035,178	110,003	109,904	104,198	N/A
Windsor Entertainment Co., Limited	100,000	288,679	185,811	102,868	530,752	10,778	12,145	N/A
Pou Shine Investments Co., Limited	1,330,945	3,550,647	581,746	2,968,901	191,123	190,162	185,180	N/A
Pan Asia Insurance Services Co., Limited	5,000	22,707	5,198	17,509	31,352	8,562	7,067	N/A
Barits Development Corporation	2,529,513	11,450,607	4,113,096	7,337,511	67,911	(47,090)	236,668	N/A
Pou Yuen Technology Co., Limited	290,700	680,227	51,393	628,834	16,681	11,289	39,115	N/A
Pro Arch International Development Enterprise Inc.	200,000	277,548	26,872	250,676	152,998	(2,119)	12,579	N/A
Song Ming Investments Co., Limited	1,204,864	2,110,741	1,944	2,108,797	116,595	115,746	115,746	N/A
Wang Yi Construction Co., Limited	77,000	121,695	28,395	93,300	158,168	(10,032)	(9,001)	N/A
Pou Yii Development Co., Limited	525,000	1,288,295	317,357	970,938	2,790	(3,561)	54,636	N/A
Pou Chin Development Co., Limited	200,000	204,697	4,574	200,123	3,931	(1,011)	(793)	N/A
Yu Hong Development Co., Limited	240,000	665,895	489,730	176,165	-	(1,175)	(8,178)	N/A
Yue Yuen Industrial (Holdings) Limited	1,670,848	255,425,694	115,794,198	139,631,496	292,461,855	12,737,050	9,258,196	5.68

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 25, 2019

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, 2018 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 136.

B. Consolidated Income Statements: see page 137~138.

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., Limited	Wholly owned subsidiary	Entertainment and resort operations	100.00%
Pou Shine Investments Co., Limited	Wholly owned subsidiary	Investing activities	100.00%
Pan Asia Insurance Services Co., Limited	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., Limited	99.81% owned subsidiary	Rental of real estate	99.81%
Vantage Capital Investments Limited	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., Limited	99.62% owned subsidiary	Investing activities	99.62%
Pou Chin Development Co., Limited	99.62% owned subsidiary	Agency of land demarcation	99.62%
Yu Hong Development Co., Limited	99.62% owned subsidiary	Development of real estate	99.62%
Wang Yi Construction Co., Limited	97.22% owned subsidiary	Construction	97.22%
Pou Yii Development Co., Limited	89.71% owned subsidiary	Rental and sale of real estate	89.71%
Yue Yuen Industrial (Holdings) Limited	50.97% owned subsidiary	Manufacturing and sale of athletic and casual footwear and sports apparel	50.97%
Pou Sheng International (Holdings) Limited	31.78% owned subsidiary	Retailing of sporting goods and brand licensing business	31.78%

(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., Limited, Wang Yi Construction Co., Limited, Pou Chin Development Co., Limited, Pou Yii Development Co., Limited, Song Ming Investments Co., Limited, Yu Hong Development Co., Limited, Pou Yuen Technology Co., Limited	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., Limited	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., Limited	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 reached the paid-in capital of our company. Also, to meet the company's operating needs or regulation

Entities	Legal or Contractual Restrictions
	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 45 in the accompanying notes to the Consolidated Financial Statements.

b. Financing provides to others: Please refer to Schedule 1 of Note 45 in the accompanying notes to the Consolidated Financial Statements.

c. Endorsements and guarantees provided: Please refer to Schedule 2 of Note 45 in the accompanying notes to the Consolidated Financial Statements.

d. Financial instruments: Please refer to Note 39 in the accompanying notes to the Consolidated Financial Statements.

e. Significant commitments and unrecognized liabilities: Please refer to Note 42 in the accompanying notes to the Consolidated Financial Statements.

f. Significant events after reporting period: Please refer to Note 43 in the accompanying notes to the Consolidated Financial Statements

g. Marketable securities held and derivative instruments: Please refer to Schedule 3 and Schedule 9 of Note 45 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 Shareholding or 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